

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**THE MUNICIPALITY OF BARCELONETA  
DID NOT ALWAYS MANAGE ITS HEAD  
START DISASTER ASSISTANCE AWARDS  
IN ACCORDANCE WITH FEDERAL AND  
COMMONWEALTH REQUIREMENTS**

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**Amy J. Frontz  
Deputy Inspector General  
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August 2022  
A-02-20-02003

# ***Office of Inspector General***

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## Report in Brief

Date: August 2022

Report No. A-02-20-02003

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Audit

The Disaster Relief Act, part of the Bipartisan Budget Act of 2018, provided \$650 million to the Administration for Children and Families (ACF) for the Head Start program. The law requires OIG to provide oversight to ensure that funds expended for recovery and response efforts related to hurricanes Harvey, Irma, and Maria achieved their intended purposes. This audit is one of OIG's Disaster Relief Act oversight products. Based on a risk assessment of Head Start disaster assistance awards, we audited the Municipality of Barceloneta, Puerto Rico.

The objective of this audit was to determine whether the Municipality managed its Head Start disaster assistance awards in accordance with Federal and Commonwealth requirements.

### How OIG Did This Audit

Our audit covered 1,904 expenditure transactions totaling \$6,077,865 related to Barceloneta's disaster assistance awards for the period December 2018 through August 2020. We reviewed accounting records for financial reports submitted to ACF and supporting documentation related to a non-statistical sample of 50 expenditure transactions for compliance with Federal and Commonwealth requirements.

## The Municipality of Barceloneta Did Not Always Manage Its Head Start Disaster Assistance Awards in Accordance With Federal and Commonwealth Requirements

### What OIG Found

The Municipality did not always manage Head Start disaster assistance awards in accordance with Federal and Commonwealth requirements. Specifically, the Municipality's financial management system did not always ensure compliance with requirements for (1) submitting timely and accurate Federal financial reports, (2) maintaining support for award drawdowns, and (3) timely completing bank reconciliations. Additionally, the Municipality did not conduct timely criminal background checks for nine individuals associated with our sampled expenditure transactions. These deficiencies occurred because the Municipality did not have adequate controls in place to ensure proper financial management and compliance with criminal background checks. As a result, the Municipality did not minimize the risk of fraud, waste, and abuse of Federal funds; and potentially jeopardized the safety of children.

### What OIG Recommends and Municipality Comments

We made several procedural recommendations to the Municipality, including that it reinforce existing financial management policies and procedures and ensure that criminal background checks are completed within required time frames.

The Municipality did not indicate concurrence or nonconcurrence with our recommendations. However, it stated that it did not follow some of its procedures, made errors, and did not submit some reports on time due to challenges caused by the COVID-19 pandemic and, prior to that, infrastructure disruptions caused by Hurricanes Irma and Maria. The Municipality stated that the deficiencies identified in our draft report did not present a risk of fraud, waste, or abuse; or potentially jeopardize the safety of children.

After reviewing the Municipality's comments and additional documentation, we maintain that our findings and recommendations are valid. The Municipality did not provide any new supporting documentation, and we note that most deficiencies identified during our audit occurred prior to the COVID-19 pandemic. Also, the deficiencies identified in our report were caused by failures in the Municipality's financial and operational controls that present a risk to Federal funds and the safety of children.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

The Disaster Relief Act, part of the Bipartisan Budget Act of 2018, provided \$1 billion in disaster assistance funds to the Department of Health and Human Services (HHS) for discretionary programs, including \$650 million to the Administration for Children and Families (ACF) for the Head Start program. The law requires HHS, Office of Inspector General (OIG) to provide oversight to ensure that disaster assistance funds expended for recovery and response efforts related to hurricanes Harvey, Irma, and Maria achieved their intended purposes. This audit is one of OIG's Disaster Relief Act oversight products.<sup>1</sup> Based on a risk assessment of Head Start disaster assistance awards, we audited the Municipality of Barceloneta, Puerto Rico (the Municipality).

### OBJECTIVE

Our objective was to determine whether the Municipality managed its Head Start disaster assistance awards in accordance with Federal and Commonwealth requirements.

