

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**AUDITED STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS AND REPORTS
REQUIRED UNDER UNIFORM GUIDANCE**

(Cash Basis)

(with Independent Auditors' Report Thereon)

For the Year Ended September 30, 2018

ZAYAS, MORAZZANI & Co.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225
San Juan, Puerto Rico 00936-6225
(787) 753-7025
(787) 753-7038

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

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Independent Auditors' Report

To the Office of the Advocate for the Elderly
Commonwealth of Puerto Rico:

We have audited the accompanying statement of cash receipts and disbursements of the Office of the Advocate for the Elderly of the Commonwealth of Puerto Rico for the year ended September 30, 2018, and the related notes to the statement of cash receipts and disbursements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' 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 to 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 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 disbursements of the Office of the Advocate for the Elderly for the year ended September 30, 2018 in accordance with the cash basis of accounting described in Note 3.

Other Matters

Basis of Accounting

We draw attention to Note 3 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 and 7 be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements of the Office of the Advocate for the Elderly of the Commonwealth of Puerto Rico. The accompanying Schedule of Expenditures of Federal Awards included on pages 24 and 25 is presented for purposes of additional analysis as required by *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the cash receipts and disbursements activities.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the schedule of cash receipts and disbursements activities. Such information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements activities 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 statement of cash receipts and disbursements activities as a whole, in conformity with the basis of accounting described in Note 3.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2020, on our consideration of the Office of the Advocate for the Elderly of the Commonwealth of Puerto Rico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 results 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 Office of the Advocate for the Elderly of the Commonwealth of Puerto Rico's internal control over financial reporting and compliance.

San Juan, Puerto Rico
August 13, 2020

A handwritten signature in black ink that reads "Zayas, Morazzani & Co." with a stylized flourish at the end.

Stamp No. E412125 of the Puerto
Rico Society of Certified Public
Accountants was affixed to original.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Management's Discussion and Analysis
For the Year Ended September 30, 2018**

Management's Discussion and Analysis

The management of the Office of the Advocate for the Elderly (the "OAE") provides this overview and analysis of the financial activities of the OAE during the year ended September 30, 2018. This report includes the cash received and cash paid as a result of the operating activities of the OAE including both funds appropriated by the Commonwealth of Puerto Rico (the Commonwealth) and federal financial assistance programs granted by the U.S. Governmental Agencies (USGA).

Overview of the Financial Statements

The OAE's financial statements include a statement of cash receipts and disbursements and the notes to the audited financial statement. Below a brief explanation of the statement and notes is presented.

- The **Statement of Cash Receipts and Disbursements** reports information about the OAE's General Operational Fund and Federal Fund; and includes all receipts and disbursements resulting from cash transactions.
- The **Notes to the Financial Statement** are an integral part of the statement of cash receipts and disbursements; and provides explanation and detail regarding the information reported in the statement and the schedule of expenditures of federal awards.

Financial Highlights

The statement of cash receipts and disbursements for the year ended on September 30, 2018 is presented on the cash basis of accounting; which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

Statement of Cash Receipts and Disbursements

The statement of cash receipts and disbursements for the year ended September 30, 2018, reflects a deficiency of receipts over disbursements in the general fund of approximately \$248 thousand and a positive balance in the federal funds segments of \$1.5 million.

The Federal Fund consists of federal grants received from federal agencies. Federal disbursements for the year ended September 30, 2018 amounted to approximately \$11.9 million.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Management's Discussion and Analysis, Continued
For the Year Ended September 30, 2018**

Financial Analysis

The statement of cash receipts and disbursements present the funds provided by the Commonwealth and from the awards received from funds of U.S. Governmental Agencies.

Contacting Financial Management

This financial report is designed to provide a general overview of the OAE's cash receipts and disbursements articles and to demonstrate accountability for the funds administered. If you have questions about this report or need additional financial information, contact the Office of the Advocate for the Elderly of the Commonwealth of Puerto Rico at PO Box 191179, San Juan, PR 00919-1179; or by phone to the (787) 721-6121, Ext. 1232.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Statement of Cash Receipts and Disbursements
(Cash Basis)
Governmental Fund
For the Year Ended September 30, 2018**

