

PUERTO RICO DEPARTMENT OF FAMILY TRAINING

Federal Funds Management Area
Changes to the OMB Circular
Single Audit Findings and Corrective Actions

May 5, 2016

FEDERAL FUNDS MANAGEMENT AREA



GRANTS.PR.GOV

PUERTO RICO FEDERAL FUNDS
MANAGEMENT AREA



OMB
OFFICE OF MANAGEMENT AND BUDGET
GOVERNMENT OF PUERTO RICO

Federal Funds Management Area (FFMA)

FFMA is a program ascribed to the Puerto Rico Office of Management and Budget

Created by Administrative Order 148-15

Purpose of improving capacity of the government entities to identify, acquire and manage competitive and non-competitive federal grants



Hon. Alejandro García Padilla
Governador
Luis F. Cruz Batista,
Director

20 de marzo de 2015

ORDEN ADMINISTRATIVA NÚM. 148-15

TODO EL PERSONAL

Luis F. Cruz Batista
Director

CREACION DEL ÁREA DE GERENCIA DE FONDOS FEDERALES

I. Introducción

Los retos fiscales que enfrenta el Estado Libre Asociado (ELA) de Puerto Rico ameritan que las entidades gubernamentales establezcan estrategias para identificar oportunidades en la utilización de los recursos fiscales que puedan destinarse a incrementar y sostener servicios esenciales para el bienestar común y el desarrollo económico. A esos fines y enmarcado en las responsabilidades que la ley le impone a la Oficina de Gerencia y Presupuesto (OGP), se autoriza la creación del Área de Gerencia de Fondos Federales (AGFF) en la estructura oficial de la entidad con el objetivo de fortalecer la capacidad del gobierno para acceder y administrar los fondos de subvenciones federales asegurando que están en consonancia con las políticas públicas del gobierno de Puerto Rico y el gobierno federal. Se ha identificado que existe la necesidad de adoptar criterios definidos y las mejores prácticas disponibles, mejorar la infraestructura tecnológica para obtener información integrada y confiable y proveer el adiestramiento necesario al personal que maneja los programas de fondos federales en las distintas agencias y organismos gubernamentales, de forma tal que tengan las herramientas necesarias para lograr mayor acceso a fondos federales y poder cumplir con los estándares establecidos por el gobierno federal para el uso y manejo adecuado de fondos federales.

El presupuesto consolidado del ELA para el año fiscal 2015 es de \$28,127 millones de dólares, de los cuales \$6,001 millones, o el 21.3%, corresponden a aportaciones del gobierno federal para programas y proyectos de entidades gubernamentales.

El informe de marzo del 2011 del *President's Task Force on Puerto Rico's Status* resaltó señalamientos recurrentes relacionados a la administración de fondos federales. El informe de la Casa Blanca menciona que las entidades gubernamentales locales y las organizaciones sin fines de lucro no están compitiendo para recibir todos los fondos discrecionales federales que podrían estar disponibles para Puerto Rico, de tal manera que se están perdiendo oportunidades para añadir recursos necesarios o adicionales a áreas esenciales de política pública. Se recomendó que las agencias federales que trabajan en conjunto con agencias locales colaboren para desarrollar estrategias que fortalezcan la capacidad de la Isla de incrementar y manejar los recursos federales de forma más efectiva y eficiente. Reconociendo que la economía de la Isla enfrenta sus mayores retos desde la recesión de 1980, el *Task Force* recomendó que el Gobierno local incremente la capacidad de su administración pública, particularmente en las áreas de manejo de programas federales para mitigar la crisis fiscal.

Federal Funds Management Area

FFMA Primary Responsibilities':

- Maximize funding to Puerto Rico by providing support to grant research effort through a consolidated database of available opportunities
- Set an infrastructure to track and monitor government compliance and performance with regards to grants awarding and management
- Establish a basic view of the Commonwealth's grants portfolio composition to accurately identify grants and support additional analysis
- Development of training, policies, standards, and strategies that allow for a well-trained staff with required skills
- Investigate the training, technical assistance, systems or any other capacity building needs of the grant management units of the government entities



SUPER CIRCULAR CHANGES

Julio C. Rivera Camacho, CPA

What is the Uniform Guidance (UG!)?

