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**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS AND SINGLE AUDIT
REPORTS
FOR THE YEAR ENDED JUNE 30, 2018**

(WITH INDEPENDENT AUDITORS' REPORTS THEREON)

**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2018
TABLE OF CONTENT**

	Pages
I. FINANCIAL SECTION	
Independent Auditor's Report	1-3
Statement of Cash Receipts and Cash Disbursements	4
Notes to Statement of Cash Receipts and Cash Disbursements	5-13
II. ADDITIONAL REPORTS AND INFORMATION REQUIRED BY THE SINGLE AUDIT ACT	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16-17
Independent Auditors' Report on Compliance for each Major Programs and on Internal Control Over Compliance Required by the Uniform Guidance	18-20
Schedule of Findings and Questioned Cost	21-22
Schedule of Prior Year Findings and Questioned Costs	23



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Regulatory Board of Telecommunications
Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts and Cash Disbursements of the Regulatory Board of Telecommunications (the Board) for the year ended June 30, 2018, and the related notes to the financial statement.

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 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement on 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.

Auditor's Responsibility

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

INDEPENDENT AUDITORS' REPORT (Continued)

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.

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 in the first paragraph presents fairly, in all material respects, the Statement of Cash Receipts and Cash Disbursements of the Regulatory Board of Telecommunications as of June 30, 2018, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting generally accepted in the United States of America, as described in Note 1. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Regulatory Board of Telecommunications financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.



INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2020 on our consideration of the Regulatory Board of Telecommunications 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 the Regulatory Board of Telecommunications internal control over financial reporting and compliance.

San Juan, Puerto Rico
January 16, 2020

The stamp number 2767062
was affixed to the original report.



González Torres, CPA, PSC

GONZÁLEZ TORRES & CO., CPA, PSC
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**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	STATE FUNDS	FEDERAL FUND	TOTAL
CASH RECEIPTS			
Franchise charges	\$ 4,599,615	\$ -	\$ 4,599,615
Fines and late fees	231,900	-	231,900
Interests	22,271	-	22,271
Lease	29,279	-	29,279
Regulatory charges	1,612,461	-	1,612,461
Insurance premiums	594,496	-	594,496
Universal Service Fund	<u>6,918,335</u>	-	<u>6,918,335</u>
Total cash receipts	14,008,357	-	14,008,357
CASH DISBURSEMENTS			
Payroll	4,546,096	-	4,546,096
Administrative and services fees	2,830,247	-	2,830,247
Universal Service Fund	1,470,560	-	1,470,560
Federal program - FEMA	-	957,032	957,032
Others	<u>144,864</u>	-	<u>144,864</u>
Total cash disbursements	<u>8,991,767</u>	<u>957,032</u>	<u>9,948,799</u>
EXCESS OF CASH RECEIPTS OVER CASH DISBURSEMENTS	<u>\$ 5,016,590</u>	<u>\$ (957,032)</u>	<u>\$ 4,059,558</u>

See accompanying notes to financial statements



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Regulatory Board of Telecommunications (the Board) is an independent agency of the Commonwealth of Puerto Rico established by Law 213 of September 12, 1996, as amended. The Board operates in its building located in San Juan Puerto Rico.

The Board promotes fair and equitable competition among companies that offer telecommunications and cable television services, to guarantee to all citizens of Puerto Rico the availability and enjoyment of these services at a reasonable cost; to promote and encourage the economic development of the country and to guarantee optimum quality telecommunications and cable television services. The Board is responsible for adopting, promulgating, amending, and derogating those rules, orders, and regulations that are necessary to exercise its authorities and perform its duties. It is subject to the provisions of the Uniform Administrative Procedure Act, Act No. 170 of August 12, 1988, as amended.