	General Fund	Federal Funds	Total
Cash Receipts:			
Commonwealth appropriations	\$ 3,584,327	-	\$ 3,584,327
Federal financial assistance	-	13,421,069	13,421,069
Veterans' affairs benefit	880,122	-	880,122
Total cash receipts	4,464,449	13,421,069	17,885,518
Cash Disbursements:			
Administration	1,477,146	1,548,947	3,026,093
Supportive services and Seniors centers	2,040,220	2,979,161	5,019,381
Nutrition	-	4,914,867	4,914,867
Elder abuse	-	229,796	229,796
Long Term Care	-	157,264	157,264
Caregiver support	-	1,215,016	1,215,016
Disease prevention	-	170,674	170,674
Discretionary projects	-	129,759	129,759
Medicare	-	347,527	347,527
Foster grandparent / Senior companion	66,961	216,215	283,176
Other disbursements	1,128,826	-	1,128,826
Total cash disbursements	4,713,153	11,909,226	16,622,379
(Deficiency)/excess of receipts over disbursements	\$ (248,704)	1,511,843	\$ 1,263,139

See accompanying independent auditors' report
and notes to statement of cash receipts and disbursements.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements
For the Year Ended September 30, 2018**

1. Organization and Reporting Entity

The Office of the Advocate for the Elderly (OAE) was created by the enactment of Act 203 of August 7, 2004 of the Commonwealth of Puerto Rico. The OAE has the responsibility of serving as a coordinating means to make solutions viable to address the problems, needs and claims of the elderly in the areas of education, health, employment, civil and political rights; social, labor and tax legislation; housing, transportation, recreation and culture, among others. The OAE is responsible for establishing and carrying out an assistance, orientation and advisory program for the protection of the rights of the elderly. In addition, it is the body that oversees, investigates, regulates, plans and coordinates with the various public agencies and/or private entities, the design and development of the projects and programs intended to address the needs of the elderly population conforming to the public policy stated by virtue of this Act, Public Law No. 89-73 of July 14, 1965, as amended, known as the “Older American Act of 1965,” Act No. 121 of July 12, 1986, as amended, better known as the “Bill of Rights of the Elderly,” and any other special law that thus empowers it, in order to propitiate the enjoyment of a full and productive life and attain greater involvement of these persons in the community. Furthermore, it oversees the implementation and the compliance of public agencies with the public policy that concerns this sector of the population.

The Reorganization Plan No. 1 of June 22, 2011 “*Advocate’s Office Reorganization Plan*” created the Advocate Office Administration (“AOA”), as the administrative component of the following also newly created (by virtue of the Reorganization Plan) advocacies;

1. Office of the Healthcare Advocate;
2. the Advocate’s Office for Persons with Disabilities;
3. the Office of the Veterans’ Advocate;
4. the Advocate’s Office for Pensioners and the Elderly (formerly the Office of the Advocate for the Elderly)

Consequently, the Reorganization plan repealed the enacted pieces of legislation that formed the above-mentioned government agencies including Act No. 203 of August 7, 2004 (which created the Office of the Advocate for the Elderly).

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

1. Organization and Reporting Entity, Continued

Under the reorganized structure, the Advocate’s Office for Pensioners and the Elderly was in charge with the responsibility of addressing and finding solutions for the problems, needs, and claims of every pensioner, participant and/or beneficiary of the different government retirement systems, as well as of the elderly in areas such as education, financial planning, health, employment, civil and political rights, social, labor, and tax legislation, housing, transportation, recreation, culture, and other entrusted to it by the AOA. The Advocate’s Office for Pensioners and the Elderly was the body in charge of overseeing the implementation and enforcement by agencies and private entities of the public policy set forth in Act No. 121 of July 12, 1986, as amended, better known as the “Bill of Rights for Aged Persons”, and any legislation that conforms to the public policy established by virtue of Public Law No. 89-73 of July 14, 1965, as amended, known as the “Older Americans Act of 1965”, with regard to that sector of the population.

Act 75-2013 of July 24, 2013 repeals The Reorganization Plan No. 1 of June 22, 2011 “*Advocate’s Office Reorganization Plan*”, and restated the OAE full capacities.

2. Going Concern

The OAE significantly depends on appropriations from the Commonwealth. As of September 30, 2018, the Commonwealth faces significant budgetary risk and uncertainties, including liquidity risk, which is the risk of not having sufficient liquidity or financial resources to meet their obligations when they become due. Because of budgetary constraints, the financial support that the Commonwealth provide to OAE could be affected in the near future.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

3. Summary of Significant Accounting Policies

The accompanying statement of cash receipts and disbursements has been prepared on the cash receipts and disbursement basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, all transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized.