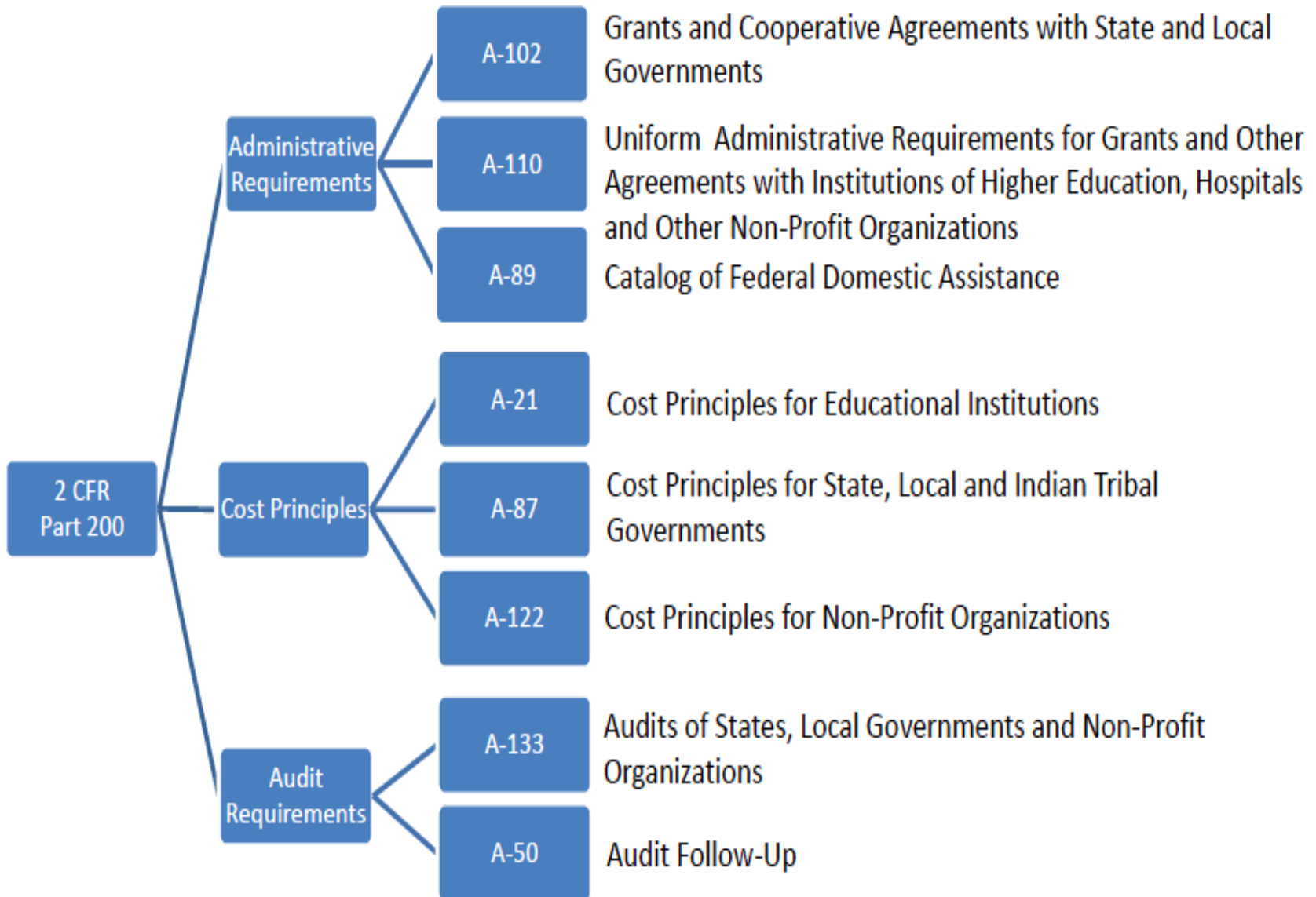
- OMB's consolidation of circulars for costing, administration and audit of Federal awards
 - ✓ 2 CFR 200 replaces 8 circulars and applies to universities, state and local governments, nonprofits, native tribes
 - ✓ Issued on December 26, 2013
 - ✓ Effective largely on December 26, 2014

- UG is still being interpreted and clarified

What are the high level goals of the Omni-Circular?

