

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**STATEMENT OF CASH RECEIPTS  
AND CASH DISBURSEMENTS**

YEAR ENDED JUNE 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the President of the  
Puerto Rico Planning Board  
San Juan, Puerto Rico

### **Report on the Financial Statement**

We have audited the accompanying statement of Cash Receipts and Cash Disbursements of the governmental activities, each major fund, of the Puerto Rico Planning Board (the Board) for the year ended June 30, 2018, and the related notes to the financial statement.

#### Management's Responsibility for the Financial Statement

Board's management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of accounting described in note A to the financial statement; this includes determining that the basis of accounting is an acceptable basis for the preparation of the statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Board's management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and cash disbursements of the governmental activities and the aggregate remaining fund information of the Puerto Rico Planning Board for the year ended June 30, 2018, in accordance with the basis of accounting described in Note A.

## Emphasis of Matters

We draw attention to Note A to the financial statement, which describes the basis of accounting. This financial statement is prepared on a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note E the Statement of Cash Receipts and Cash Disbursements, the Board is reported as part of the Commonwealth of Puerto Rico's ("Commonwealth") financial statements. As of June 30, 2018, and subsequently, the financial condition and liquidity of the Commonwealth and Governmental Development Bank ("GDB") have deteriorated. The financial difficulties experienced by the Commonwealth and GDB include the uncertainty as to the ability to fully satisfy their obligations. Considering that the Board is financially dependent on the Commonwealth and that it does not have sufficient funds available to fully repay the obligations as they become due, the Board is dependent on obtaining annual appropriations from the Commonwealth. Our Opinion is not modified with respect to this matter.

## Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statement.

The schedule of expenditures of federal awards is the responsibility of the Board's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

March 10, 2019  
San Juan, Puerto Rico

Aquino, De Córdova, Alfaro & Co. LLP  
By Jorge Aquino Barreto  
Lic. 1360

Stamp number E371134  
Of Puerto Rico CPA Society  
has been affixed to the  
original report



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Governmental Funds</b>			<b>Total</b>
	<b>General</b>	<b>Special Revenue Federal</b>	<b>Special Revenue State</b>	
<b>CASH RECEIPTS:</b>				
Legislative appropriations	\$ 8,667,000	\$ -	\$ -	\$ 8,667,000
Federal grants	-	485,657	-	485,657
Other state funds	-	-	122,000	122,000
Charges for services	-	-	633,339	633,339
	<u>8,667,000</u>	<u>485,657</u>	<u>755,339</u>	<u>9,907,996</u>
<b>CASH DISBURSEMENTS:</b>				
Management	2,107,227	368,410	559,830	3,035,467
Internal administration	1,536,176	-	-	1,536,176
Economic and social planning	1,597,322	-	-	1,597,322
Physical planning	1,962,379	209,175	-	2,171,554
Information system	1,069,387	-	-	1,069,387
Pass-through funds to other entities	-	1,115,942	-	1,115,942
	<u>8,272,491</u>	<u>1,693,527</u>	<u>559,830</u>	<u>10,525,848</u>
<b>EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER CASH DISBURSEMENTS</b>	<u>\$ 394,509</u>	<u>\$ (1,207,870)</u>	<u>\$ 195,509</u>	<u>\$ (617,852)</u>

See notes to Statement of Cash Receipts and Cash Disbursements.

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS  
JUNE 30, 2018

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Organization**

The Puerto Rico Planning Board (the Board) is an executive office of the Commonwealth of Puerto Rico (The Commonwealth), ascribed to the Governor's Office and created by Law No. 75 of June 24, 1975, as amended. In May 1997, the Board was designated by an executive order of the Governor of Puerto Rico as the state agency with fiscal administration responsibilities for those federal funds received by the Puerto Rico Developmental Disabilities Council.

The Puerto Rico Developmental Disabilities Council (the Council) was created in 1971 by an executive order from the Governor of Puerto Rico, to comply with Federal Public Law 91-517, known as Developmental Federal Disabilities Act of 1970. This Act requires a council to each state that receives assistance under this law.

The Board is responsible for carrying out the programs of the Commonwealth directed toward the economic, social and physical development of Puerto Rico.

The operations of the Board are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth of Puerto Rico. The annual budgetary appropriation amounted to \$8,667,000, for the fiscal year ended June 30, 2018. In addition, the Board receives Federal Financial Assistance for specific purposes.