- a. Expenditures - Expenditures are recognized in the accounting period in which disbursements are issued.
- b. General fund - These funds basically consist of legislative resolutions received from the Commonwealth of Puerto Rico.
- c. Federal funds - These funds consist of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for specified purposes.
- d. Veterans' affairs benefit - The Commonwealth of Puerto Rico designated the OAE as the agency responsible to administer US Department of Veterans Affairs monies destined for the care of veterans at home (an alternate option to receiving this care at the local Veteran's Hospital). The OAE solely makes the applicable payments to the caregivers as instructed by the US Department of Veterans Affairs and therefore does not engage in the typical activities of administering federal grants awarded directly to the agency. The US Department of Veterans Affairs monies received and disbursed for the care of veterans at home are presented in the statement of cash receipts and disbursement as Veterans affairs benefit.
- e. Vacation and sick leave - The OAE's employees are entitled to accrue both vacation and sick leave benefits based on service time. In the event of termination or retirement, employees would be paid up to a maximum of 60 days for vacations. Expenditures for sick leave and vacation benefits are recognized when such absences are paid.
- f. Resources with fiscal agent - The funds of the OAE from legislative appropriations and federal grants are under the custody of the Commonwealth of Puerto Rico Secretary of the Treasury, pursuant to Act No. 230 of July 23, 1974, as amended known as the "Accounting Law of the Commonwealth of Puerto Rico". The Commonwealth of Puerto Rico Department of the Treasury follows the practice of pooling resources under the custody of the Secretary of the Treasury. Those portions of funds of the OAE are pooled in appropriation accounts and are available to meet the OAE's current operating requirements.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

4. Contingencies

Litigations and Claims

The OAE is a defendant in various lawsuits resulting from the normal course of business. OAE's management believes that the potential claim will not materially affect its cash receipts and cash disbursements.

Federal awards

The OAE participates in various federally funded programs. These programs are routinely subject to financial and compliance audits in accordance with the provisions of the U.S. Office of Management and Uniform Guidance (2 CFR 200), "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" or to compliance audits by the pass-through and/or federal agency. The reports on the audits of these programs, which are conducted pursuant to such federal regulations, are required to be submitted by the OAE to the regulatory agencies.

Such agencies have the authority to determine liabilities, as well as, to limit, suspend, or terminate the federal financial assistance programs. Other federal and local programs are also subject to audit. If any un-allowed cost is detected as a result of such compliance audits, the OAE may be required to reimburse such amounts to the corresponding federal and pass-through agencies from its own non-federal resources.

5. Retirement Plan – Administration for the Retirement System of the Commonwealth of Puerto Rico

The Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the "System") is a cost-sharing multiple employer defined benefit pension plan sponsored by the Commonwealth of Puerto Rico. The System provides retirement, death and disability benefits pursuant to Act 447 of May 15, 1951, as amended. Disability retirement benefits are available to members for occupational and non-occupational disability benefits. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten (10) years of plan participation.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

5. Retirement Plan – Administration for the Retirement System of the Commonwealth of Puerto Rico, Continued

No benefits are payable if the participant receives a refund of higher accumulated contributions. Members 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, are entitled to an annual benefit, payable monthly for life.

The amount of the annuity shall be one and one-half (1.5) percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty (20) years, plus two (2) percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of twenty (20) years.

In no case will the annuity be less than \$200 per month. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation, as defined, or if they have attained age fifty-five (55) will receive 75% of the average compensation, as defined.

On September 24, 1999, an amendment to Act 447 of May 15, 1951, which created the “System”, was enacted with the purpose of establishing a new pension program (System 2000). Employee participation in the current System as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the OAE on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from sixty-five (65) years to sixty (60) for those employees who joined the current plan on or after April 1, 1990.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System together with those of the current defined benefit plan. The Commonwealth will not guarantee benefits at retirement age. The annuity will be based on a formula which assumes that each year the employees' contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the ERS's investment portfolio (net of management fees), or (3) earn a combination of both alternatives.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

5. Retirement Plan – Administration for the Retirement System of the Commonwealth of Puerto Rico, Continued

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

Government legislation requires employees to contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the excess over \$550 of monthly gross salary. The OAE was required by the same statute to contribute 10.275% of the participant's gross salary.

On April 4, 2013, by means of Act No. 3, an amendment to Act No. 447 of May 1, 1951, which created the System 2000, was enacted for the purpose of establishing a new pension program effective July 1, 2013 for all active participants. Under the Act No. 3, all active participants at July 1, 2013 under Act No. 447 joined a "Hybrid Program", a combination of defined benefits and defined contribution program.

All active participants under Act No. 447 preserve benefits accrued as of June 30, 2013. The annuity for these participants will be computed based on the average compensation multiplied by the credited years of service as of June 30, 2013 and contributions made to the new defined contribution program after June 30, 2013. For participants under System 2000, all contributions made before June 30, 2013 were transferred to the new defined contribution program.

To qualify for an annuity under the new "Hybrid Program", participants have to meet two conditions: five (5) years of credited service and \$10,000 or more in contributions made under this program. The annuity will be based on a distribution of all contributions made, divided by a factor of life expectancy of the participant at the age of retirement.