- ❑ Streamline guidance on federal awards
- ❑ Reduce administrative burden for the government
- ❑ Strengthen federal oversight of funding, to reduce potential for waste, fraud and abuse.
- ❑ Set standard requirements for financial award management uniformly across all federal agencies
- ❑ Includes all OMB Circulars into Title 2 of the CFR (i.e. – consolidation of 8 OMB Circulars into Title 2 of the CFR)
- ❑ Increase efficiencies and effectiveness of Federal Award making (i.e.- best use of funds)

Codification of Eight OMB Circulars



Organization of the Omni-Circular, 2 CFR Part 200 Uniform Guidance

- ❑ Subpart A – Acronyms & Definitions
- ❑ Subpart B – General Provisions (Section 200.1xx)
- ❑ Subpart C – Pre-Award Requirements (Section 200.2xx)
- ❑ Subpart D – Post Award Requirement (Section 200.3xx)
- ❑ Subpart E – Cost Principles (Section 200.4xx)
- ❑ Subpart F – Audit Requirements (Section 200.5xx)

- ❑ TERMS TO REMEMBER:
 - ✓ “**Must**” means “Required”
 - ✓ “**Should**” means not required but is best practice
 - ✓ “**And**” vs “**Or**” important to determine if it is both or either
 - ✓ “**Pass-Through Entity**” is Prime Recipient

Uniform Grant Guidance Effective Dates

- ❑ Federal agencies (FA) must implement policies and procedures by promulgating regulations to be **effective December 26, 2014.**
- ✓ **Non-federal entities** will need to implement the new administrative requirements and cost principles **for all new Federal awards made after December 26, 2014 and funding increments after that date** where Federal agencies change award terms and conditions
 - FAQ .110-6 - Effective Dates and Grace Period for Procurement.
 - FAQ .110-7 – Effective Dates and Incremental Funding.
 - NFE may implement entity-wide system changes to comply with the UG without penalty.
- ✓ **Audit requirements** effective for fiscal **years beginning on or after December 26, 2014:**
 - No early implementation of audit provisions.

A Closer Look at Effective Dates

- ❑ All 2014 year ends: No impact from the UG for NFE and auditors.
- ❑ Quarters ending March 31; June 30; and Sept 30, 2015: NFE use new Administrative Requirements and Cost Principles for all new awards and **funding increments with changed terms and conditions.**
- ❑ OMB Circular A-133 audit requirements remain.
- ❑ NFE likely have awards subject to the old requirements and awards subject to the new requirements.
- ❑ December 31, 2015, year-ends and beyond: New Single Audit requirements apply.

Conflict of Interest

§200.112 (NEW)

- ❑ Requires Federal awarding agencies to establish a conflict of interest policy for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.
- ❑ This refers to conflicts that might arise around how a non-Federal entity expends funds under a Federal award. These types of decisions include, for example, selection of a subrecipient or procurements as described in section 200.318.
- ❑ Requires a **disclosure** to the awarding agency of potential conflicts of interest in accordance with that agency's policy
- ❑ Agencies implementation plans should be reviewed for additional guidance or requirements

Key Sections – Subpart C

200.204 Federal Agency Review of Merit (NEW)

- ❑ This is new requirement, and helps the small or middle size applicants understand the ‘playing field’
- ❑ Federal agencies must design and execute merit review processes for applications
- ❑ The merit review process must be described in the funding opp (i.e. - transparency to the applicant)
- ❑ Conversation point: *This is a good addition that allows applicants to fully understand the merit review criteria, and review process.*

Key Sections – Subpart C

200.205 Federal Agency Review of Risk

- ❑ Federal agencies must have a framework for evaluating risks by applicants, prior to making awards.
- ❑ Possible risk items considered by the agencies
 - ✓ Financial stability
 - ✓ History of performance
 - ✓ Audit reports
 - ✓ Applicants ability to implement effective systems
- ❑ Conversation point: *Importance of delivery of timely progress reports, having effective management systems implemented, etc. is amplified.*

Risk Assessment of Applicant- Subpart C

Agency must perform risk assessment of awardees:

- ✓ Debarment List
- ✓ Do Not Pay List
- ✓ Federal Awardee Performance and Integrity Information System (FAPIIS) – past performance
- ✓ Dun and Bradstreet reports
- ✓ Prior audits
- ✓ Death Master File of SSA
- ✓ Debt Check Database of US Treasury
- ✓ Credit Alert System HUD
- ✓ Incarcerated individuals

