

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

***INDEPENDENT AUDITORS' REPORT
AND
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
AND SINGLE AUDIT REPORT***

For the fiscal year ended
September 30, 2016

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
TABLE OF CONTENTS
SEPTEMBER 30, 2016**

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
Statement of Cash Receipts and Cash Disbursements	4
Notes to the Statement of Cash Receipts and Cash Disbursements	5 - 11
SUPPLEMENTARY INFORMATION:	
Schedule of Disbursements by Administrative Auxiliaries Federal Funds	13
Schedule of Disbursements by Administrative Auxiliaries General Funds	14
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16 - 17
REPORTS REQUIRED UNDER UNIFORM GUIDANCE:	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19 - 20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21 - 24
Schedule of Findings and Questioned Costs/Management's Reponse	25 - 30
Summary of Prior Year Findings	31



BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and cash disbursements of the Office of the Advocate for the Elderly Commonwealth of Puerto Rico (the "OAE") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statement which collectively comprise the OAE's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements 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 statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 requirements 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 2

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 statements referred to above present fairly, in all material respects, the cash receipts and disbursements of OAE for the year ended September 30, 2016, in accordance with the basis of accounting described in Note 3.

Other Matters

Basis of Accounting

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

Report on Required Supplementary Information

The OAE has not presented the management's discussion and analysis that is necessary to supplement although not required to be part of the financial statement.

Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements that comprise the OAE's financial statement. The accompanying Schedule of Expenditures of Federal Awards included on page 23, is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, and is not a required part of the Statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements. The 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 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 financial statement as a whole, in conformity with the basis of accounting described in Note 3.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2018, on our consideration of the OAE'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 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 OAE's internal control over financial reporting and compliance.

BDO Puerto Rico, P.S.C.

San Juan, Puerto Rico

April 25, 2018

Certified Public Accountants
(Puerto Rico)

License No. 53 expires December 1, 2018
Stamp E315268 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Federal Funds</u>	<u>Total Governmental Activities</u>
CASH RECEIPTS			
Commonwealth appropriations	\$ 2,652,366	\$ -	\$ 2,652,366
Federal financial assistance	-	7,743,269	7,743,269
Other	956,407	-	956,407
Total cash receipts	<u>3,608,773</u>	<u>7,743,269</u>	<u>11,352,042</u>
CASH DISBURSEMENTS			
Administration	2,330,489	1,879,451	4,209,940
Nutrition	-	11,049,991	11,049,991
Elder abuse	-	207,445	207,445
Long-term care	-	206,193	206,193
Caregiver support	815,273	1,303,237	2,118,510
Disease prevention	-	167,609	167,609
Discretionary projects	-	231,294	231,294
Medicare	-	727,238	727,238
Other	456,472	709,605	1,166,077
	<u>3,602,234</u>	<u>16,482,062</u>	<u>20,084,296</u>
Excess/(deficiency)	<u>\$ 6,539</u>	<u>\$ (8,738,793)</u>	<u>\$ (8,732,254)</u>

See notes to the statement of cash receipts and cash disbursements.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

1. ORGANIZATION

The Office of the Advocate for the Elderly (the “OAE”) was created by the enactment of Act 203 of August 7, 2004 of the Commonwealth of Puerto Rico. The OAE, among other functions provided for in the Act, 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. Likewise, it 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 (the “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).

Under the reorganized structured 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

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

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, 2016, 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 constrains, the financial support that the Commonwealth provide to OAE could be affected in the near future.