### BACKGROUND

#### Head Start Program

The Head Start program supports the comprehensive development of children from birth to age 5 to promote school readiness by enhancing children's cognitive, physical, behavioral, and social-emotional development through the provision of educational, health, nutritional, social, and other services to enrolled children and families.<sup>2</sup> Within HHS, ACF's Office of Head Start administers the Head Start program.

Head Start award recipients are required to adhere to the cost principles contained in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards (Uniform Guidance).<sup>3</sup> To be allowable, the Uniform Guidance requires award expenditures submitted for Federal reimbursement to be reasonable, allocable, and adequately documented.<sup>4</sup> Head Start award recipients draw down funds and file Federal Financial Reports

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<sup>1</sup> Appendix B contains a list of related OIG reports. OIG plans to issue an additional report related to Disaster Relief Act funding.

<sup>2</sup> The Head Start Program was established by Title VI of the Omnibus Budget Reconciliation Act of 1981, as amended. In 1994, the Head Start Program was expanded to establish Early Head Start. We collectively refer to these programs as "Head Start."

<sup>3</sup> 45 CFR Part 75.

<sup>4</sup> 45 CFR § 75.403(a) and (g).

(FFRs) using the HHS Payment Management System (payment system). Award recipients are also required to maintain a system of internal control that provides reasonable assurance of compliance with Federal and Commonwealth requirements.<sup>5</sup>

### **Municipality of Barceloneta**

The Municipality performs various government operations including providing Head Start services in six municipalities throughout Puerto Rico.<sup>6</sup> For Federal fiscal years 2019 and 2020, ACF awarded the Municipality approximately \$56 million in Head Start awards, including \$14.3 million in disaster assistance awards.<sup>7</sup>

### **HOW WE CONDUCTED THIS AUDIT**

Our audit covered 1,904 expenditure transactions totaling \$6,077,865 related to the Municipality's disaster assistance awards for the period December 1, 2018, through August 31, 2020. We reviewed accounting records for financial reports submitted to ACF and supporting documentation related to a non-statistical sample of 50 expenditure transactions<sup>8</sup> to determine whether the Municipality managed Head Start disaster assistance awards in accordance with Federal and Commonwealth requirements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology.

### **FINDINGS**

The Municipality did not always manage Head Start disaster assistance awards in accordance with Federal and Commonwealth requirements. Specifically, the Municipality's financial management system did not always ensure compliance with requirements for (1) submitting timely and accurate FFRs, (2) maintaining support for award drawdowns, and (3) timely

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<sup>5</sup> 45 CFR § 75.303(a).

<sup>6</sup> The Municipality became a direct Head Start award recipient in July 2017. Previously, it had been a subrecipient.

<sup>7</sup> For award periods beginning Dec. 1, 2018, and Mar. 1, 2019, ACF awarded the Municipality two disaster assistance awards—a \$3.4 million award for mental health services that ended Nov. 30, 2020, and a \$10.9 million award for construction and renovation that ended Nov. 30, 2021.

<sup>8</sup> The Municipality's expenditure transactions were divided into three categories by expenditure type and amount. A total of 50 transactions, totaling \$1,643,028 were then randomly selected for review.

completing bank reconciliations. Additionally, the Municipality did not conduct timely criminal background checks for 9 of 18 individuals associated with our sampled expenditure transactions. These deficiencies occurred because the Municipality did not have adequate controls in place to ensure proper financial management and compliance with criminal background checks. As a result, the Municipality did not minimize the risk of fraud, waste, and abuse of Federal funds; and potentially jeopardized the safety of children.

## **THE MUNICIPALITY’S FINANCIAL MANAGEMENT SYSTEM DID NOT ALWAYS ENSURE COMPLIANCE WITH FEDERAL AND COMMONWEALTH REQUIREMENTS**

### **Federal Financial Reports Not Timely or Accurate**

Federal regulations require award recipients’ financial management systems to be able to provide accurate, current, and complete disclosure of the financial results of each Federal award (45 CFR § 75.302 (b)(2)). Disaster Relief Act award recipients were required to adequately document costs and submit financial reports to the payment system within the timeframes set forth in an August 2017 ACF program instruction.<sup>9</sup>

The Municipality did not submit timely FFRs of disaster assistance funds to the payment system. Specifically, three of the seven FFRs that the Municipality submitted on its use of disaster assistance awards for our audit period were not timely submitted. The first three FFRs were submitted 78, 170, and 262 days after their required due dates. The Municipality stated that it was not aware that FFRs were required to be submitted to the payment system and that, once it became aware of the requirement, it timely submitted FFRs.