The Board maintained five programs to perform its activities, such as General Management, Internal Administration, Economic and Social Planning, Physical Planning and Information System.

As a governmental entity, the Board is exempt from the payment of any taxes on its revenues and properties.

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS -  
CONTINUED  
JUNE 30, 2018

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Summary of significant accounting policies:**

A summary of the significant accounting policies used in the preparation of the statement of cash receipts and disbursements follows:

**Basis of presentation**

The accompanying financial statement has been prepared pursuant to the provisions of Act No. 230 of July 23, 1974, as amended; known as the "Puerto Rico Government Accounting Act". This law establishes public policy with respect to the control of and accounting for, public funds and property. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS). The Board is a component unit of the Commonwealth of Puerto Rico. The accompanying financial statement is intended to present the cash receipts and cash disbursements of only that portion of the funds of the Commonwealth of Puerto Rico that is attributable to the transactions of the Board.

The accounts of the Board are organized on the basis of Governmental Funds. The Board maintains appropriations for several individual and local funds within each fund type. As more fully explained below, each fund is accounted for with a set of accounts, which only include cash receipts and disbursements. No balance sheet accounts are maintained or reported. The individual funds account for the governmental resources allocated to them for the purpose of carrying out specific activities in accordance with laws, regulations and other restrictions.

**Description of funds**

The various funds are summarized by type in the financial statement. The following fund types are used by the Board:

**Governmental Fund Types**

General Fund — is the general operating fund. It accounts for all financial resources except those required to be accounted for in other funds.



**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
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JUNE 30, 2018

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Summary of significant accounting policies -continued:**

**Description of funds- continued**

Special Revenue Funds — are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

**Basis of accounting**

The Board accounts for all funds administered using the cash basis of accounting. Under this basis, revenues are recognized, as funds are received, and expenditures are recognized when funds are disbursed or transferred-out. Therefore, the Statement of Cash Receipts and Cash Disbursements is not intended to present the Board's results of operations in accordance with accounting principles generally accepted in the United States of America.

Appropriation funds are under control of the Secretary of the Puerto Rico Treasury Department (Secretary) and are recognized as cash received when funds are disbursed by the Secretary. Therefore, cash received and cash disbursed represent the same amount for the purpose of the General Fund and for those funds or contributions where the Secretary has established the same disbursement policy.

**Description of Revenues and Support**

**General Appropriations**

Budgetary appropriations are approved by the Legislature of the Commonwealth of Puerto Rico. Budgeted amounts are as originally adopted, or as amended by the Puerto Rico Budget and Management Office. Appropriations for the year ended June 30, 2018 amounted to \$8,667,000.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS  
JUNE 30, 2018

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Description of Revenues and Support (continued)**

Following is a summary of cash receipts/disbursements of the General Fund recognized during the year ended June 30, 2018:

Legislative appropriations — fiscal year 2017-2018	\$8,667,000
Legislative appropriations — prior fiscal year (obligated funds as paid)	<u>-</u>
Total legislative appropriations	<u>\$8,667,000</u>

*Special Governmental Support*

From time to time the Board receives special assignments from the State Legislature or from the Governor's Office. The special assignments and funds assignments can be in effect for more than one year; in some cases the funds are assigned to be spent for a period in excess of one year.

*Charges for Services*

The Board is allowed to charge fees for permits and consultations. In addition, the Board generates revenues for the sales of maps, publications and other services that are provided to the general public. These revenues are accounted for by the Puerto Rico Treasury Department in special accounts assigned to the Board and to be used in general operations. These special accounts do not have a time limitation.

*Federal Assistance Programs*

- State Developmental Disabilities Councils Grant Program

The purpose of this program is to assist States in the development of a plan for a comprehensive and coordinated system of services and other activities to enhance the lives of individuals with developmental disabilities and their families, as described in the federal law, to their maximum potential, and to support a system which protects the legal and human rights of individuals with developmental disabilities. The state receives funding under the Basic Developmental Disabilities Program and the Protection and Advocacy Program.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2018

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Description of Revenues and Support -continued**

Grant funds must be obligated within a two-year period, beginning on the first day of the federal fiscal year in which the grant was awarded and have an additional year to liquidate the related obligations.

- Community Assistance Program, State Support Service Element (CAP- SSSE) and Map Modernization Management Support (MMMS)

The Board is the Commonwealth Agency responsible for coordinating flood plan management aspects of the National Flood Implementation Plan. The purpose of these grants is to assist the Board in performing a State Level Conference to educate state and local agencies officials, and private sector plan developers. This conference will support the implementation of the Flood Map Modernization for Puerto Rico.