The new pension program also established a new age for retirement as follows:

For participants who entered the program before April 1, 1990 (Act No. 447):

<u>Age at June 30, 2013</u>	<u>Age under new program</u>
57 years or more	59 years
56 years	60 years
55 years or less	61 years

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

5. Retirement Plan – Administration for the Retirement System of the Commonwealth of Puerto Rico, Continued

For participants who entered the program after April 1, 1990 through December 31, 1999 (Act No. 1):

Age at June 30, 2013	Age under new program
65 years or less	65 years

For participants who entered the program after January 1, 2000 through June 30, 2013 (System 2000):

Age at June 30, 2013	Age under new program
59 years	61 years
58 years	62 years
57 years	63 years
56 years	64 years
55 years or less	65 years

For participants who entered in to the program on or after July 1, 2013 (Act No. 3) the retirement age will be sixty-seven (67) years.

In addition, Act No. 3 amended the provisions of the different benefit structures under the Retirement System, including, but not limited to, the following:

- Increased the minimum pension for current retirees from \$400 to \$500 per month.
- Eliminated the "merit annuity" available to participants who joined the retirement system prior to April 1, 1990.
- The employee contribution rate was increased from 8.275% to 10%.
- For the System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
- Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

5. Retirement Plan – Administration for the Retirement System of the Commonwealth of Puerto Rico, Continued

- Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
- Survivor benefits were modified.

Employee contributions are credited to individual accounts established under the Defined Contribution Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty-five percent (0.25%) is required for the purchase of disability insurance.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service, a death benefit will be paid in one lump sum in cash to the participant's beneficiaries. Participants with a balance of less than \$10,000 or less than five (5) years of computed services at retirement will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump sum or purchasing an annuity contract.

Total covered payroll for the year ended September 30, 2018, was approximately \$3.8 million. Additional information on the System is provided in its financial statements for the year ended June 30, 2017, which is the most recent audited report. A copy of the financial statements can be obtained from Retirement System Administration, PO Box 42003, San Juan, Puerto Rico 00949 or www.retiro.pr.gov.

6. Operating Leases

The OAE signed a lease agreement for its main office and regional location in San Juan, Puerto Rico. The term of the lease commenced on February 1, 2009 and concluded on January 31, 2014. The agreement provides for a renewal option term, but the OAE is renewing the agreement on a monthly basis.

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**OFFICE OF THE ADVOCATE FOR THE ELDERLY
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**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

6. Operating Leases, Continued

The OAE, also, signed one lease agreement for a regional location in Ponce, Puerto Rico. The term of the lease commenced on December 1, 2015 and was valid until November 30, 2020. However, this contract was canceled and a new contract under new terms was formalized. The term of this contract commenced on July 1, 2018 and concludes on February 28, 2021. The agreement provides for a renewal option. Future minimum operating leases commitments for this location are scheduled as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 68,400
2020	68,400
2021	<u>28,500</u>
	<u>\$ 165,300</u>

Rental expenditures for the year ended September 30, 2018 related to such locations amounted \$713,093.

7. Significant Events

On September 6, 2017, Hurricane Irma indirectly impacted Puerto Rico, causing the failure of electricity infrastructure in a significant portion of the Island. However, the operations, were not affected significantly at the OAE.

On September 20, 2017, Hurricane María impacted directly Puerto Rico as a Category 4 hurricane, causing extensive destruction and flooding throughout Puerto Rico. As a result of the Hurricane, the Island was left without electrical power. Other basic utility and infrastructure services, including sewer and water, communications, ports and transportation were affected, in some cases at a catastrophic level. The operations of the OAE were impacted at a moderate level by physical damages experienced in the OAE's premises and losses of property and equipment.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Statement of Cash Receipts and Disbursements, Continued
For the Year Ended September 30, 2018**

8. Subsequent Events

On January 31, 2019 and February 19, 2019, OAE received proceeds from insurance in the amount of \$18,780 as a reimbursement of losses for property and equipment.

In early March 2020, the COVID-19 virus was declared a global pandemic and this has caused some disruption in the general economy and businesses environment across the world. On March 15, 2020 the Governor of Puerto Rico ordered a lock down of all activities not considered essential under certain criteria used in the subject order. The lock down has been extended for additional periods, the most current lasting until August 15, 2020, but with more activities allowed on every stage. The disruption is expected to be temporary. As of the auditor's report date, the financial impact of the Coronavirus disruption cannot be reasonably estimated.

Management has evaluated subsequent events through August 13, 2020, the date the financial statements were available to be issued.