Additionally, the FFRs submitted by the Municipality were not always accurate. Specifically, two FFRs reported overstated award expenditures (more expenditures reported than actually incurred) as of August 31, 2020.<sup>10</sup> During our audit period, the Municipality’s Head Start program operated a manual accounting system separate from the Municipality’s electronic accounting system.<sup>11</sup> Although Head Start staff stated that a reconciliation of the two accounting systems was conducted to ensure accuracy, we found that the Head Start manual accounting system did not reconcile to the Municipality’s electronic system. In addition, we found that the Head Start manual accounting system did not have complete and accurate accounting records, which affected the Municipality’s ability to identify and record expenditure adjustments in both accounting systems.

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<sup>9</sup> The ACF Program Instruction ([ACF-PI-HS-17-04](#)) includes a table of dates for when Head Start award recipients are required to submit FFRs based on the beginning of their respective budget periods.

<sup>10</sup> As of the end of our audit period, the overstated amounts for the grants totaled \$25,170. We updated our analysis subsequent to our audit period and found that, as of June 30, 2021, the overstated amount had declined to \$5,799.

<sup>11</sup> The Municipality stated that it plans to implement an electronic accounting system for the Head Start program that will be integrated with the Municipality’s accounting system.

By not submitting timely and accurate FFRs, the Municipality was unable to minimize errors in its reporting, thereby increasing the risk for fraud, waste, and abuse. Therefore, the Municipality did not provide ACF with information that could have impacted ACF's decision-making related to the awarding of future awards and the level of monitoring of the program.

### **Award Drawdowns Not Supported**

Federal regulations require award recipients' financial management systems to be able to provide records of award expenditures supported by source documentation (45 CFR §75.302 (b)(3)).

The Municipality did not ensure that award drawdowns were supported by source documentation. Although the Municipality's procedures required staff to make drawdowns based on a voucher, these procedures were not always followed. Specifically, during our audit period, the Municipality made 87 drawdowns of disaster assistance funds from the payment system. Of the 87 drawdowns, 66 were based on payable general ledger entries known as "vouchers." However, for 21 of the drawdowns totaling \$338,803, the Municipality drew down funds based on staff estimates rather than on actual vouchers (17 drawdowns totaling \$281,312) or supported the drawdown with a voucher that had previously been used<sup>12</sup> (5 drawdowns totaling \$57,491).<sup>13</sup>

As a result, the Municipality may have had more award funds on hand during the audit period than it needed for award purposes, thereby increasing the risk of fraud, waste, and abuse.

### **Bank Reconciliations Not Performed Timely**

Federal regulations require award recipients' financial management systems to be able to safeguard and account for all funds (45 CFR § 75.302 (b)(4)). Commonwealth regulations require municipalities' bank reconciliations to be completed on a monthly basis, signed by the preparer, and reviewed and signed by the municipality's finance director (Puerto Rico Regulation 8873, Chapter 4, section 12).

The Municipality maintained one bank account for disaster assistance funds but did not reconcile this account in a timely manner. Specifically, after the end of each month, the Municipality took an average of 44 days and as long as 82 days to complete the bank reconciliations. The Municipality stated that the Finance Director did not adequately supervise the employee charged with completing these reconciliations.<sup>14</sup> By not timely reconciling its

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<sup>12</sup> The Municipality staff did not always use amounts draw down to pay the vouchers requested. Instead, the funds would be used to pay other immediate needs and the vouchers supporting the drawdown would be included again in subsequent requests.

<sup>13</sup> The total number exceeds 21 because 1 drawdown contained both types of errors.

<sup>14</sup> The Municipality stated that staff absences during the COVID-19 pandemic were also contributing factors.

bank accounts, the Municipality increased the risk of undetected errors and irregularities, thereby failing to adequately safeguard and maintain accountability of Federal awards.