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, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles in the United States of America primarily because the effects of outstanding dues at the date of the financial statement are not included in the financial statement. Non-cash transactions are not recognized in the statement.

a. Budget - As an Executive Agency of the Commonwealth of Puerto Rico, the OAE uses the following procedures in establishing the budget adopted for the OAE:

1. The OAE’s management prepares a budget project which is submitted to the Commonwealth of Puerto Rico’s Office of Management and Budget (“PROMB”).
2. After approval by PROMB, the budget project is incorporated into the Commonwealth of Puerto Rico’s consolidated budget project submitted by the Executive Branch.
3. Public hearings and discussions are held toward the legal enactment of the budget project on or before the commencement of the fiscal year for which the budget applies.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

4. Once the budget project is approved, legally adopted, and in operation, the OAE's management can request the transfer of budgeted amounts from PROMB, which after approval, is accounted for by the Commonwealth of Puerto Rico Department of the Treasury.
 5. Formal budgetary integration is employed as a management control device during the fiscal year for the general fund.
 6. As stated by the Constitution of the Commonwealth of Puerto Rico, the budgeted expenditures should be balanced with estimated revenues.
- b. **Grants** - Grants are recorded based on annual appropriations and funds received.
 - c. **Expenditures** - Expenditures are recognized in the accounting period in which disbursements are issued.
 - d. **General fund** - These funds basically consist of legislative resolutions received from the Commonwealth of Puerto Rico.
 - e. **Federal funds** - These funds consist of financial assistance received from federal agencies. Federal funds are legally restricted to expenditures for specified purposes.
 - f. **Other receipts** - The Commonwealth designated 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 Cash Disbursement as Other Receipts and Administration disbursements, respectively.
 - g. **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, and up to a maximum of 90 days, for sick leave, if they have ten or more years of service. Expenditures for sick leave and vacation benefits are recognized when such absences are paid.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

- h. **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.

4. CONTINGENCIES

Litigation and claims

The Commonwealth of Puerto Rico's Law 67 of August 7, 1993, provides that OAE is an entity with legal personality, capacity to sue and be sued and fiscal and administrative autonomy. The OAE is a defendant in various lawsuits resulting from the normal course of business, including but not limited to labor, torts, and breach of contract. OAE's management believes that the potential claim will not materially affect its financial position and results of operations.

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, "Audit of States Local Governments and Non-Profit Organizations" 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 Employee's 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. All regular full time public employees of the PRDH under five (5) years at the date of employment become members of the System as a condition to their employment.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

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 years of plan participation.

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 percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty (20) years, plus two 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 PRDH on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 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.

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.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

Government legislation requires employees to contribute 5.775% for the first \$6,600 of their monthly gross salary and 8.275% for the salary in excess of \$6,600. The PRDH was required by the same statute to contribute 9.275% of the participant's gross salary.

On April 4, 2013 the Act Number 3 - 2013 was signed, to amend Act 447 of May 15, 1951, to include new guidelines as corrective measures to the actual plan's unfunded status. Amendments consist of: (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 were 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) increased 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 active System 2000 participants will be gradually increased from age 60 to age 65; (5) transitioning active participants under Act No. 1 and Act No. 447 to a defined contribution plan similar to System 2000; (6) eliminated the "merit annuity" available to participants who joined the System prior to April 1, 1990; (7) the retirement age for new employees was increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58; (8) employee contribution rate was increased from 8.275% to 10%; (9) 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; (10) 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. Resulting employer contribution savings will be contributed to the ERS; (11) disability benefits were eliminated and substituted for a mandatory disability insurance policy; and (12) survivor benefits were modified. The effective date of this Act will be July 1, 2013.

Total covered payroll for the year ended September 30, 2014, was approximately \$4.4 million. Additional information on the System is provided in its financial statements for the year ended June 30, 2014, a copy of which can be obtained from Retirement System Administration, PO Box 42003, San Juan, Puerto Rico 00949.

6. OPERATING LEASES

The OAE leases various properties and equipment under operating leases agreements. Rental expenditures for the fiscal year ended September 30, 2016 related to such commitments amounted to approximately \$807,000. Future operating leases commitments are scheduled as follows:

<u>September 30,</u>	<u>Amount</u>
2017	\$ 678,714
2018	<u>678,714</u>
	<u>\$ 1,357,428</u>

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO THE STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
SEPTEMBER 30, 2016**

7. SUBSEQUENT EVENTS

The OAE evaluated subsequent events through April 25, 2018, the date on which the financial statement were available to be issued. There are no material subsequent events that would require adjustments in the accompanying financial statement for the fiscal year ended September 30, 2016.