The Board is the regulator of the telecommunications industry in Puerto Rico and has the authority to oversight and supervise all telephone, cellular, cable tv companies, among others. The Board is responsible for ensuring compliance with the Puerto Rico Telecommunications Act of 1996, and its regulations. For such purposes, it may:

- Impose reasonable administrative fines.
- Request any kind of information that is necessary.
- Execute cease and desist orders for events in violation of the Law or its regulations.
- Order that any activities or events are executed in accordance with Law and its regulations.
- Impose and request the payment of costs, expenses and fees for professional services.
- Conduct hearings.

The Board also has the authority to issue subpoenas, perform mediation procedures between companies and its customers, performing inspections, investigations and audits.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Basis of Financial Statement Presentation

Basis of Presentation

The operations of the Board are recognized in two fund types; state funds and federal fund. The Board maintains appropriations for individual state and federal funds within each fund type. As fully explained in the section “Basis of Accounting” below, each fund is accounted for with a set of accounts which include only cash receipts and disbursements. No balance sheet accounts are reported.

The individual funds are used to account for the recognition of governmental resources to report specific activities in accordance with laws, regulations and other restrictions. State funds are received through telecommunication companies by Law No. 213 of September 12, 1996, which provides the Board to collect an annual charge to cover their operating expenses. This annual charge will be set proportionally based on the gross income generated by each company of telecommunications or cable that provides telecommunications services in Puerto Rico. Federal fund reflects the federal financial assistance from FEMA managed by the Board.

The individual funds are the following:

State Funds

Management and Administration Fund "Fondo Especial de la Junta Reglamentadora de las Telecomunicaciones" - The money raised under the Law No. 213 of September 12, 1996, which may be used solely and exclusively to cover administrative and operating expenses of the Board.

Universal Service Fund - This fund must be used for services to comply with the principles of the Universal Service specified in Section 254 of the Telecommunications Federal Law. The principal goal of this fund is to provide quality telecommunication services to all areas of Puerto Rico. Also, this fund must be used for the following:

- Access to advance telecommunications and information services to be provided in all regions.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

- The access of advance telecommunications and information must include low-income consumers and those in rural, including inter-exchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.
- All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal services.
- Specific and predictable support mechanisms to preserve and advance universal service.
- Access to advance telecommunications services for schools, health care and libraries, among others services.

Federal Fund

The Federal Emergency Management Agency (FEMA) - Federal program to assist to assist eligible applicants for eligible costs to repair, replace, and mitigate future damage to private property, including homes and access routes damaged by the September 2017 hurricanes Irma and María. This fund applies to the Individual Assistance (IA) program implemented under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5207.

Basis of Accounting

The accompanying financial statement has been prepared on the cash 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 in the financial statement. The cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of outstanding dues at the date of the financial statements are not included in the financial statements.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 – PENSION COSTS

General Information about the Pension Plan

As of June 30, 2018, regular employees of the Board contribute to a cost-sharing multiple employer hybrid defined benefit and defined contribution retirement plan administered by the Employee's Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS). ERS covers all regular full-time public employees working for the Commonwealth of Puerto Rico, the municipalities of Puerto Rico and certain public corporations not having their own retirement systems. The system provides retirement pensions, death, and disability benefits. Retirement benefits depend upon age at retirement and years of services. Benefits vest after ten years of plan participation. The pension plan operates under Act No. 447 of May 15, 1951, as amended, Act No. 305 of September 24, 1999 (System 2000 Reform) and Act No. 3 of April 4, 2013.

Under Act 447, retirement benefits were determined by the application of stipulated benefit ratios to the member's average compensation. Average compensation was computed based on the highest 36 months of compensation recognized by ERS. The annuity, for which a plan member was eligible, was limited to a minimum of \$200 per month and a maximum of 75% of the average compensation. For active participants of the contributory defined benefit programs under Act No. 447, all retirement benefits accrued through June 30, 2013 were stopped. Thereafter, all future benefits will accrue under the hybrid pension plan established by Act No. 3. Participants will receive a pension at retirement age equivalent to what they had accrued under Act 447 up to June 30, 2013, and a supplemental annuity corresponding to contributions made after July 1, 2013.