### **THE MUNICIPALITY USED THE DISASTER ASSISTANCE AWARDS FOR STAFF NOT ELIGIBLE TO WORK WITH CHILDREN DUE TO UNTIMELY CRIMINAL BACKGROUND CHECKS**

All Head Start staff must be eligible for employment under applicable Federal or State criminal background check requirements (Head Start Act § 648A(g)). In Puerto Rico, childcare providers may not contract or employ anyone unless they have presented a certificate indicating that they are not registered in the Puerto Rico registry of persons convicted of sex crimes and child abuse (P.R. Laws Ann. Title 8 § 483). Further, no individual may function as a care service provider for children or provide such services unless having previously applied for and received said certification (P.R. Laws Ann. Title 8 § 482). In addition, childcare center workers are required to present a Certificate of No Penal Record at least every 6 months (P.R. Laws Ann. Title 8 § 69).

The Municipality did not conduct criminal background checks within required time frames for 9 of 18<sup>15</sup> individuals associated with our sampled expenditure transactions. For seven individuals (all employees), the Municipality obtained certificates indicating that they were not registered sex offenders between 6 to 354 days after they were hired. For two other individuals (one employee and one contractor), certificates documenting that they did not have a criminal record were not valid during the period covering the sampled expenditure transactions. However, the two individuals subsequently submitted the proper certificates indicating that they had no criminal record.

The Municipality stated that it was not aware that it was required to ensure individuals were not registered sex offenders prior to hiring them. Rather, it generally attempted to complete these checks within 90 days after hiring an individual.<sup>16</sup> With respect to verifying that individuals did not have a criminal record, the Municipality contacted employees and contractors to provide a new Certificate of No Penal Record every 6 months. However, according to the Municipality, this process was impacted by the COVID-19 pandemic. By not ensuring that all individuals who had contact with children had passed all required criminal background checks, the Municipality used Federal awards to pay individuals who were not

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<sup>15</sup> All 18 individuals had direct contact with children. Sixteen of the 18 individuals were employees and two were contractors.

<sup>16</sup> The 90-day timeframe is established in 45 CFR § 1302.90(b) which requires fingerprint background checks, abuse and neglect registry checks, and sex offender registry checks to be conducted prior to employment and completed within 90 days of hire. However, these requirements were delayed until Sept. 30, 2021. During our audit period, Head Start award recipients were required to meet applicable State or local background check requirements and, when they vary from Head Start requirements, the most stringent provisions—in this case, the Commonwealth’s provisions—take precedence (45 CFR §1302.21(d)).

eligible to provide services under the Federal award and potentially jeopardized the safety of children.

## **RECOMMENDATIONS**

We recommend that the Municipality of Barceloneta:

- complete its integration of the Head Start program's accounting system to the Municipality's electronic accounting system;
- maintain complete and accurate accounting records and ensure that reconciliation of accounting records is conducted prior to the submission of Head Start program FFRs;
- reinforce existing policies and procedures to ensure that drawdowns for the Head Start program are based on a valid voucher;
- reinforce existing policies and procedures to ensure that Head Start program bank reconciliations are completed in a timely manner; and
- ensure that criminal background checks on employees and contractors that have direct contact with children are completed within required time frames.

## **MUNICIPALITY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the Municipality did not indicate concurrence or nonconcurrence with our recommendations. However, the Municipality stated that it did not follow some of its procedures, made errors, and did not submit some reports on time due to challenges caused by the COVID-19 pandemic and, prior to that, infrastructure disruptions caused by Hurricanes Irma and Maria. Further, the Municipality said that the OIG audit during the pandemic put its staff at risk, and that the audit was delayed due to changes in OIG personnel, duplicative documentation requests, and a change in the audit objective. Finally, the Municipality stated that the deficiencies identified in our draft report did not present a risk of fraud, waste, or abuse; or potentially jeopardize the safety of children.