- Coastal Zone Management Program

The objective of this program is to assist the Puerto Rico National Resources Department in the implementation of the Coastal Zone Management Plan, as approved by the National Oceanic and Atmospheric Administration, U.S. Department of Commerce. The Department pass-through funds to the Board which is the designated agency to manage the federal compatibility certification procedures for state and federal governmental agencies and private entities projects.

- Economic Development Technical Assistance

The main objective of this program is to coordinate the local economic planning process and to promote more and better employment opportunities in order to increase the income level of the residents of Puerto Rico.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Description of Revenues and Support - continued**

The summary of funds, revenues and support of the year ended June 30, 2018 is as follows:

<u>Description</u>	<u>Budget</u>	<u>Obligated Funds</u>	<u>Available Balance</u>
<b><u>General Appropriations</u></b>			
Legislative Appropriations 2018	\$ 8,667,000	\$ 11,989	\$ 382,520
<b><u>Special Governmental Support</u></b>			
Castañer	\$ 27,000	\$ -	\$ 27,000
USGS	50,000	-	50,000
Municipality of Ponce	45,000	-	45,000
USGS	700,000	8,989	66,745
FEE	101,949	6,541	10,998
State Especial Fund	31,245	3,813	10,758
POT	500,145	242,052	77,512
Total Special Governmental Support	\$ 1,455,339	\$ 261,395	\$ 288,013

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

**Description of Revenues and Support - continued**

<u>Description</u>	<u>Budget</u>	<u>Obligated Funds</u>	<u>Available Balance</u>
<b><u>Federal Financial Assistance Programs</u></b>			
Devepormental Disabilities Basic Support and Advocacy Grants			
Award year 2015-2016	1,006,931	-	-
Award year 2016-2017	2,500,740	10,683	2,127,975
Award year 2017-2017	2,506,930	35,767	1,819,974
Award year 2014-2015	2,474,604	-	1,775,483
Coastal Zone Management Program			
Award year 2012-2013	75,000	673	-
Award year 2013-2014	75,000	1,848	-
Award year 2014-2015	75,000	-	31,708
Award year 2015-2016	75,000	5,265	-
Award year 2016-2017	75,000	-	73,353
US. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
EMN-2015	70,000	-	1,283
EMN-2016	70,000	-	1,654
EMN-2017	100,000	-	100,000
EMN-2017	70,000	-	61,675
EMN-2015	150,000	10,629	11,052
Total for Federal Financial Assistance Programs	<u>9,324,205</u>	<u>64,865</u>	<u>6,004,157</u>
	<u>\$ 10,779,544</u>	<u>\$ 326,260</u>	<u>\$ 6,292,170</u>

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2018

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**NOTE B - RETIREMENT PLAN**

The Employees' Retirement System (ERS) of the Government of Puerto Rico and its instrumentalities is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by, and reported as a component unit of, the Commonwealth of Puerto Rico. All regular employees of the Board under age 55 at the date of employment become members of the system as a condition of the employment.

ERS provides retirement, death and disability benefits pursuant to Act No. 447, approved on May 15, 1951, as amended, which became effective on January 1, 1952. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation. Participants who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service or who have attained an age of at least sixty-five (65) years and have completed at least ten (10) years of service if hired after April 1990 are entitled to an annual benefit, payable monthly for life.

The annuity, for which a plan member is eligible, is limited to a minimum of \$400 per month and a maximum of 75% of his average compensation.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive a Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of their average compensation. Participants who have attained fifty-five (55) years of age will receive 75% of their average compensation. Disability retirement benefits are available to members for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of creditable service.

No benefit is payable if the participant receives a refund of his accumulated contributions. Commonwealth law requires employees hired on or before March 31, 1990 to contribute to the ERS 5.775 percent for the first \$550 of their gross monthly salary and 8.275 percent in excess of \$550.

The contribution for employees hired after April 1, 1990 is 8.275 percent of their gross monthly salary. The Board is required to contribute 9.275 percent of the participants' gross salaries. The Board's contribution for the year ended June 30, 2018 was approximately \$308,845.