Participants under the defined contribution plan established by Reform System 2000 will receive a lifetime annuity calculated at retirement based on a factor that will incorporate the individual's life expectancy and a rate of return. New participants under the hybrid plan established by Act No. 3 will receive a lifetime annuity based on the accumulated balance of their individual accounts (employees' contributions plus a return on investment). The minimum monthly pension for current retirees is \$500.

Disability benefits previously provided by Act No. 447 and Reform System 2000 were eliminated by Act No. 3 and substituted for a mandatory disability insurance policy. Beginning July 1, 2013, each employee must contribute to this insurance plan .25% of his or her monthly salary, up to a monthly maximum of \$5,000. Therefore, the maximum monthly employee contribution will be \$12.50 ($\$5,000 \times .25\%$).

On October 30, 2016, the Fiscal Oversight Board for Puerto Rico (the Board) designed to the Government of the Commonwealth of Puerto Rico, the Employees' Retirement System (ERS) and other 21 public corporations as covered entities subject to fiscal supervision, in accordance with the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA Act). (See Note 4)



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Due to the lack of liquidity in the ERS, the government of the Commonwealth, in an attempt to guarantee and safeguard the payment of pensions to retirees adopted a new defined contribution plan denominated as the “Pay-Go System” (Pay-Go).

Under Pay Go, the Government of the Commonwealth of Puerto Rico becomes responsible for paying the pension benefits to retirees. The Puerto Rico Treasury Department perform monthly billings to all governmental entities adhered to the Commonwealth, the public corporations and the municipalities of Puerto Rico, to cover pension benefits to retirees. The government of the Commonwealth of Puerto Rico determines and administers the monthly amounts required to be paid by each governmental entity. Amount billed is denominated as the “Pay-Go Charge”. The payments of “Pay-Go Charges” must be remitted to applicable special bank accounts with one commercial bank in Puerto Rico. In addition, the employer contributions to the ERS are eliminated and the source for the payments of “Pay-Go Charge” is a payroll withholding from employees of all governmental entities that are a participant of the ERS.

The last and most recently available actuarial valuation of the Basic System Benefits and System Administered Benefits as of June 30, 2016, reflects that the System was severely underfunded. As of June 30, 2016, the System’s net pension liability was approximately \$37,699 million, and its net fiduciary position was approximately negative \$1,266 million.

Statement No. 68 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27 (GASB 68) became effective during the fiscal year ended June 30, 2015. This Statement replaced the requirements of Statement No. 27, Accounting for Pensions for State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the ERS.

The ERS has not issued audited financial statements as of and for the fiscal year ended June 30, 2017 and 2018 under GASB Statement No. 67 “Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25”. Furthermore, on December 2018 the ERS issued a GASB Statement No. 68 report of audited information including pension amounts by employer and the corresponding employer allocation percentage as of June 30, 2016.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3 – LEASE COMMITMENTS

Operating Leases

The Board is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights and obligations; therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records.

Rent paid during the fiscal year ended June 30, 2018, under these lease agreements amounted to approximately \$60,902 for rental of equipments. The aggregate future rental to be paid under the operating leases are as follows:

Year Ending June:	Amount
2019	\$ 41,309
2020	<u>815</u>
Total	<u><u>\$ 42,124</u></u>

NOTE 4 – CONTINGENCIES

Federal Awards

The Board participates in a federal financial assistance program funded by the federal government. Expenditures financed by this program is subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. Accordingly, the Board's compliance with applicable requirements and conditions will be established in a future date. Nevertheless, it is the Board's management opinion that no material liabilities for disallowed costs will arise from audits previously performed or to be performed.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

PROMESA Act and the Puerto Rico Oversight Board

On June 30, 2016, the President of the United States signed the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). In general terms, PROMESA seeks to provide the Commonwealth and its covered instrumentalities with fiscal and economic discipline through, among other things: (a) the establishment of an Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (b) a temporary stay of all creditor lawsuits under Title IV of PROMESA, which expired on May 1, 2017; and (c) two alternative methods to adjust unsustainable debt: (1) a voluntary debt modification process under the Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through modifications to financial debt can be accepted by a supermajority of creditors; and (2) a quasi-bankruptcy proceeding under Title III of PROMESA, which establishes an in-court debt restructuring process substantially based on incorporated provisions of the U.S. Bankruptcy Code (11 U.S.C).