SCHEDULE OF DISBURSEMENTS BY FUNCTIONAL EXPENSES - FEDERAL FUNDS

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Supplemental Information
Schedule of Disbursements by Functional Expenses-Federal Funds
For the Year Ended September 30, 2018**

Functional Expenses Description	Administration	Supportive Services and Seniors Centers	Nutrition	Elder Abuse	Long Term Care	Caregiver Support	Disease Prevention	Discretionary Projects	Medicare	Foster Grandparent/ Senior Companion	Total
Salaries and Fringe Benefits	\$ 949,793	654,202	-	133,944	130,894	495,215	-	95,519	227,217	107,443	\$ 2,794,227
Public Services	114,974	-	-	-	-	-	-	1,800	9,400	1,200	127,374
Purchases Services	462,533	26,473	32,135	6,000	7,673	625,613	113,750	31,340	93,603	33,530	1,432,650
Distributions to Municipality Sponsors	-	2,251,876	4,882,732	-	-	37,708	56,877	-	-	-	7,229,193
Transportation Expenses	21,647	46,610	-	6,844	18,697	56,480	47	1,100	17,307	74,042	242,774
Professional and Consulting Services	-	-	-	68,745	-	-	-	-	-	-	68,745
Other Expenses	-	-	-	1,175	-	-	-	-	-	-	1,175
Supplies	-	-	-	5,508	-	-	-	-	-	-	5,508
Equipment Purchases	-	-	-	7,580	-	-	-	-	-	-	7,580
Total Expenses	\$ 1,548,947	2,979,161	4,914,867	229,796	157,264	1,215,016	170,674	129,759	347,527	216,215	\$ 11,909,226

See accompanying independent auditors' report
and notes to statement of cash receipts and disbursements.

SCHEDULE OF DISBURSEMENTS BY FUNCTIONAL EXPENSES - GENERAL FUNDS

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Supplemental Information
Schedule of Disbursements by Functional Expenses-General Funds
For the Year Ended September 30, 2018**

Functional Expenses Description	Adminis- tration	Supportive Services and Seniors Centers	Foster Grandparent/ Senior Companion	Other Disburse- ments	Total
Salaries and Fringe Benefits	\$ 910,430	-	-	73,463	\$ 983,893
Public Services	39,258	-	-	-	39,258
Purchases Services	464,547	-	-	120	464,667
Distributions to Municipality Sponsors	-	1,500,895	-	-	1,500,895
Distributions to Non- Governmental Sponsors	-	539,325	-	-	539,325
Transportation Expenses	18,519	-	39,738	2,595	60,852
Professional and Consulting Services	22,085	-	-	1,051,162	1,073,247
Other Expenses	18,562	-	27,223	-	45,785
Supplies	3,730	-	-	138	3,868
Advertising	15	-	-	1,348	1,363
Total Expenses	\$ 1,477,146	2,040,220	66,961	1,128,826	\$ 4,713,153

See accompanying independent auditors' report
and notes to statement of cash receipts and disbursements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018**

<u>Federal Grantor Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>Expenditures by Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Direct Programs:</u>			
U.S. Department of Health and Human Services (HHS):			
<u>Aging Cluster</u>			
Special Program for the Aging-Title III Part B-Grant for Supportive Services and Senior Centers	93.044	2,251,876	4,528,108
Special Program for the Aging-Title III Part C- Nutrition Services	93.045	3,420,827	3,452,962
Nutrition Services Incentive Program	93.053	1,461,905	1,461,905
Sub-total Aging Cluster		7,134,608	9,442,975
 <u>Title VII</u>			
Special Program for the Aging-Title VII-Chapter 3- Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	-	30,177
Special Program for the Aging-Title VII-Chapter 2- Long Term Care Ombudsman Services for Older Individuals	93.042	-	157,264
Subtotal Title VII		-	187,441
 <u>HHS Other Awards</u>			
National Family Caregiver Support, Title III, Part E	93.052	37,708	1,215,016
Special Program for the Aging-Title III Part D- Disease Prevention and Health Promotion Services	93.043	56,877	170,674
Special Program for the Aging-Title II and Title IV - Discretionary Project	93.048	-	129,759
State Health Insurance Assistance Program	93.324	-	347,527
Total U.S. Department of Health and Human Services		7,229,193	11,493,392
 Corporation for National and Community Services (CNCS):			
Foster Grandparent Program	94.011	-	83,744
Senior Companion Program	94.016	-	132,471
Total Corporation for National and Community Services		-	216,215
Sub-total Direct Programs carried to next page		\$ 7,229,193	\$ 11,709,607

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Expenditures of Federal Awards, Continued
For the Year Ended September 30, 2018**

<u>Federal Grantor Pass-Through Grantor/ Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>Expenditures by Subrecipients</u>	<u>Total Federal Expenditures</u>
Sub-total Direct Programs brought from previous page		\$ <u>7,229,193</u>	\$ <u>11,709,607</u>
<u>Passed Through Programs:</u>			
U.S. Department of Justice: Pass Through P.R. Justice Department: Crime Victim Assistance (Pass-through entity assigned number 2015-VA-OPPEA-01)	16.575	<u>-</u>	<u>199,619</u>
Total Expenditures of Federal Awards		\$ <u>7,229,193</u>	\$ <u>11,909,226</u>

The accompanying notes are an integral part of this schedule.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the OAE under programs of the federal government for the year ended September 30, 2018. The OAE's reporting entity is defined in Note 1 to the financial statement.