PROMESA

In recognition of the seriousness of the financial difficulties faced by the Commonwealth and its constituent authorities, the United States government enacted PROMESA. PROMESA creates a structure for exercising federal oversight over the fiscal affairs of the territories of the United States and establishes an Oversight Board with broad powers of budgetary and financial control over Puerto Rico. PROMESA also creates procedures (in Titles III and VI of PROMESA) for restructuring debts accumulated by the government of Puerto Rico and its instrumentalities, and potentially for debts of other territories.

SUPPLEMENTARY INFORMATION

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF DISBURSEMENTS BY ADMINISTRATIVE AUXILIARIES FEDERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Expenditures	Administration	Nutrition	Elder Abuse	Long-Term Care	Caregiver Support	Disease Prevention	Discretionary Projects	Medicare	Other	Total
Salaries and Fringe Benefits	\$ 1,167,427	\$ 841,463	\$ 181,477	\$ 166,285	\$ 662,605	\$ -	\$ 92,622	\$ 282,629	\$ 150,901	\$ 3,545,409
Public Services	129,094	-	-	-	-	-	1,800	14,431	1,400	146,725
Purchased Services	199,986	3,272	7,121	5,687	-	26,220	49,180	99,541	10,513	401,520
Donations & Other Distributions	-	6,535,087	-	-	-	105,179	-	-	-	6,640,266
Transportation Expenses	30,651	62,491	5,656	15,610	69,723	-	3,952	9,672	75,050	272,805
Professional & Consulting Services	78,303	3,179	3,179	16,000	-	2,850	-	6,500	-	106,832
Other Expenses	244,867	19,563	497	2,611	570,909	1,820	83,191	294,949	471,414	1,689,821
Supplies	24,094	-	4,100	-	-	-	549	3,505	327	32,575
Equipment Purchases	2,965	-	615	-	-	-	-	-	-	3,580
Advertising	2,064	-	4,800	-	-	-	-	16,010	-	22,874
Contribution to private sponsors	-	3,588,115	-	-	-	31,540	-	-	-	3,619,655
	\$ 1,879,451	\$ 11,049,991	\$ 207,445	\$ 206,193	\$ 1,303,237	\$ 167,609	\$ 231,294	\$ 727,237	\$ 709,605	\$ 16,482,062

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF DISBURSEMENTS BY ADMINISTRATIVE AUXILIARIES GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Expenditures</u>	<u>Administration</u>	<u>Caregiver Support</u>	<u>Other</u>	<u>Total</u>
Salaries and Fringe Benefits	\$ 1,064,575	\$ -	\$ 300	\$ 1,064,875
Public Services	33,754	-	6,709	40,463
Purchased Services	549,114	-	-	549,114
Donations & Other Distribution	-	519,966	-	519,966
Transportaion Expenses	24,800	-	54,278	79,078
Professional & Consulting Services	605,689	-	331,041	936,730
Other Expenses	47,878	-	64,144	112,022
Supplies	3,729	-	-	3,729
Equipment Purchases	935	-	-	935
Advertising	15	-	-	15
Contribution to private sponsors	-	295,307	-	295,307
	<u>\$ 2,330,489</u>	<u>\$ 815,273</u>	<u>\$ 456,472</u>	<u>\$ 3,602,234</u>