Title II of PROMESA establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter 9 of the U.S Bankruptcy Code. In order to be a debtor under the Title III, the territory and/or its instrumentalities must (1) have an Oversight Board established for it or be designated a “covered entity”; (2) have the Oversight Board issue a restructuring certification under the PROMESA section 206(b) and (3) “desire to make a plan to adjust its debt”. The Oversight Board has sole authority to file a voluntary petition seeking protection under the Title III of PROMESA.

In a Title III case, the Oversight Board acts as the debtor’s representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA,) applies to automatically stay substantially all litigations against the debtor. After the Title III case is commenced, the Chief of Justice of the United States Supreme Court must designate a district court judge to sit by designation and preside over the Title III proceedings. PROMESA also provides that the commencement of a Title III case “does not limit or impair the powers of a covered territory to control by legislation or otherwise the exercise of the political or governmental powers of the territory or territorial instrumentality. The core component of the Title III case is the confirmation of a plan of adjustment of the debts of the debtor. The Oversight Board has the executive authority to file and modify a plan of adjustment prior to confirmation. On May 3, 2017, the Oversight Board commenced a Title III case at the request of the Commonwealth by filing a petition for relief under Title III of PROMESA in the United States District Court for the District of Puerto Rico.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Previous to starting the Title III case, the final recommendations of the Oversight Board, has included the approval of adjustments, reductions and/or eliminations of subsidies and/or intergovernmental grants for the Commonwealth and the municipalities of Puerto Rico. On April 2017, the Puerto Rico Fiscal and Oversight Board (the Board) approved and certified a plan for the liquidation of the Government Development Bank for Puerto Rico (GDB) within a range between two (2) to three (3) years and the disposition of its assets. The GDB has been the fiscal agent of certain deposits of the governmental entities of Puerto Rico, including the municipalities and has been faced liquidity difficulties.

NOTE 5 – LITIGATION AND CLAIMS

The Board acts as a mediator in consumer complaints filed against telecommunications companies. The result of these controversies does not economically affect the Board, so they have no impact or are considered legal contingencies for it. No other legal or claim exists against the Board.

NOTE 6 – SUBSEQUENT EVENT

For the year ended December 31, 2019, the Board adopted ASC 855, related to Subsequent Events. ASC 855 establishes the general standards for accounting and disclosure of events that occurred after the date of the statement of financial position, but before the date of issuance of financial statements.

Specifically, it establishes the period after the date of the statement of cash receipts and cash disbursements during which the Board management must evaluate events or transactions that could occur and that would need to be recorded or disclosed in the financial statements, the circumstances under which the Board should recognize and disclose such events, and the type of disclosure that should be offered for these events that occurred after the date of the statement of cash receipts and cash disbursements.

The subsequent event is the following:

1. Earthquake

On January 2020, Puerto Rico was affected by a serie of earthquakes that impacted significantly the municipalities of the south. The estimated damages are \$460 millions approximately. Due to this situation the President of the United States signed the emergency declaration for the municipalites of the south of Puerto Rico. This action of the President allows Puerto Rico to request federal funds under Categories A and B of FEMA. The operations of the Board was not affected in relation of this matter.



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The Board evaluated additional subsequent events through January 16, 2020, which is the date the financial statements are available to be issued. Additional events have not occurred subsequent to the statement of cash receipts and disbursements that would require additional disclosure in the financial statements.