Performance Reporting

§200.301

- ❑ Continued pressure from agencies to relate research progress to financial information and other “data” (e.g., number of students, publications, patents)
- ❑ The Federal awarding agency must require the recipient to use OMB-approved government wide standard information collection forms when providing financial and performance information. The Federal awarding agency must require the recipient to relate financial data to performance accomplishments of the Federal award. Also, in accordance with above mentioned government wide standard information collections, and when applicable, recipients must also provide cost information to demonstrate cost effective practices (e.g., through unit cost data).
- ❑ Guidance provides for research sponsors to use standard Research Performance Progress Report (RPPR) format – depends on agency implementation (NSF is on board!)

Key Sections – Subpart D

200.306 Cost Sharing or Matching

- ❑ Clarification is made that voluntary committed cost sharing is not expected under federal research proposal
- ❑ Voluntary Committed Cost Share cannot be used as a factor during the merit review of the proposal
- ❑ Cost Sharing may only be offered/considered when it's required by regulation and transparently displayed in the funding opportunity

Conversation point: This is a great clarification that is similar to NSF's policy on cost share.

Key Sections – Subpart D

200.313 Equipment

- ❑ Property records must contain percentage of federal participation in the project costs for the federal award that the equipment was purchased.
- ❑ Property records must contain the “use” of the equipment
200.313 (d) (1)
- ❑ Subpart also includes disposition rules