The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance (2 CFR 200), "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*" and following the cash receipts and cash disbursements basis of accounting.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. It is drawn primarily from the OAE's internal accounting records, which are the basis of the OAE's Statement of Cash Receipts and Disbursements. Such expenditures are recognized following the cost principles contained in *Title 2 US Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The titles of federal awards included in the SEFA are presented as described in the Catalog of Federal Domestic Assistance (CFDA).

3. Relationship to the Financial Statement

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedule, which is prepared on the basis of accounting explained in Note 3. Office of Management and the Uniform Guidance requires that federal financial reports for claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared. The OAE prepares the federal financial reports and claims for reimbursements primarily based on information from the internal accounting records.

Expenditures included in the SEFA amounting \$11,909,226, agree with the amounts included in the accompanying statement of cash receipts and disbursements for purposes of the Federal Financial Assistance.

(Continued)

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Notes to Schedule of Expenditures of Federal Awards, Continued
For the Year Ended September 30, 2018**

4. Matching Costs

Matching costs, such as the nonfederal share of certain program costs, are not included in the accompanying Schedule.

5. Indirect Cost Rate

OAE has not elected to use the 10% the minimum indirect cost rate allowed under the Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

6. Late Submission of the Reporting Package

OAE experienced difficulties that caused a late submission of the reporting package to the Federal Clearinghouse. The main reasons are that the engagement of the external auditors was delayed by a decision of the Governor of Puerto Rico to cancel any existing contract with the former external auditors. Also, the completion of the audit procedures and the compilation of information requested required more time than anticipated since the process was disrupted by the COVID-19 pandemic.

7. Cluster

A cluster of programs means federal programs with different CFDA numbers that are defined as clusters of programs because they are closely related programs that have similar compliance requirements. The schedule includes the following clusters:

<u>Cluster</u>	<u>Federal Program</u>	<u>CFDA Program</u>
	Special Program for the Aging-Title III Part B-Grant for Supportive Services and Senior Centers	93.044
Aging Cluster	Special Program for the Aging-Title III Part C-Nutrition Services	93.045
	Nutrition Services Incentive Program	93.053
Foster Grandparent/Senior Companion Cluster	Foster Grandparent Program	94.011
	Senior Companion Program	94.016

ZAYAS, MORAZZANI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225
San Juan, Puerto Rico 00936-6225
(787) 753-7025
(787) 753-7038

**Independent Auditors' 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 Office of the Advocate for the Elderly
Commonwealth of Puerto Rico:

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 financial statements of The Office of the Advocate for the Elderly Commonwealth of Puerto Rico (the "OAE") which comprise the statements of cash receipts and cash disbursements for the year ended September 30, 2018 and the related notes to the financial statements, and have issued our report thereon dated August 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the statement of cash receipts and cash disbursements, we considered OAE'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 statements, but not for the purpose of expressing an opinion on the effectiveness of OAE's internal control. Accordingly, we do not express an opinion on the effectiveness of the OAE'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and other Matters

As part of obtaining reasonable assurance about whether OAE's statement of cash receipts and cash disbursements is free of material misstatement, we performed tests of its compliance with certain provisions 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Juan, Puerto Rico
August 13, 2020

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Rico Society of Certified Public
Accountants was affixed to original.

A handwritten signature in cursive script that reads "Zayas, Morazzani & Co." with a flourish at the end.

ZAYAS, MORAZZANI & CO.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 366225
San Juan, Puerto Rico 00936-6225
(787) 753-7025
(787) 753-7038

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by Uniform Guidance**

To the Office of the Advocate for the Elderly
Commonwealth of Puerto Rico:

Report on Compliance for Each Major Federal Program

We have audited the Office of the Advocate for the Elderly Commonwealth of Puerto Rico (the "OAE"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of OAE's major federal programs for the year ended September 30, 2018. OAE's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of OAE'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 the audit requirement of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and 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 OAE'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of OAE's compliance.

Basis for Qualified Opinion on Aging Cluster (CFDA No. 93.044, 93.045 and 93.053) and National Family Caregiver Support-Title III, Part E (93.052).

