

## CORRECTIVE ACTION PLAN

March 16, 2012

Federal Awarding Agency

Department of Corrections respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm: Guzman Torres & Co., PSC COSVI Building 400, Américo Miranda Ave. 3<sup>rd</sup> Floor, San Juan, Puerto Rico 00926.

Audit Period: July 1, 2010 – June 30, 2011

The findings from the section 1 and 2 – Schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **Finding: 11-FS-01 (Material Weakness)**

DCR depends on the information provided by the Department of Treasury of the Commonwealth of Puerto Rico (Treasury Department) to prepare its statements of cash receipts and disbursements activities. However no reconciliation of the information provided by the Department of Treasury with DCR internal information and source documents is prepared by the accounting department.

**Recommendation:** Policies and procedures should be established that requires the timely reconciliation of the accounting information prepared and submitted by the Department of the Treasury with its internal information and source documents.

**Management Response:** Management has identified personnel of the components agencies who work reconciliations of internal records with the information provided by the Treasury Department of the Commonwealth of Puerto Rico. Currently all accounting information provided by the Department of Treasury of Puerto Rico is reconciled with the reports (GL-15).

### **Finding: 11-FS-02**

In certain cases, there is no indication approval for payment or checking of prices, extensions, footing of vendors' invoices as required by written policies and regulations.

**Recommendation:** Policies and procedures should be established that requires the stamp or cancellation of vendor invoices approved for payments and paid.

**Management Response:** Management provide the adequate orientation to Finance Department's personnel about the pre-intervention procedures are implemented properly and it becomes apparent that all documentation is included with the payment voucher, and marked with appropriate stamps and signatures. Currently, the process of bill payment and pre-intervention is regulated by the Regulatory Memorandum number OA-FI-89-11. All documents are currently being processed with their stamps and signatures.

**Finding: 11-FS-03**

Personnel files are not being kept current and in some instance were incomplete. In certain instance, forms such as 19, psychology test, among others, are not included in the files. In addition, personnel evaluations are not current. In certain instance, last evaluations included in files date back to 1984 and 1992.

**Recommendation:** Procedures should be implemented to assure that all personnel files are current and complete in accordance with laws and regulations.

**Management Response:** Department staff will be evaluating personnel records for them in order to comply with all regulations.

**Finding: 11-FS-04**

During our audit procedures in the payroll area, we noted that in certain instances human resources and payroll master files are not updated on timely basis resulting in payments to employees that are in leave of absence or that no longer works for DCR. In one case the time card indicates that the employee did not worked any hours during the period in which he was paid.

**Recommendation:** Controls and procedures be established to assure that the status of each employee is current in the master file in order to avoid improper payroll payments and use of state funds. In addition procedures should be established that require timely communication by field supervisor to personnel and payroll department about the current status of each employee.

**Management Response:** Supervisors were oriented with relation to maintaining the support documents in order and also keep updated KRONOS system and comply with regulations to prevent improper payments.

**Finding: 11-FS-05**

During our test of the Schedule of Federal Awards ("SEFA") we note that the SEFA was prepared using information provided by the Department of Treasury of the Commonwealth of Puerto Rico ("Treasury Department") which was not reconciled with records prepared by DCR. As the result in certain instances the amounts of the expenditures were not properly reflected in the SEFA and in other cases the amounts presented were not complete,

**Recommendation:** Process should be in place that will ensure the accuracy and completeness of the reporting of the federal expenditures. This process should include a system that is designed to allow for separate recording and tracking of federal and non-federal expenditures.

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In addition personnel with the proper training and experience should review federal expenditures and verify that the SEFA is reported correctly.

**Management Response:** Currently all accounting information provided by the Department of Treasury of Puerto Rico is reconciled with the reports (GL-15). Training is being requested in PRIFAS to the Treasury Department to have more personnel trained in PRIFAS.

**Finding: 11-FS-06**

In a sample of 40 payroll transactions, we found that in 4 cases the Social Security withheld was computed using the wrong rate.

**Recommendation:** Procedures should be implemented that assure that payroll computer software is kept up to date with changes in the tax laws.

**Management Response:** The computer program for payroll is the responsibility of the Department of Treasury of Puerto Rico which implements all regulations and laws related to taxes. The rate was fixed.

**Finding: 11-SA-01**

See finding 11-FS-01. This finding relates to material weakness in internal control over mayor Federal program required to be reported under OMB Circular A-133.

**Recommendation:** Policies and procedures should be established to ensure that federal awards compliance requirements are always adhered to.

**Management Response:** Management has identified personnel of the components agencies who work reconciliations of internal records with the information provided by the Treasury Department of the Commonwealth of Puerto Rico. The identified personnel will be offering their collaboration to cover this area and meet the requirements of the audit.