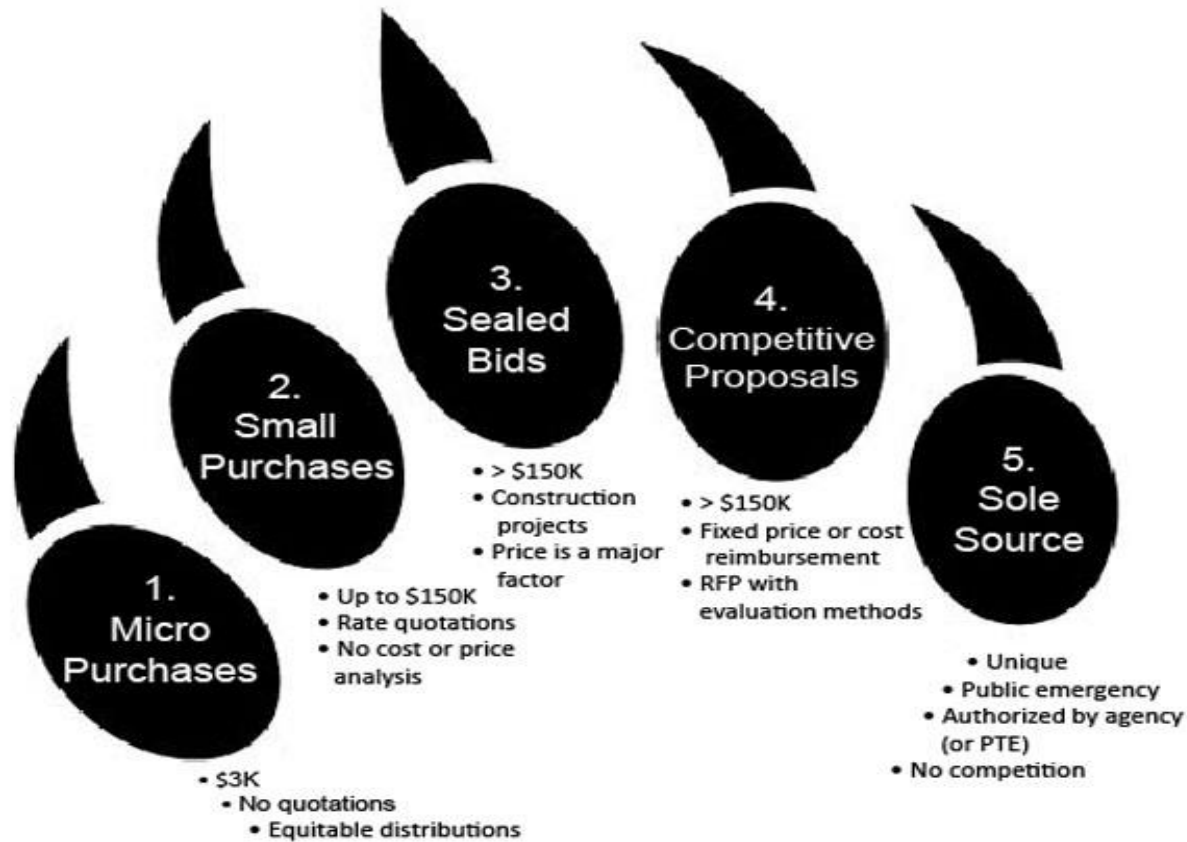
Procurement Standards - NEW

Procurement “Claw” (Sections 200.317-326)



Procurement Standards - NEW

Procurement "Claw" (Section 200.320)



Competition

§200.319

- The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.

Methods of Procurement

§200.320

- ❑ A prescriptive list of 5 procurement methods are provided
- ❑ New category of “micro-purchase” which appears to allow purchases of up to \$3,000 without competition
- ❑ Small purchases over \$3,000 would rate quotations – at least two
- ❑ Concern: This could have implications on procurement card programs and bid thresholds. The current threshold on P-Cards is \$5,000
- ❑ COFAR issued FAQ granting a 1-year grace period to review additional options for implementation.

Subrecipient Monitoring

- **§200.330** Vendor vs. subrecipient classification
 - ✓ Clarification that pass-through entity must determine the classification
 - ✓ Each agency may supply and require pass-through entities to comply with additional guidance to support their classifications

- **§200.331** Probable increase in subrecipient monitoring burdens
 - ✓ Explicit list of mandatory and optional factors to be included in subrecipient monitoring

 - ✓ **New obligation to review financial and performance reports**

Key Sections – Subpart D

200.331 Subrecipient Monitoring (NEW)

- F&A guidance is improved; use the subrecipient's negotiated rates, or subrecipients without a negotiated rate can get an automatic 10% MTDC rate. (200.414)
- Agency must grant prior approval for issuing fixed price subawards
- New maximum limit for fixed price subawards \$150K

Key Sections - Subpart D

- *When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.*

- OMB issued a clarification in the Aug. 29 FAQ's
 - ✓ Will soon issue a clarification of the clarification

Key Sections – Subpart E

200.413 Administrative Costs as Direct Costs

- Administrative and Clerical Salaries are still normally treated as F&A costs. Direct charging of these costs may only be appropriate if all 4 of the following conditions are met:
 1. Admin or Clerical services are integral to the project or activity
 2. Individuals involved can be specifically identified with the project or activity
 3. Such costs are explicitly included in the budget (at proposal) or have the prior written approval of the Agency
 4. The costs are not also recovered as indirect costs
- *This section now removes the ‘major project’ requirement, and recognizes administrative workload, though we note that #4 above is somewhat confusing criteria and await further clarification from the agency implementations; this section may require further analysis*

Key Sections – Subpart E

200.414 Indirect (F&A) Costs

- New de minimis rate of 10% for entities that do not have negotiated rates
- Any non-federal entity that has a federally negotiated rate may apply for a one time extension, for a period up to 4 years.

Key Sections – Subpart E

200.415 Certifications

- ❑ Annual and final fiscal reports or vouchers requesting payment must include a certification signed by an official who can **legally bind**
- ❑ More strongly worded certification language that introduces **potential penalties** under the false claims act, for fraudulent information for omission of material facts

Required Certifications

§200.415:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812).”

- ❑ Extremely strong language may find opposition

“...signed by an official who is authorized to legally bind the non-Federal entity“

- ❑ **May require signature authority/delegation at institution**
- ❑ **Important to ensure all costs are allowable and allocable to the project via periodic reviews of individual transactions.**

Key Sections – Subpart E

200.431 Fringe Benefits

- ❑ *When a non-Federal entity uses the cash basis of accounting the cost of leave is recognized in the period that the leave is taken and paid for.*
- ❑ *Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.*

Key Sections – Subpart E

200.431 Fringe Benefits

- ❑ Family related leave is allowable (NEW)
- ❑ Severance pay by means of an accrual will not achieve equity to both parties

Conversation point: Multiple internal stakeholders will be engaged to review this section of the Uniform Guidance and evaluate current and future processes.