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures to Subrecipients</u>	<u>Expenditures</u>
US 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		\$ 2,277,504	\$ 6,788,577
Special Program for the Aging-Title III Part C- Nutrition Services	93.045		3,285,286	4,908,247
Nutrition Services Incentive Program	93.053		<u>972,297</u>	<u>1,232,618</u>
Subtotal Cluster			6,535,087	12,929,442
<u>TITLE VII</u>				
Special Program for the Aging-Title VII-Chapter 3- Programs for Prevention of Elder Abuse, neglect and Exploitation	93.041		-	65,315
Special Program for the Aging-Title VII-Chapter 2- Long Term Care Ombudsman Services for Older Individuals	93.042		<u>-</u>	<u>206,193</u>
Subtotal Title VII			-	271,508
<u>HHS OTHER AWARDS</u>				
Special Program for the Aging-Title III Part D- Disease Prevention and Health Promotion Services	93.043		105,179	167,609
Special Program for the Aging-Title II and Title IV - Discretionary Project	93.048		-	231,294
National Family Caregiver Support, Title III, Part E	93.052		-	1,303,237
Medicare Enrollment Assistance Program	93.071		-	-
State Health Insurance Assistance Program	93.324		-	727,237
Centers for Medicare and Medicaid services (CMS) Research, Demonstration and Evaluation	93.779		<u>-</u>	<u>-</u>
Subtotal Other Awards			<u>105,179</u>	<u>2,429,377</u>
Total US Department of Health			6,640,266	15,630,327
<u>Pass-Through Justice Department, Commonwealth of Puerto Rico</u>				
Crime Victim Assistance	16.575	2010-VA-GX-0093	-	142,130
Corporation for National and Community Services (CNCS)				
<u>Direct Programs</u>				
Foster Grandparent Program	94.011		-	317,090
Senior Companion Program	94.016		<u>-</u>	<u>392,515</u>
Total Direct Programs			<u>-</u>	<u>709,605</u>
Total Expenditures of Federal Awards			<u>\$ 6,640,266</u>	<u>\$ 16,482,062</u>

See notes to Schedule of Expenditures and Federal Awards.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the funds expended by the OAE from all federal programs. The OAE's reporting entity is defined in Note 1 to the financial statement.

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and following the cash receipts and disbursements basis of accounting.

3. CATALOG OF FEDERAL DOMESTIC ASSISTANT (CFDA) NUMBER

The CFDA numbers included in this Schedule are determined based on the program name, review of grant contract information and the Office of Management and Budget's Catalogue of Federal Domestic Assistance. CFDA numbers are presented for those programs for which such numbers were available.

4. MAJOR FEDERAL PROGRAMS

Major programs are identified in the Summary of Auditors' Results Section in the Schedule of Findings and Questioned Costs. Federal programs are presented by federal agency.

5. MATCHING COSTS

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

6. 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.

7. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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.

8. 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 cluster:

<u>Cluster</u>	<u>Federal Program</u>	<u>CFDA Number</u>
Aging Cluster	Special Program for the Aging-Title III Part B-Grant for Supportive Services and Senior Centers	93.044
	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

**REPORTS REQUIRED UNDER
UNIFORM GUIDANCE**



BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

**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**

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 statement of the Office of the Advocate for the Elderly Commonwealth of Puerto Rico (the "OAE"), which comprise the statement of cash receipts and disbursements for the fiscal year ended September 30, 2016, and the related notes to the financial statement and have issued our report thereon dated April 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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. However, material weaknesses may exist that have not been identified.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OAE's financial statements is free from 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 audit, 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.

OAE's Response to Findings

The OAE's response to the 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 the financial statements 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.

BDO Puerto Rico, P.S.C.

San Juan, Puerto Rico

April 25, 2018

Certified Public Accountants
(Puerto Rico)

License No. 53 expires December 1, 2018
Stamp E315269 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report



BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

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

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 direct and material effect on each of OAE's major federal programs for the fiscal year ended September 30, 2016. OAE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 requirements 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 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 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.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 2

Basis for Qualified Opinion on Supportive Services and Senior Centers-Title III, Part B (93.044), Nutrition Services-Title III, Part C (93.045), National Family Caregiver Support-Title III, Part E (93052), and Nutrition Services Incentive Program (93.053)

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), Nutrition Services-Title III, Part C (93.045), National Family Caregiver Support-Title III, Part E (93052), and Nutrition Services Incentive Program (93.053) in finding number 2016-001. Compliance with such requirement is necessary, in our opinion, for OAE to comply with the requirements applicable to that program.