As described in the accompanying schedule of findings and questioned costs, OAE did not comply with requirements regarding the Aging Cluster (CFDA No. 93.044, 93.045 and 93.053) and National Family Caregiver Support-Title III, Part E (93.052) in finding number 2018-001. Compliance with such elements is necessary, in our opinion, for OAE to comply with the requirements applicable to those programs.

Basis for Qualified Opinion on Supportive Services and Senior Centers-Title III, Part B (93.044) and Nutrition Services-Title III, Part C (93.045).

As described in the accompanying schedule of findings and questioned costs, OAE did not comply with requirements regarding on Supportive Services and Senior Centers-Title III, Part B (93.044) and Nutrition Services-Title III, Part C (93.045) in finding number 2018-002. Compliance with such elements is necessary, in our opinion, for OAE to comply with the requirements applicable to those programs.

Basis for Qualified Opinion on Aging Cluster (CFDA No. 93.044, 93.045 and 93.053).

As described in the accompanying schedule of findings and questioned costs, OAE did not comply with requirements regarding on Aging Cluster (CFDA No. 93.044, 93.045 and 93.053) in finding number 2018-003. Compliance with such requirement is necessary, in our opinion, for OAE to comply with the requirements applicable to those programs.

Opinion on Aging Cluster (CFDA No. 93.044, 93.045 and 93.053) and National Family Caregiver Support-Title III, Part E (93.052).

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, OAE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Aging Cluster (CFDA No. 93.044, 93.045 and 93.053) and National Family Caregiver Support-Title III, Part E (93.052).

Other Matters

OAE's responses to the non-compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The OAE'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 OAE 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 OAE'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 Uniform Guidance, but not for 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 OAE's internal control over compliance.

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control over compliance, such that 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003 to be material weaknesses.

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 charged with governance.

The OAE's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The OAE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Juan, Puerto Rico
August 13, 2020

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Rico Society of Certified Public
Accountants was affixed to original.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal Control over financial reporting:	
1. Material weakness identified?	No
2. Significant deficiencies that are not to be considered material weakness?	No
3. Non-compliance material to financial statement noted?	No

Financial Awards

Type of auditors’ report issued on compliance for each major programs:	
1. Material weakness identified?	Yes
2. Significant deficiencies that are not to be considered material weakness?	No
3. Type of auditors’ report issued on compliance for major program	Qualified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes

The programs tested as major programs are the following:

Federal grantor/Name of Federal Program	CFDA Number
U.S. Department of Health and Human Services:	
Title III – B Supportive Services and Senior Centers	93.044
Title III – C Nutrition Services	93.045
Title III – E National Family Caregiver Support	93.052
Nutrition Services Incentive Program	93.053

The threshold for distinguishing Types A and B programs:	\$ 750,000
----------------------------------------------------------	------------

Auditee qualified as low risk auditee? yes no

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Section II – Financial Statement Findings

There is no financial statements findings that need to be disclosed.

Section III – Federal Award Findings and Questioned Costs/Management Response

Finding Number: 2018-001

Federal Programs:

All federal financial assistance programs.

Category:

Internal Control/Compliance - Material Weakness

Compliance Requirement:

Reporting - Data Collection Form

Condition:

OAE submitted the data collection form for the year ended September 30, 2017 to Federal Clearinghouse after its due date. Also, the current single audit for the year ended September 30, 2018 is being completed and submitted after the corresponding date.

Criteria:

2 CFR Part 200, Subpart C, Section 200.512 established that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

Cause:

OAE's Single Audit Report for fiscal year 2017 was submitted on April 3, 2019. The main cause was attributed to a delay in the engagement of the former external auditors for the subject year. In the case of the fiscal year 2018, the engagement of the external auditors was delayed by a decision of the Governor of Puerto Rico to cancel any existing contract with those former external auditors. Also, the conduct of the audit for fiscal year 2019 was significantly disrupted by the COVID-19 pandemic.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Effect:

OAE may be subject to sanction, as described in the Uniform Guidance, Section 225 titled "Sanctions", in cases of continued inability to have and audited conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate actions using sanctions such as: (a) withholding a percentage of federal award until the audit is completed satisfactorily; (b) withholding or disallowing overhead cost; (c) suspending federal award until the audit is conducted; or (d) terminating the federal award.

Questioned Cost:

None

Recommendation:

We recommend management to formalize a plan to monitor the full single audit process, including the engagement of the external auditors, the completion of all required steps, including closings, compilation and access to the required documentation, as well of an itinerary of every relevant step to perform, complete and submit single audit during the required period.