Key Sections – Subpart E

200.453 Materials and Supplies

- Material and supplies section now specifically includes ‘computing devices’ as an allowable direct cost.
- ‘In the specific case of computing devices, charging as direct costs is allowable for devices that are **essential** and **allocable, but not solely dedicated, to the performance of a federal award.**’

Key Sections – Subpart E

200.456 Participant Support Costs

- The treatment of participant support costs is now defined uniformly for all federal agencies and not just NSF
- Re-budgeting of participant support costs will require prior approval

Key Sections – Subpart E

200.461 Publication and Printing Costs

- A key grey area has been resolved; charges that are necessary to publish research results and that occur after the period has ended are allowable.
- ‘The non-federal entity may charge the federal award before closeout for the costs of publications or sharing of research results if the costs are not incurred during the period of performance of the federal award.’

Objectives of Changes to the Single Audit Process

- ❑ Concentrate audit resources, oversight and resolution on higher \$ and higher risk awards
- ❑ Strengthen audit procurement procedures
- ❑ Increase threshold triggering a Single Audit
- ❑ Reduce compliance issues to be tested
- ❑ Clarify and streamline programs to be tested
- ❑ Improve reporting on findings
- ❑ Improve coordination on audit finding resolution and corrective actions

Major Program Determination

Type A/B Threshold – Step 1

- Programs are grouped based on dollars.
 - ✓ Type A programs are those above the threshold.
 - ✓ Type B are those below the threshold.

- Type A/B threshold is a sliding scale with minimum.
 - ✓ Minimum increases from **\$300,000 to \$750,000**.
 - ✓ Audit threshold and Type A/B minimum threshold will be the same at \$750,000.

Single Audit Reports on the Web

- ❑ All auditees must submit the reporting package and the DCF electronically to the FAC (200.512).
- ❑ FAC submission process will be changed to require text-based PDF and unlocked, unencrypted.
- ❑ FAC responsible to make the reports publically available on a website: Exception for Indian tribes.
- ❑ Auditors and auditees must ensure reports not include Protected Personally Identifiable Information (PPII); Auditee must sign certification statement (to be revised on DCF) that reporting package does not include PPII

Additional Audit Related Comments

- ❑ SEFA- Notes must indicate whether or not the entity elected to use the 10% de minimus cost rate
- ❑ Findings- Whether a repeat finding or not from prior year
- ❑ Questioned costs- the threshold is increased from \$10K to \$25K
 - ✓ Known or Likely questioned costs > \$25K
- ❑ Summary schedule of prior year findings must also include findings related to the financial audit
- ❑ Corrective action plan must be in a separate document

FAC Repository of Record Reporting Packages (200.36 & 200.512 (b))

- ❑ Federal agencies, pass-through entities, and others obtain copies by accessing FAC website.
- ❑ Subrecipient only required to submit report to FAC and no longer required to submit to pass-through entity.
- ❑ Pass-through entity no longer required to retain copy of subrecipient report as available on the Web.

Sources for Funding Opportunities

- ❑ www.FedBizOpps.gov - BAA
- ❑ www.Grants.gov
- ❑ www.fedconnect.net
- ❑ Agency Websites
 - ✓ <http://e-center.doe.gov/>
 - ✓ <http://nsf.gov/funding/>
 - ✓ http://www.darpa.mil/funding_opportunities.html
 - ✓ http://www.fta.dot.gov/funding/grants_financing_7829.html
- ❑ Federal Register- NOFA
- ❑ USASpending.gov

CAROI

- ❑ To improve resolution of recommendations contained in reports that require audit follow up.

- ❑ Cooperative Audit Resolution (6 CAROI Principles)
 - ✓ Means use of audit follow up techniques to promote prompt corrective action by:
 - Improving Audit Resolution
 - Improving Communication
 - Fostering Collaboration
 - Promoting Trust
 - Developing understanding between Federal & Non Federal Agencies

Federal Agency Responsibilities (200.513)

- Use CAROI to improve outcomes
 - ✓ Audit Resolution
 - ✓ Follow Up
 - ✓ Corrective Action

- Management Decision
 - ✓ Audit findings sustained or not
 - ✓ Reasons for decisions
 - ✓ Expected Action or Repayment
 - ✓ Appeal Avoidable
 - ✓ 6 months of filing with Federal Audit Clearing House (FACH)