**Finding: 11-SA-02**

During the year ended June 30, DCR disbursed the amounts of \$906,853 of federal funds related to program 16.586 Violent Offenders Incarceration and Truth Sentencing Incentive Grants (the program). The program period of availability ended on September 2009 and was extended until March 2010 as represented by management. The fiscal year 2011 disbursements were made after March 2010. Management represented that the U.S. Department of Justice authorized such disbursements but that such authorization was not in writing. Therefore we could not conclude whether the disbursements were made within the program period of availability or the fact were approved by the U.S. Department of Justice.

**Recommendation:** Control and procedures should be established to assure that proper documentation about compliance with program requirements exists at all times.

**Management Response:** The disbursements were ordered by the Department of Justice. All documents relating to such payments have them lawyers representing the DCR in Apartado 71308 • San Juan, Puerto Rico 00936

the case against several suppliers. Payments were also made by checks and these expired dates, resubmit and place as ordered by the court.

**Finding: 11-SA-03**

Although DCR disbursed \$906,853 of federal funds under the above program no reports were filed with the U.S. Department of Justice during the fiscal year ended June 30, 2011. Management did not provided us sufficient information to conclude whether such disbursement were include in previous reports files with the U.S. Department of Justice or whether DCR was not required to file any report during the fiscal year ended June 30 , 2011.

**Recommendation:** Control and procedures should be established to assure that proper documentation about compliance with program requirements exits at all times.

**Management Response:** See finding (11-SA-02). The disbursements were ordered by the Department of Justice. All documents relating to such payments have them lawyers representing the DCR in the case against several suppliers. The disbursements were reported in previous years.

**Finding: 11-SA-04**

Program laws and regulation require DCR to provide a 10% matching in cash. Although during the year ended June 30, 2011 DCR disbursed \$906,853 in programs funds no evidence was provided for our examination that indicates that DCR complied whit this requirements.

**Recommendation:** Control and procedures should be established to assure that proper documentation about compliance with program requirements exits at all times.

**Management Response:** See finding (11-SA-02). The disbursements were ordered by the Department of Justice. All documents relating to such payments have them lawyers representing the DCR in the case against several suppliers. The disbursements were reported in previous years and not required matching.

**Finding: 10-SA-01**

Financial reports for the months September and December were not filed on its due date as specified in the regulation.

**Recommendation:** Policies and procedures should be established to ensure that federal awards compliance requirements are always adhered to.

**Management Response:** Management reviewed all relevant regulations and cooperative agreements in order to refresh and update all the guidelines rules the grants. In addition the office was reorganized with trained personnel. The supervisors on charge of the Federal Affair Office will responsible to verify and ensure that each report is submitted in the deadline.

**Finding: 10-SA-02**

In certain instance, DCR does not have appropriate procedures to minimize the time elapsing between the transfer of funds and its disbursement. In other cases when the program is on reimbursement basis and the transfer of funds are requested before the related disbursement is made.

**Recommendation:** Policies and procedures should be established to ensure that federal awards compliance requirements are always adhered to.

**Management Response:**

Corrected.

**Finding: 10-SA-03**

DCR is not obtaining certified payrolls from contractors as required by the Act to ensure that the minimum prevailing wage is being paid to contractor personnel.

**Recommendation:** DCR should request ad obtained payroll reports of its contractor/subcontractors involved in construction on a weekly basis as required by federal regulations.

**Management Response:**

Corrected.

**Finding: 10-SA-04**

Federal program 16.586 Violent Offenders Incarceration and Truth Sentencing Incentive Grants requires DCR to provide 10% matching of the Federal funds received in cash. DCR has reported in the quarterly financial status reports filed with the U.S. Department of Justice a total accumulated Federal share of \$20,704,396 of which DCR has matched only \$2,315,800. However this match was in kind and the in kind contribution was provide by other governmental entity. No approval from the U.S. Department of Justice of this change in matching requirement was provided by management for our examination.

**Recommendation:** Policies discuss this situation with the U.S. Department of Justice and obtain the necessary approvals for the change from cash to in-kind matching.

**Management Response:** The Federal Affair Office review all rules and regulations of the federal awards. The management requested the Department of Justice approval matching of federal funds requested above and has not been answered. Management will send another letter requesting approval of matching. The corrective action plan includes the process, obtain and record all matching approvals.

**Finding: 9-SA-01**

During the year ended June 30, 2009 DCR utilized Federal funds for the acquisitions of a building located in San Juan, Puerto Rico. The Federal awarding agency approved the acquisition of this building with the condition that DCR comply with the requirement set forth under the National Environment Policy Act (NEPA) before starting the proposed project.