After reviewing the Municipality's comments and additional documentation, we maintain that our findings and recommendations are valid. The Municipality did not provide any new supporting documentation which demonstrated compliance with requirements. In addition, we note that most deficiencies identified during our audit occurred prior to the COVID-19 pandemic. We performed the audit with sensitivity to the safety of OIG and Municipality staff. For example, we conducted all interviews and facility inspections virtually and provided flexibility by granting extensions, as requested. Further, changes in OIG personnel did not delay the audit as the final team leader was on the team from the beginning of field work. Regarding the Municipality's comments on our documentation requests, we note that the Municipality did not always fully comply with our initial requests. Therefore, we asked the Municipality to search for these documents again prior to issuing our draft report. Also, we did not change the

objective of our audit. Further, during our entrance conference, we informed the Municipality that we would assess the effectiveness of its controls, as we are required to review controls related to our objective.<sup>17</sup> Finally, the deficiencies identified in our report were caused by failures in the Municipality's financial and operational controls that present a risk to Federal funds and the safety of children.

A summary of the Municipality's comments and our responses follows. The Municipality comments are included as Appendix C.<sup>18</sup>

## **THE MUNICIPALITY'S FINANCIAL MANAGEMENT SYSTEM DID NOT ALWAYS ENSURE COMPLIANCE WITH FEDERAL AND COMMONWEALTH REQUIREMENTS**

### **Federal Financial Reports Not Timely or Accurate**

#### *Municipality Comments*

The Municipality stated that it had no way of knowing about ACF's reporting requirements<sup>19</sup> because the program instruction was issued on August 21, 2017, during a period in which the Municipality did not have electricity or network access due to damage from Hurricanes Irma and Maria. In addition, the Municipality stated that award terms did not establish filing dates. Rather, according to the Municipality, there was a requirement to submit one FFR after 24 months. The Municipality also stated that no interim dates for FFR submissions were established in a communication from ACF dated November 18, 2020. The Municipality also stated that the reports were previously filed through GrantSolutions, a Federal grants management system.

The Municipality stated that it reconciled its two accounting systems and has corrected the differences between the two systems. To show that it made corrections, the Municipality referred to an account receivable from another Federal award that was identified and registered in its manual accounting and included in the FFR reported as of August 31, 2020.

#### *Office of Inspector General Response*

We maintain that the Municipality did not submit timely FFRs of disaster assistance funds to the payment system. We note that ACF's reporting requirements were issued prior to Hurricanes

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<sup>17</sup> Government Accountability Office, *Government Auditing Standards*, ¶ 8.49.

<sup>18</sup> We excluded 22 pages of attachments because they contained: (1) personally identifiable information; (2) information not relevant to our findings, conclusions, and recommendations, and (3) information previously collected during our fieldwork. We are separately providing the Municipality's comments and attachments in their entirety to ACF.

<sup>19</sup> ACF-PI-HS-17-04.

Irma and Maria, and that the Municipality's first disaster assistance award did not start until 15 months after the requirements were issued. Further, as a recipient of Federal awards, the Municipality is responsible for complying with all Federal statutes, regulations, and policies,<sup>20</sup> regardless of whether they are explicitly listed on award terms. In addition to the requirement to submit one FFR after 24 months, the award terms establish a requirement that award recipients must submit financial reports to the payment system. Moreover, the Municipality did not provide any documentation that it timely submitted FFRs through GrantSolutions for our audit period. Regarding ACF's communication of November 18, 2020, we note that the letter was dated after the end of our audit period and contains a list of award close-out requirements; therefore, it would not be expected to include requirements applicable to the start of the award.<sup>21</sup>

In addition, we maintain that FFRs submitted by the Municipality were not always accurate because its Head Start manual accounting system did not have complete and accurate accounting records. Consequently, the Municipality's reconciliation of both accounting systems did not always identify and correct errors prior to filing the FFRs. For example, one of the differences noted during our audit work was the account receivable mentioned by the Municipality, which was recorded in the manual accounting system but not in the Municipality's electronic system.

### **Award Drawdowns Not Supported**

#### *Municipality Comments*

The Municipality stated that, during the COVID-19 pandemic, it did not base drawdowns on estimates. Rather, an employee assigned to its Department of Finance obtained the list of vouchers and shared the information with the person in charge of accounting via text message or WhatsApp to request the funds. The Municipality stated that its Director of Finance supervised the entire process.

#### *Office of Inspector General Response*

We maintain that the Municipality did not always ensure that award drawdowns were supported by source documentation. The Municipality did not provide any new support for 21

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<sup>20</sup> HHS Grants Policy Statement, part I-7.