PR Department of Family Findings

For the year ended June 30, 2015 the PRDF had 19 findings and Questioned Costs as follow:

<u>Fiscal Year</u>	<u>Questioned Costs</u>	<u>Condition</u>
2015-03	\$ 31,970	Deficiency in documenting Eligibility
2015-13	997,708	Not properly supported
2015-18	<u>70,565</u>	Deficiency in documenting Eligibility
	<u>\$ 1,100,243</u>	

PR Department of Family Findings

Requirement	ACUDEN	ADFAN	ADSEF	ASUME	SECR.
Financial	F	F	F	F	F
Allowable Costs / Cost Principles (Documentation)		F			
Eligibility	F	F	F		
Equipment Management			F		
Reporting		F	F	F	F
Sub-recipient Monitoring		F			
Special Tests – Penalty for Refusal to Work			F		
Special Tests – Adult Custodial Parent of Child Under Six When Child Care Not Available			F		
Special Tests – Child Support Non- Cooperation			F		
Sub-recipient Monitoring		F			
	F - Finding				

PR Department of Family Recurring Findings

□ Financial Finding - Conditions

- ✓ Lack of adequate procedures in place for the reconciliation of financial transactions recorded in the Department of Treasury's accounting system (PRIFAS) with the accounting records maintained by the accountants of the federal programs.
- ✓ Lack of adequate procedures in place for the reconciliation of financial transactions recorded in the Department of Treasury's accounting system (PRIFAS) with the accounting records maintained by the accountants of the federal programs.

PR Department of Family Recurring Findings

❑ Financial Finding - Corrective Action Plan

- ✓ Implementation of an accounting and budget control system (SACPre) to facilitate the accounting compliance with the federal and state guidelines of all disbursements.
- ✓ With the implementation of SACPre and other reporting practices and policies, ADSEF is improving its internal controls to ensure proper conciliation between PRDF accounting system (PRIFAS) and federal report division.
- ✓ Actually the ADSEF have external consultants (CPA's) giving technical assistance and recommendations to enhance the accounting and financial reporting practices and policies to provide for accurate and complete financial information.

PR Department of Family Recurring Findings

□ Allowable Costs / Cost Principles Findings - Conditions

- ✓ The PRDF did not provide supporting documentation for these expenditures and the auditors were unable to determine if these expenditures met the Program's requirements and comply with its objectives.
- ✓ Questioned Costs of \$997,708.

PR Department of Family Recurring Findings

- ❑ Allowable Costs / Cost Principles Findings - Corrective Action Plan
 - ✓ Reinforcement and instructions to ADFAN's personnel regarding the documentation that must be obtained for the disbursements and to follow prescribed guidelines established in state and federal regulations.
 - ✓ ADFAN contracted an external audit firm to ensure that the subrecipients' reimbursements are based on the program's objective, are permitted under federal requirements, and are properly supported and approved.

PR Department of Family Recurring Findings

☐ Eligibility Findings - Conditions

- ✓ Deficiencies in the documentation of participants' eligibility.

Agency	Program
ADSEF	Food Commodities PAN TANF
ADFAN	CSBG
ACUDEN	Child Care

PR Department of Family Recurring Findings

- ❑ Eligibility - Corrective Action Plan (ADSEF - Food Commodities)

Corrective Action Plan

- ADSEF will prepare a new master list of participating institutions, based on the ones that signed the agreement for this fiscal year.
- Once the list is prepared, it will be review to make sure that no other institution was receiving commodities without a signed agreement.

PR Department of Family Recurring Findings

- ❑ Eligibility - Corrective Action Plan (ADSEF - Food Commodities)

Corrective Action Plan

- A check list will be implemented with the new master list, in order to assure that entities selected comply with Program's objectives and procedures and that all supporting documentation for eligibility determination is evaluated and maintained in file.

PR Department of Family Recurring Findings

❑ Eligibility - Corrective Action Plan (ADSEF - PAN)

Corrective Action Plan

- This condition is already addressed through the Case Management System (SAIC)
- SAIC has been re-programmed to: eliminate or include forms that simplify the processes, reduce manual errors and improve internal controls in the application process and eligibility determination for PAN benefits.
- ADSEF is training all technical and support staff in Implementing the new regulation.