**Recommendation:** Future plans with respect to this building should be reviewed in order to ensure compliance with Federal awards requirements.

**Management Response:** Management evaluates the purposes and requirements approved for the purchase of the building. Actually, management is evaluating alternatives for making a decision about the use that will be issued to the building.

Two project management has planned for the use of the building. Together with the nonprofit institution, CREISE Corporation Project will be working for social, educational, psychological and occupational inmates. The goal is to fill the need for a neglected sector of the population and develop a program with the aim of integrating essential multidisciplinary services in one place.

The Department of Corrections and Rehabilitation uses the Detention Center with Freedom to Work to send inmates from alimony, not involving violence crimes such as misappropriation, fraud, forgery, vehicular law, municipal ordinances, sentences for less serious crimes so they can go to work. The project services are about to meet the needs of inmates in employment passes for family visits on weekends and you provide assistance in the areas that affect antisocial behavior. In addition, the environment is to help promote positive social behavior. In particular the project will address relationship issues with the plan out of the inmates.

The department of correction and rehabilitation to date has made improvements to the building at approximately \$ 25,000. Other improvements are estimated at \$ 600,000.

**Finding: 9-SA-02**

Federal program 16.586 Violent Offenders Incarceration and Truth Sentencing Incentive Grants requires DCR to provide 10% matching of the Federal funds received. DCR has reported in the quarterly financial status reports filed with the U.S. Department of Justice a total accumulated Federal share of \$9,268,140 of which DCR has matched only \$17,440.

**Recommendation:** Policies discuss this situation with the U.S. Department of Justice and obtain the necessary approvals for the change from cash to in-kind matching.

**Management Response:** The Federal Affair Office review all rules and regulations of the federal awards. The management requested the Department of Justice approval matching of federal funds requested above and has not been answered. The corrective action plan includes the process, obtain and record all matching approvals.

**Finding: 9-SA-03**

In certain instance, DCR does not have appropriate procedures to minimize the time elapsing between the transfer of funds and its disbursement The program is on reimbursement basis and the transfer of funds are requested before the related disbursement is made.

**Recommendation:** Policies and procedures should be established to ensure that federal awards compliance requirements are always adhered to.

**Management Response:**

Corrected.

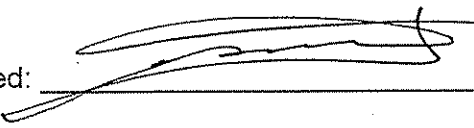
**Finding: 9-SA-04**

Financial status report for the quarter ended March 31, 2009 was filed with the U.S. Department of Justice after its due date.

**Recommendation:** Policies and procedures should be established to ensure that federal awards compliance requirements are always adhered to.


**Management Response:** See management response 10-SA-01.

If the Federal Awarding Agency has questions regarding this plan, please call Mr. Maribel González Muñoz, at (787) 273-6464 extension 5742.

Signed: 

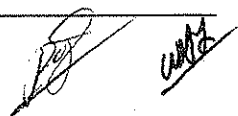
Title: Mr. Jesús González Cruz  
Secretary

Date: March 16, 2012

Signed: 

Title: Mrs. Maribel González Muñoz  
Special Assistance Budget and Finance

Date: March 16, 2012



## Ryan Vargas Alverio

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**From:** Maribel Gonzalez  
**Sent:** Monday, April 02, 2012 5:18 PM  
**To:** Ryan Vargas Alverio  
**Cc:** Wilson Galarza Tolentino; Meliavel; Aixa Freytes; Jackeline Herrera  
**Subject:** FW: SINGLE AUDIT  
**Attachments:** SINGLE AUDIT (2).pdf; SINGLE AUDIT.pdf

Sr. Vargas:

Le escribe Meliavel Santiago del correo electrónico de la Sra. Maribel Gonzalez. Incluyo dos cartas recibidas del Departamento de Justicia Federal en la cual nos solicitan, acciones correctivas, planes de acción, nombre y número de contactos de las personas responsables para la corrección de los hallazgos y los procedimientos que apliquen entre otros de los single audit .

Según fue discutido con el Sr. Galarza estos hallazgos fueron contestados originalmente por usted en la auditoria. Por lo tanto; con el fin de poder ser recurrentes en las contestaciones solicitamos su acostumbrada cooperación para contestarlos.

Es importante mencionar que hemos solicitado una extensión para la contestación y nos otorgaron hasta el viernes 13 de abril de 2012.

De ser necesario estoy a su disposición para reunirnos y aclarar cualquier duda o pregunta. Solo indique su disponibilidad de día y hora estoy a su disposición.

Gracias,

Meliavel Santiago  
787 975-8277