<sup>21</sup> As of Nov. 2020, the Municipality had submitted all FFRs in the payment system for our audit period.

drawdowns (including 10 drawdowns made prior to the COVID-19 pandemic) which we found were not based on actual vouchers or were based on vouchers that had previously been used.

### **Bank Reconciliations Not Performed Timely**

#### *Municipality Comments*

The Municipality stated that bank reconciliations were done by its Head Start program, in addition to those prepared by the Municipality. It stated that the Head Start program accountant prepared the bank reconciliations after the end of the monthly accounting cycle and that the reconciliations were then signed by the Head Start program's Finance Director.

#### *Office of Inspector General Response*

We maintain that the Municipality did not reconcile its disaster assistance bank account in a timely manner. The Municipality—not Head Start Program staff—controls access to the account, including receiving account statements. As custodian of this account, and as required by Commonwealth regulations,<sup>22</sup> the Municipality's Finance Director is required to review and sign all bank reconciliations. Head Start program staff stated they were not required to submit bank reconciliations to the Municipality, and we confirmed that these bank reconciliations were not signed by the Municipality's Finance Director. There is no evidence the Municipality's Finance Director reviewed the Head Start program's bank reconciliation. Therefore, the Municipality's Finance Director did not maintain proper control over Federal awards.

### **THE MUNICIPALITY USED THE DISASTER ASSISTANCE AWARDS FOR STAFF NOT ELIGIBLE TO WORK WITH CHILDREN DUE TO UNTIMELY CRIMINAL BACKGROUND CHECKS**

#### **Municipality Comments**

The Municipality stated that its criminal background checks include several documents and that only one of these documents was out of date because Federal regulations allow the Municipality up to 90 days to complete the background check process.

#### **Office of Inspector General Response**

As noted in footnote 16 (page 5), the 90-day timeframe was not effective until September 30, 2021, after the end of our audit period. Also, the implementation of the 90-day timeframe would not have changed the errors reported in this finding as Federal regulations required the Municipality to comply with the more stringent Commonwealth provisions<sup>23</sup> which prohibited employing individuals prior to completion of the check to ensure they were not registered sex

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<sup>22</sup> Puerto Rico Regulation 8873, Chapter 4, section 12.

<sup>23</sup> 45 CFR § 1302.21(d).

offenders. Therefore, we maintain the Municipality did not conduct criminal background checks within required timeframes which potentially jeopardized the safety of children.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered two ACF disaster assistance awards for which the Municipality claimed \$6,077,865 in costs during the period December 1, 2018, through August 31, 2020. We reviewed accounting records for financial reports submitted to ACF and supporting documentation related to a non-statistical sample of 50 expenditure transactions totaling \$1,643,028.

During our audit, we did not assess the Municipality's overall internal control structure. Specifically, we limited our review of internal controls to those related to the management of the Disaster Assistance awards.

We conducted our audit work from September 2020 through June 2022.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and Commonwealth laws, regulations, and guidance;
- met with ACF officials to discuss disaster assistance award requirements and how recipients in Puerto Rico were awarded these funds;
- obtained from OIG's Division of Data Analytics total drawdowns of disaster assistance awards by the Municipality during our audit period;
- reviewed the Municipality's policies and procedures and internal controls over Federal expenditures;
- reconciled award expenditures claimed by the Municipality to accounting records for the two disaster assistance awards included in our audit;
- divided the expenditure transactions into three categories by expenditure type and amount,<sup>24</sup> randomly selected a total of 50 transactions, and reviewed supporting documentation for sampled transactions claimed by the Municipality;
- reviewed the Municipality's financial and progress reports for our audit period; and
- discussed the results of our audit with the Municipality officials.