Management Response:

Management agrees with the observation. The delays have been caused substantially by external factors such as hurricanes and COVID-19 disruptions. Management recognizes that a delay will be experienced with respect 2019, because of the COVID-19. However, Management will adopt a plan to reduce the delay for 2019 and to comply with the deadlines for the years after 2019.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Finding Number 2018-002

Federal programs:

CFDA No.: 93.044 Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers

CFDA No.: 93.045 Special Programs for the Aging-Title III, Part C-Nutrition Services

Category:

Internal Control/Compliance – Material Weakness

Compliance Requirement:

Subrecipient Monitoring

Condition:

During our compliance procedures, we noted that the State Plan of the OAE requires a monitoring process of the total 100% population of the subrecipients of federal funds at least once a year. We observed that during the year ended September 30, 2018 the OAE distributed federal funds to 123 subrecipients. The actual subrecipients subjected to formal monitoring exercises amounted seven (11).

Criteria:

45 CFR Sections 1321.11(b) and 1321.17(f)(9), the State Agency is required to develop policies governing all aspects of programs operated under the State Plan and to monitor their implementation, including assessing performance for quality and effectiveness and specifying data system requirements to collect necessary and appropriate data. The policies developed by the State agency shall address the manner in which the State agency will monitor the performance of all programs and activities initiated under this part for quality and effectiveness.

Cause:

The design of the policies for the monitoring activities over subrecipients does not consider that there are no current or contemplated resources that could be available to perform formal and comprehensive monitoring exercises over the total population of sub-recipients on an annual basis.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Effect:

The failure to monitoring sub-recipients may lead to inappropriate use of the funds by the subrecipients, and the disallowance of such costs by the federal agencies.

Questioned Cost:

None

Recommendation:

OAE should review the design of the internal policies according to the available resources and modify what is established in the State Plan regarding the monitoring of subrecipients. The monitoring processes should be designed to ensure that the grants were used properly, and all supporting documents were properly assembled and stored. Best practices on subrecipients monitoring should be searched and evaluated for implementation.

Management Response:

Management agrees with the observation. OAE will review immediately its policies and procedures for subrecipients monitoring to develop an effective plan to comply with the requirements.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Finding Number: 2018-003

Federal Programs:

CFDA No.: 93.044 Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers
CFDA No.: 93.045 Special Programs for the Aging-Title III, Part C-Nutrition Services
CFDA No.: 93.053 Nutrition Services Incentive Program

Category:

Internal Control/Compliance - Material Weakness

Compliance Requirement:

Reporting

Condition:

During our compliance procedures, we noted that OAE did not have a process in place to comply with reporting requirements of the Federal Funding Accountability Transparency Act (FFATA) for the Aging Cluster Special program for the Aging – Title III Part B and C and Nutrition Services Incentive Program. As a result, the information required under FFATA was not submitted. The condition is also applicable to the procurement activities.

Criteria:

In accordance with 2CFR Chapter 1, Part 170 REPORTING SUB-AWARD AND EXECUTIVE COMPENSATION INFORMATION, Prime Awardees awarded a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than \$25,000.

Cause:

The OAE did not have procedures in place to ensure they submit the required information in FFATA Reporting System.

Effect:

The OAE is not in compliance with the FFATA requirements

Questioned Cost:

None

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2018**

Recommendation:

OAE should implement policies and procedures to report subaward information under FFATA for the programs mentioned above. We were informed that prior to the issuance of the accompanying financial statements, the OAE has adopted procedures to comply with the criteria established by FFATA. The requirement is also applicable to the procurement activities.

Management Response:

Management agrees with the observation. OAE has requested access to create the account in the Grant Reporting System of the Federal Funding Accountability Transparency Act.

<u>Finding Reference Number</u>	<u>Finding Description</u>	<u>Questioned Costs</u>	<u>Finding Current Status</u>
2017-001	Reporting – Data Collection Form	None	Delay experienced for 2017 was also experienced for 2018. Management has plans to reduce the delay for 2019. (see finding 2018-001)
2017-002	Subrecipient Monitoring	None	Formal corrective action pending of implementation, but sub-recipient monitoring has continued with the limitations pointed out. (see finding 2018-002)

AUDIT ENGAGEMENT PROFILE

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO**

**Audit Engagement Profile
For the Year Ended September 30, 2018**

AUDITORS : Zayas, Morazzani & Co.

CONTACT PERSON : Mr. Luis A. Martínez-Renta, CPA, Partner
l.martinez@zmcompany.com

FEDERAL EMPLOYER ID NUMBER : 66-0365844

ADDRESS : Belisa Development
1538 Bori Street
San Juan, Puerto Rico 00927

LICENSE NUMBER : 95

TELEPHONE NUMBER : (787) 753-7025; 753-6780

FAX NUMBER : (787) 759-7122

The audit was performed at the Organization's facilities, as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
Ponce de León Avenue 16 Blg. 1064 3 rd floor Santurce	Administration Offices	Various

Records for the accounting and administration of the OAE are located at the above-referenced facilities.