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 2016-002. Compliance with such requirement is necessary, in our opinion, for OAE to comply with the requirements applicable to that program.

Opinion on Supportive Services and Senior Centers-Title III, Part B (93.044), Nutrition Services-Title III, Part C (93.045), National Family Caregiver Support-Title III, Part E (93052), and Nutrition Services Incentive Program (93.053)

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 Supportive Services and Senior Centers-Title III, Part B (93.044), Nutrition Services-Title III, Part C (93.045), National Family Caregiver Support-Title III, Part E (93052), and Nutrition Services Incentive Program (93.053) for the fiscal year ended September 30, 2016.

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.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 3

Report on Internal Control over Compliance

Management of the OAE's 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 the 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 preceding paragraph 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 2016-001 and 2016-002 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.



Office of the Advocate for the Elderly
Commonwealth of Puerto Rico
Page 4

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO Puerto Rico, P.S.C.

San Juan, Puerto Rico

April 25, 2018

Certified Public Accountants
(Puerto Rico)

License No. 53 expires December 1, 2018
Stamp E315270 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016

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 auditor's report issued on compliance for major program	Qualified
4. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)?	Yes

The programs tested as major programs are the following:

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

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

Auditee qualified as low-risk auditee? ___yes __X__no

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016**

Section II - Financial Statement Findings

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

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016

Section III - Federal Award Findings and Questioned Costs/Management Reponse

Finding Number: 2016-001

Federal Programs:

All federal financial assistance programs.

Category:

Internal Control/Compliance - Material Weakness

Compliance Requirement:

Reporting - Data Collection Form

Condition:

During our compliance audit, we noted that OAE did not submit the data collection form for the fiscal years ended September 30, 2011, 2012, 2013, 2014, and 2015 to Federal Clearinghouse on a timely basis.

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. (However, for fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period.) Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

Cause:

OPPEA's Single Audit Report for fiscal year 2011 was submitted on August 6, 2012 and the report deadline was June 30, 2012. For the fiscal year 2012 the report was submitted on December 19, 2013 and the report deadline was June 30, 2013. For the fiscal year 2013 the report was submitted on April 2014 and the report deadline was June 30, 2014. For the fiscal year 2014 the report was submitted on January 30, 2015 and the report deadline was June 30, 2015. For the fiscal year 2015 the report was submitted on February 10, 2016 and the report deadline was June 30, 2016.

**OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016**

Effect:

OPPEA's may be subject to sanction, as describe 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 formalized auditor's contract before the fiscal year end, and coordinate to commence procedures to allow the necessary time to complete the audit during the required period.

Management Response:

Based on different facts that were previously described, our office experienced difficulties that caused this compliance deficiency. We have been working hard on this matter and the Single Audit 2015 report was sent to the Clearinghouse as soon as the SA concluded. Even though we faced some delays due to the problem with the systems caused by Hurricane Maria, Single Audit 2016 is about to be concluded and we will be sending it to the Clearinghouse promptly.

In addition, the auditor's contract with an external firm to work with the Single Audit 2017 was formalized before the fiscal year ended to be in full compliance.

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016

Finding Number: 2016-002

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:

Sub-recipient Monitoring

Condition:

During our compliance procedures, we noted that OPPEA does not follow its procedures for monitoring sub-recipients of federal funds. OPPEA internal control policies establish that a monitoring process of sub-recipients of federal funds must be performed at least once a year. Nevertheless, the OPPEA is not in compliance with this monitoring frequency.