PR Department of Family Recurring Findings

❑ Eligibility - Corrective Action Plan (ADSEF - TANF)

Corrective Action Plan

- Enforcement of monitoring procedures performed by the eligibility technicians or case managers to assure compliance with Individual Responsibility Plan and documentation of files in accordance to the Program procedures and state and federal regulations.
- Strengthened instructions and training will be offered by area supervisors to the technicians or case managers regarding the codification in the computer system to reduce or avoid data entry errors.

PR Department of Family Recurring Findings

❑ Eligibility - Corrective Action Plan (ADFAN - CSBG)

Corrective Action Plan

- Reinforced and discussed with ADFAN's personnel in charge of the evaluation process of the eligible entities, the cause of this finding.
- Will establish and strengthen internal control procedures regarding the evaluation process of the eligible entities, in order to assure that entities selected comply with Program's objectives and procedures.

PR Department of Family Recurring Findings

- ❑ Eligibility - Corrective Action Plan (ACUDEN - Child Care)

Corrective Action Plan

- The eligibility determination procedures are under revision to ensure compliance with the new PR CC State Regulations and the CCDF Re-authorization.
- A new manual will provide a uniform system for compliance among all participants.

PR Department of Family Recurring Findings

- ❑ Eligibility - Corrective Action Plan (ACUDEN - Child Care)

Corrective Action Plan

- Child Care Program staff will be train on the new Procedures Manual.
- Child Care Eligibility staff, as part of its ongoing monitoring, will verify compliance with the uniform procedures manual.

PR Department of Family Recurring Findings

□ Property and Equipment - Conditions

- ✓ Incomplete subsidiary of property and equipment
- ✓ Lack of a physical inventory and reconciliation of property ledger procedures

PR Department of Family Recurring Findings

□ Property and Equipment - Corrective Action Plan

- ✓ The agency is considering hiring an outside company to conduct inventories and update subsidiary of property.
- ✓ ADSEF will hire the necessary personnel in the Property Division in order to implement a system with adequate controls and procedures that address all the requirements on property management established by state and federal regulations.

PR Department of Family Recurring Findings

□ Property and Equipment - Corrective Action Plan

- ✓ ADSEF will provide training and technical assistance to the personnel about their functions and all the state and federal regulations that apply.
- ✓ A physical inventory will be taken with a mechanized system and the related reconciliation will be made to be in compliance with the federal and state laws and regulations.

PR Department of Family Recurring Findings

□ Reporting - Conditions

- ✓ Reports not filed on time.
- ✓ Difference between the amount of expenditures reported when compared to the accounting system (PRIFAS).

PR Department of Family Recurring Findings

□ Reporting - Corrective Action Plan

- ✓ Implementation of an accounting and budget control system (SACPre) to facilitate the accounting compliance with the federal and state guidelines of all disbursements.
- ✓ With the implementation of SACPre and other reporting practices and policies, ADSEF is improving its internal controls to ensure proper conciliation between PRDF accounting system (PRIFAS) and federal report division.
- ✓ Actually the ADSEF have external consultants (CPA's) giving technical assistance and recommendations to enhance the accounting and financial reporting practices and policies to provide for accurate and complete financial information.

PR Department of Family Recurring Findings

- ❑ Special Tests – Penalty for Refusal to Work - Condition
 - ✓ Deficiencies in the documentation of the Individual Responsibility Plan for participants that refused to engage in work.
 - ✓ Deficiencies in the documentation and/or application of the penalties to participants that refused to engage in work.

PR Department of Family Recurring Findings

- ❑ Special Tests – Adult Custodial Parent of Child Under Six When Child Care Not Available - Condition
 - ✓ In two cases the codification of the participants was incorrect. The participants were minors.
 - ✓ In three cases the participant was referred to a case manager for reevaluation of good cause for not working. The case manager did not update and monitor the participant status to determine if in these cases a penalty for not working should be imposed.

PR Department of Family Recurring Findings

❑ Special Tests – Corrective Action Plan

- ✓ The program will enforce monitoring procedures performed by the eligibility technicians or the case managers to assure compliance with Individual Responsibility Plan and documented in files in accordance to the Program procedures and state and federal regulations. Strengthened instructions and training will be offered by area supervisors to the technicians or the case managers regarding the codification in the computer system in order to reduce or avoid data entry errors.