On September 24, 1999 the law, which created ERS was amended for the purpose of establishing a defined contribution plan, known as System 2000.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2018

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**NOTE B -. RETIREMENT PLAN - CONTINUED**

System 2000 became effective on January 1, 2000. Board employees participating in the defined-benefit plan system at December 31, 1999, had the option to either stay in the defined benefit plan or transfer to System 2000. Those employed by the Board on or after January 1, 2000 are only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan; also known as a cash plan. Under this plan, there will be a pool of plan assets, which will be invested by ERS, together with those of the defined-benefit plan. Benefits at retirement age will not be guaranteed. The annuity will be based on a formula which assumes that each year the participants' contribution (with a minimum of 8.275% of the participants' salary up to a maximum of 10%) will be invested as instructed by the participant in an account which either: (1) earns a fixed rate based on the two-year Constant Maturity Treasury Notes; (2) earns a rate equal to 75% of the return of ERS's Investment portfolio (net of management fees); or (3) earns a combination of both alternatives.

Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not granted under System 2000. The employers' contributions (9.275% of the employee's salary) will be used to fund the defined benefit plan instead of System 2000.

System 2000 will reduce the retirement age of 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

Furthermore, on April 4, 2013, the Governor of Puerto Rico signed into law Act No. 3 of 2013 which represents a comprehensive reform of the ERS. Act No. 3 became effective on July 1, 2013 and amends the provisions of the different benefits structures under the ERS, including, but not limited to, the following:

1. For active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 will be frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants, and will be paid at retirement through a lifetime annuity.
2. Increases the minimum pension for current retirees from \$400 to \$500 per month.
3. The retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61.
4. The retirement age for current System 2000 participants is increased gradually from age 60 to age 65.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
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JUNE 30, 2018

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**NOTE B -. RETIREMENT PLAN - CONTINUED**

5. Eliminates the “merit annuity” available to participants who joined the ERS prior to April 1, 1990.
6. The retirement age for new employees is increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58.
7. The employee contribution rate will increase from 8.275% to 10%.
8. For System 2000 participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
9. Eliminates or reduces various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees is reduced from \$600 to \$200 and is eliminated for future retirees. The summer bonus will be eliminated.
10. Disability benefits will be eliminated and substituted for a mandatory disability insurance policy.
11. Survivor benefits will be modified.

In addition, the Commonwealth has proposed incremental annual contributions from the General Fund per year, for the next 20 years, to increase the liquidity and solvency of the ERS. An appropriation for such annual contribution has been included in the Commonwealth’s proposed budget for the fiscal year 2018.

The successful implementation of these measures cannot be assured, as it is dependent upon future events and circumstances whose outcome cannot be anticipated.

Additional information of ERS is provided in its financial statements for the year ended June 30, 2014 a copy of which can be obtained from the administrator of the Retirement System: P.O. Box 42003, San Juan, Puerto Rico 00940.



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NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
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JUNE 30, 2018

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**NOTE C- LEASE COMMITMENTS**

The Board leases its facilities in San Juan and a Regional Office in Mayaguez. The lessee and lessor are both instrumentalities of the Commonwealth of Puerto Rico. Lease operating facilities were constructed by the Puerto Rico Public Buildings Authority. Currently, the annual lease payments are fixed, subject to change as deemed necessary by the Executive Director of the Puerto Rico Public Buildings Authority. These leases expired on April 30, 2003, and continue on a month-to-month basis until a renewal contract is formalized.

The Board also leases the operating facilities of the State Developmental Disabilities Council under a month to month operating lease until a renewal contract is formalized.

Rent expense for all leases amounted to \$2,797,000 for the year ended June 30, 2018.

**NOTE D - CONTINGENCIES**

*Litigation*

The Board is a party in legal proceedings and is a defendant in lawsuits pertaining to material matters, including those claims asserted which are incidental to performing its routine operations. These litigations include, but are not limited to, actions commenced and claims asserted against the Board. As of June 30, 2018, the financial effect of outstanding litigations could not be determined. The Board is represented by the Puerto Rico Department of Justice in most of the lawsuits filed against it, and any successful claims would be paid from the General Fund of the Commonwealth of Puerto Rico, with no material effect on the functional budget of the Board.

*Grant Program*

The Board participates in a number of Federal financial assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the funds to the grantor. The management of the Board believes that disallowed expenditures, if any, will not have a material effect on the results of its operations.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - CONTINUED  
JUNE 30, 2017

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**NOTE E –UNCERTAINTY AND LIQUIDITY RISK**

As discussed in Note A to the Statement of Cash Receipts and Disbursements, the Board's principal sources of revenue are Federal Funds and Legislatives appropriations from the Commonwealth. The funds of the Board are under the custody of the Secretary of Treasury of the Commonwealth.