Criteria:

As per 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. In monitoring the ombudsman program, access to files, minus the identity of any complainant or resident of a long-term care facility, shall be available only to the director of the State agency on aging and one other senior manager of the State agency designated by the State director for this purpose. In the conduct of the monitoring of the ombudsman program, the confidentiality protections concerning any complainant or resident of a long term care facility as prescribed in section 307(a)(12) of the Act shall be strictly adhered to.

Cause:

Lack of the necessary personnel available to perform the established procedures for monitoring sub-recipients of federal funds.

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS/MANAGEMENT RESPONSE
SEPTEMBER 30, 2016

Effect:

The failure to monitoring sub-recipients may lead to inappropriate use of the funds given to the sub-recipients.

Questioned Cost:

None

Recommendation:

OPPEA should ensure in a yearly basis, as a minimum, that sub-recipients comply with the regulations regarding the funds granted. OPPEA should designate personnel to perform the required visits in a timely basis to sub-recipients and applied the monitoring process designed to make sure that the grants were used properly, and all supporting documents were properly storage and organized.

Management Response:

As explained before the unstable and changing administrative structured caused a turnover on the workforce affecting several areas on the OPPEA. The Internal Auditing Office (IAO) was among those. Current administration hired personnel to fill positions in the (IAO). Hired personnel have improved significantly the performance of the established procedures for monitoring sub-recipients on their use of federal funds. We still have open positions that we have to hire. Nevertheless, the personnel currently in place has updated internal control and regulations. They have conducted seminars on the updated information to the sub-recipients. The newly hired personnel has been trained on the internal control, risk analysis, and new regulations.

OFFICE OF THE ADVOCATE FOR THE ELDERLY
COMMONWEALTH OF PUERTO RICO
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Finding Reference Number	Finding Description	Questioned Costs	Finding Current Status
2015-01	Cash Management	None	Corrected
2015-02	Reporting - Data Collection Form	None	Uncorrected (see finding 2016-001)
2015-03	Subrecipient Monitoring	None	Uncorrected (see finding 2016-002)

**OFICINA DEL PROCURADOR
DE LAS PERSONAS DE EDAD AVANZADA
DEL ESTADO LIBRE ASOCIADO DE PUERTO RICO**

CORRECTIVE ACTION PLAN for SA-2015-2016

FINDINGS NUMBER	AUDITOR'S DESCRIPTION	CONDITION	CORRECTIVE ACTION PLAN	LEAD PERSON FOR ACTION ITEM COMPLETION
#2016-01	Internal Control & Compliance - Material Weakness - Reporting	OAE did not submit the data collection form for the fiscal years ended September 30, 2014, and 2015 to Federal Clearinghouse on a timely basis.	<p>Based on different facts that were previously described, our office experienced difficulties that caused this compliance deficiency. We have been working hard on this matter and the Single Audit 2015 report was sent to the Clearinghouse as soon as the SA concluded. Even though we faced some delays due to the problem with the systems caused by Hurricane Maria, Single Audit 2016 is about to be concluded and we will be sending it to the Clearinghouse promptly.</p> <p>In addition, the auditor's contract with an external firm to work with the Single Audit 2017 was formalized before the fiscal year ended to be in full compliance.</p>	Director of Administration
#2016-02	Internal Control & Compliance - Material Weakness - Sub-recipient Monitoring	Lack of necessary personnel available to perform the established procedures for monitoring sub-recipients of federal funds.	<p>As explained before the unstable and changing administrative structure caused a turnover on the workforce affecting several areas on the OAE. The Internal Auditing Office (IAO) was among those and still being affected. Current administration hired personnel to fill positions in the IAO. This area has improved significantly the performance of the established procedures for monitoring sub-recipients on their use of federal funds and has updated internal control and regulations. We still have open positions that we need to hire. The personnel currently in place have conducted seminars on the updated information to the sub-recipients. The newly hired personnel have been trained on the internal control, risk analysis, and new regulations. This is a difficult to recruit position and due to several factors, they leave, once we train them, leaving us with a lack of monitors to audit 135 sub-recipients approximately.</p>	Internal Auditing Office/Human Resources Office