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

<u>US Department of Homeland Security</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Pass-through identification code or pass-through grant number</u>
Homeland Security Grant Program Pass-through the Public Security Governor's Office (Disaster Grant Public Assistance)	97.036	\$ 64,680	4339-DR-PR PW00320 Category B
Homeland Security Grant Program Pass-through the Public Security Governor's Office (Disaster Grant Public Assistance)	97.036	3,566	4339-DR-PR PW00011 Category B
Homeland Security Grant Program Pass-through the Public Security Governor's Office (Disaster Grant Public Assistance)	97.036	<u>888,786</u>	4339-DR-PR PW00187 Category B
Total Federal Assistance		\$ <u>957,032</u>	

The accompanying notes are an integral part of this schedule



**COMMONWEALTH OF PUERTO RICO
REGULATORY BOARD OF TELECOMMUNICATIONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

1. GENERAL

The supplementary Schedule of Expenditures of Federal Awards has been prepared using the cash basis method of accounting. It is drawn primarily from the Board's internal accounting records, which are the basis for the Board's Statement of Cash Receipts and Cash Disbursements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures related to Disaster Grants - Public Assistance are recognized when incurred and approved by the granting agency.

The Board has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

2. FEDERAL 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 Assistance.

3. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor Results Section of the Schedule of Findings and Questioned Costs.

4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Expenditures included in the Schedule of Expenditures of Federal Awards agree with the amounts included in the accompanying statement of Cash Receipts and Cash Disbursements.

5. SUBRECIPIENTS

The Board did not disburse federal funds to subrecipients during the fiscal year ended June 30, 2018.



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

To the Board of Directors
Regulatory Board of Telecommunications
Commonwealth of Puerto Rico
San Juan, 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 statement of cash receipts and cash disbursements of the Regulatory Board of Telecommunications, for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the Regulatory Board of Telecommunications’s basic financial statement, and have issued our report thereon dated January 16, 2020.

Internal Control over Financial Reporting

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

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

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulatory Board of Telecommunications’s financial statements are 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.

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.

San Juan, Puerto Rico
January 16, 2020

The stamp number 2767063
was affixed to the original report.



González Torres, CPA, PSC

GONZÁLEZ TORRES & CO., CPA, PSC
License 96
Expires December 31, 2020



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

To the Board of Directors
Regulatory Board of Telecommunications
Commonwealth of Puerto Rico
San Juan, Puerto Rico

Report on Compliance for Each Major Federal Program

We have audited the Regulatory Board of Telecommunications compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Regulatory Board of Telecommunications's major federal programs for the year ended June 30, 2018. The Regulatory Board of Telecommunications'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Regulatory Board of Telecommunications'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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regulatory Board of Telecommunications's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Regulatory Board of Telecommunications's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Regulatory Board of Telecommunications is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Regulatory Board of Telecommunications'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 the Regulatory Board of Telecommunications's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. 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.



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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

San Juan, Puerto Rico
January 16, 2020

The stamp number 2767064
was affixed to the original report.



González Torres, CPA, PSC

GONZÁLEZ TORRES & CO., CPA, PSC
License 96
Expires December 31, 2020



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

Section I. Summary of Auditors' Results:

Part I Financial Statements

1. Type of audit report:

- Unmodified opinion
 Adverse opinion

- Modified opinion
 Disclaimer of opinion

2. Reportable conditions reported

Yes

No

3. Reportable condition reported as a major weakness and/or significant deficiency

Yes

No

4. Material noncompliance disclosed:

Yes

No

Part II Federal Awards

1. Type of report: on compliance for major programs:

- Unmodified opinion
 Adverse opinion

- Modified opinion
 Disclaimer of opinion

2. Reportable condition reported as a major weakness and/or significant deficiency:

Yes

No



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

3. Material noncompliance disclosed:

Yes

No

4. Audit findings required to be reported under the Uniforme Guidance:

Yes

No

5. Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grant Public Assistance

6. Dollar threshold used to distinguish Type A and Type B programs:

\$750,000

7. Low-risk auditee

Yes

No

Section II. Financial Statements Findings

NONE.

Section III. Federal Awards Findings and Questioned Costs

NONE.



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

NONE