The Commonwealth's liquidity was severely affected during 2018 and remains extremely limited, primarily, as a result of the Commonwealth's inability to access external sources of financing. The Commonwealth has not been able to fulfill its obligations on a timely manner.

Considering that the Board is financially dependent on the Commonwealth, the limitation of the Commonwealth to meet its obligations on timely manner may prevent the Board's operations in the near future.

**NOTE F - SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through March 10, 2019 which is the same date the financial statement was available to be issued

**SUPPLEMENTARY INFORMATION**

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

Grantor Agency & Program Title	Federal CFDA #	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Federal Expenditures
<b>US Department of Health &amp; Human Services</b>				
<b>Administration for Children and Families:</b>				
Developmental Disabilities Basic				
Support and Advocacy Grant	93.630	1401PRBSDD	\$ -	\$ -
	93.630	1501PRBSDD		7,780
	93.630	1601PRBSDD	709,869	708,251
	93.630	1701PRBSDD		117,132
	93.630	1801PRBSDD	406,073	651,190
			1,115,942	1,484,353
<b>US Department of Homeland Security</b>				
<b>Federal Emergency Management Agency (FEMA):</b>				
Community Assistance Program, State Support				
Service Element (CAP-SSSE)				
	97.023	EMN-2013-GR0200		-
	97.023	EMN-2015-CA0202		-
	97.023	EMN-2016-CA0200		64,777
	97.023	EMN-2017-CA00002		-
	97.023	EMN-2017-CA1703		8,325
				73,102
Cooperating Technical Partners (CTP) Program				
	97.045	EMN-2012-CA0205		-
	97.045	EMN2015CAK00221		56,426
				56,426
<b>US Department of Environmental Protection</b>				
Coastal Zone Management				
	11.419	NA13NOS4190147S		2,975
	11.419	NA14NOS4190142S		29,070
	11.419	NA15NOS4190157S		17,292
	11.419	NA16NOS4190176S		28,662
	11.419	NA17NOS4190187S		1,647
				79,646
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,115,942</b>	<b>\$ 1,693,527</b>

See Notes to Schedule of Expenditures of Federal Awards.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2018

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**NOTE A - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Puerto Rico Planning Board. The Board reporting entity is defined in Note A to The Board's Statement of Cash Receipts and Cash Disbursements. Federal financial assistance passed through from other government agencies is included on the schedule.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting, which is described in Note A to The Board's Statement of Cash Receipts and Cash Disbursements.

The Puerto Rico Planning Board has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C - RELATION TO FINANCIAL STATEMENT (STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS)**

The federal funds expended for the year ended June 30, 2018 are as follows:

Management	\$ 368,410
Federal programs	209,175
Pass-through to other entities (Development Disabilities Basic Support and Advocacy Grant)	<u>1,115,942</u>
Total disbursements	<u>\$ 1,693,527</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**To the President of the Puerto Rico Planning Board**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of cash receipts and cash disbursements of the Puerto Rico Planning Board, for the year ended June 30, 2018, and the related notes to the financial statement and have issued our report thereon dated March 10, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Puerto Rico Planning Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico Planning Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Puerto Rico Planning Board's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs and that we consider to be a significant deficiency as finding 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Puerto Rico Planning Board's financial statement is free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

Puerto Rico Planning Board's Response to Finding

The Boards' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of the Board's, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Juan, Puerto Rico

March 10, 2019

Stamp number E371134  
Of Puerto Rico CPA Society  
has been affixed to the  
original report

*Aquino, De Cordova, Alfaro & Co. SdA*  
*By Jorge Aquino Balcells*  
*Sic. 1360*



**Aquino, DeCordova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

**To the President of the Puerto Rico Planning Board**

**Report on Compliance for Each Major Federal Program**

We have audited the Puerto Rico Planning Board compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The Puerto Rico Planning Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

The Puerto Rico Planning Board's management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Puerto Rico Planning Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Puerto Rico Planning Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Puerto Rico Planning Board's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, the Puerto Rico Planning Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Other Matters**

The results of our auditing procedures also disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The Puerto Rico Planning Board's response to the noncompliance finding identified in our audit is describe in the accompanying schedule of findings and questioned cost. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Puerto Rico Planning Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Puerto Rico Planning Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Puerto Rico Planning Board's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Report on Internal Control over Compliance - continued

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2018-001.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico  
March 10, 2019

Stamp number E371136  
Of Puerto Rico CPA Society  
has been affixed to the  
original report

*Aquino, De Cordova, Alfaro & Co. P.A.*  
*By Jorge Aquino Balcells*  
*Sic. 1360*



**Aquino, De Córdoba, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

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**I. Summary of Audit Results**

*Financial Statement*

- |   |                   |                  |
|---|-------------------|------------------|
| a. Type of auditor's report issued:   | <i>unmodified</i> |                  |
| b. Internal control over financial reporting:                                       |                   |                  |
| - Material weakness (es) identified?  | <u>  </u> yes     | <u>  x</u> no    |
| - Significant deficiency identified that is not considered to be material weakness? | <u>  x</u> yes    | <u>      </u> no |
| c. Noncompliance material to the financial statement noted?                         | <u>  </u> yes     | <u>  x</u> no    |

*Federal Awards*

- |   |                   |                  |
|---|-------------------|------------------|
| a. Internal control over major programs:  |                   |                  |
| - Material weakness (es) identified?  | <u>  </u> yes     | <u>  x</u> no    |
| - Significant deficiency identified that is not considered to be material weakness?                       | <u>  x</u> yes    | <u>      </u> no |
| b. Type of auditors' report issued on compliance for major programs:                                      | <i>unmodified</i> |                  |
| c. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | <u>  </u> yes     | <u>  x</u> no    |
| d. The program tested as major was:   |                   |                  |
| CFDA 93.630- Developmental Disabilities Basic Support and Advocacy Grant                                  |                   |                  |
| e. The threshold for distinguishing Types A and B programs was:   | \$ 750,000        |                  |
| f. The Puerto Rico Planning Board was determined to be a low-risk auditee.                                | <u>  </u> yes     | <u>  x</u> no    |

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED  
YEAR ENDED JUNE 30, 2018

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**II. FINANCIAL STATEMENT FINDINGS:**

<b>Finding Number:</b>	2018-001
<b>Finding Type:</b>	Federal Awards
<b>Federal Program:</b>	All federal programs
<b>Category:</b>	Internal Control - Significant deficiency
<b>Compliance Requirement:</b>	General Regulations of Uniform Guidance
<b>Administration:</b>	<i>The Puerto Rico Planning Board</i>

**2018-001 Financial Management — Accounting System and Reporting Practices**

**Criteria:**

As stated in Uniform Guidance Part 200.302 — Standards for Financial management: (3) The financial management system of other grantees and sub-grantees must meet the following standards:

(3) Accounting records: Grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, un-obligated balances, assets, liabilities outlays or expenditures and income.

**Condition:**

The accounting records did not identify any record or disclose information related to the funds, assets and liabilities.

**Cause:**

The Board's accounting system is in the process of completing the integration of an accounting software to maintain records of funds, assets and liabilities. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS).

**Effects:**

The Board does not have complete financial information that could affect the decision making process.

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- CONTINUED  
YEAR ENDED JUNE 30, 2018

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**Questioned cost:**

None

**Perspective information:**

N/A

**Identification of repeating finding:**

Refer to finding 2017-001.

**Recommendation:**

The Board needs to complete the integration process of its accounting system that will provide complete financial information.

**View of responsible Official:**

Management agrees.

**Official:**

Mr. Andres Ruiz, Finance Director

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**

**COMMONWEALTH OF PUERTO RICO**  
**PUERTO RICO PLANNING BOARD**  
STATUS OF PRIOR YEAR'S AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018

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Finding Number	Finding Description	Questioned Costs	Status
<b>Accounting and Finance Department</b>			
2017-001	The accounting records did not identify any record or disclose information related to the funds, assets and liabilities.	-	Situation still prevails.

**CORRECTIVE ACTION PLAN**





# GOBIERNO DE PUERTO RICO

Junta de Planificación  
Oficina del Gobernador

## FINDING NUMBER 2018-001

### Financial Management – Accounting System and Reporting Practices

PRIFAS is the official accountability of Puerto Rico's Government. This system does not have compatibility with many sub-systems. The Puerto Rico Department of the Treasury is still evaluating recommendations from different entities to improve the system and/or replace it.

### **Corrective Action**

**The Puerto Rico Department of Treasury has a target date of August 2019 to install a New Accounting and Financial System. We will monitor this process closely and we plan to be onboard with its determination as soon as it is available.**

**Andrés Ruiz Rodríguez**

Finance Director