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<sup>24</sup> The three categories were (1) payroll and fringe benefits, (2) other expenditures less than \$50,000, and (3) other expenditures greater than \$50,000.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>The Puerto Rico Department of Health's Implementation of Its Emergency Preparedness and Response Activities Before and After Hurricane Maria Was Not Effective</i>	<a href="#"><u>A-02-18-02002</u></a>	7/7/2021
<i>The Health Resources Services Administration Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk</i>	<a href="#"><u>A-04-18-02015</u></a>	12/18/2018
<i>The Administration for Children and Families Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk</i>	<a href="#"><u>A-04-18-02013</u></a>	12/18/2018
<i>The Centers for Disease Control and Prevention Has Controls and Strategies To Mitigate Hurricane Preparedness and Response Risk</i>	<a href="#"><u>A-04-18-02014</u></a>	11/7/2018

APPENDIX C: MUNICIPALITY COMMENTS



ADMINISTRATION FOR CHILDREN & FAMILIES

Programa Head Start / Early Head Start  
Municipio de Barceloneta

P.O. Box 2044 Barceloneta, PR 00617 - 2044

**María L. Beauchamp Vélaz**  
Directora Ejecutiva

July 21, 2022

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**Germán L. Cancel Torres**  
Sub Director

Mrs. Brenda M. Tierney  
Regional Inspector General  
For Audit Services

\*\*\*

**Gerry L. Pelet Nieves**  
Asesora Salud

REPORT A-02-20-02003

Dear Mrs. Tierney:

**Ismael A. Vélaz De la Rosa**  
Asesor Educación

The Municipality of Barceloneta regret the form of expression of the reference report beginning with the title of the report: "The Municipality of Barceloneta did not always manage its Head Start Disaster Assistance Grants in Accordance with Federal and Commonwealth Requirements". The Audit covered 1,904 expenditures transaction totaling \$6,077,865.00 of this total, they raised four (4) findings. We understand these doesn't demonstrate risk of fraud, waste, and abuse of Federal funds; and potentially jeopardized the safety of children.

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**Ulises Toledo Ortiz**  
Director Asociado  
Recursos Humanos

We recognize that in times of a **national emergency** some procedures were not followed. The life of the staff is above any procedure and/or regulation. The first audit meeting with the Office of the Inspector General was in June 2020, despite the fact that the Commonwealth of Puerto Rico had decreed a "lock-down". Barceloneta was exposed and was working for the audit. Both state and local government agencies were closed, and it was impossible to receive services. **The objective of this audit, according to a letter from Mr. Glenn H. Richter on June 19, 2020, was and I quote: "the objective of these audits will be to determine whether grants recipients claimed allowable costs in accordance with federal requirements". (Exhibit 1, Exhibit 2)**

**Ángel M. Díaz Vázquez**  
Director Asociado  
Planificación,  
Cumplimiento y  
Estadísticas

After the ravages of hurricanes Irma and Maria in September 2017 and up to 11 months later, the Municipality of Barceloneta was operating without electricity services and without communication networks; these collapsed. The Office of Head Start began the trainings for Disaster Relief proposals, finally \$154,022.00 was authorized for internet and communications services through Award number 02-TD-000025-01-00 dated March 27, 2019. This situation did not allow knowledge of regulation ACF-PI-HS-17-04 that was issued on August 21, 2017.

**Hilda E. Serrano Sotomayor**  
Directora Asociada  
Finanzas

**Irithel González Bonet**  
Directora Asociada  
Área Programática

We want to emphasize that this first Grant Award did not establish other dates to submit the 425 Reports; only a report of unobligated balances was established on the Federal Financial Reports (SF-425) within the 24-month period. See Terms and Conditions Applicable to Disaster Relief Act Funds (**Exhibit 3**). The next Awards included a table containing the submitting dates for Disaster Relief reports.

**Ivette Acosta Ramírez**  
Directora Asociada  
Área Programática



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**OIG Note:** The deleted text has been redacted because it is personally identifiable information.



**ADMINISTRATION FOR CHILDREN & FAMILIES**

**Programa Head Start / Early Head Start**

**Municipio de Barceloneta**

**P.O. Box 2044 Barceloneta, PR 00617 - 2044**

**María L. Beauchamp  
Vélez  
Directora Ejecutiva**

July 21, 2022  
Mrs. Tierney  
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\* \* \*

**Germán L. Cancel Torres  
Sub Director**

**FINDINGS:**

**MUNICIPALITY'S FINANCIAL MANAGEMENT SYSTEM DID NOT ALWAYS  
ENSURE COMPLIANCE WITH FEDERAL AND COMMONWEALTH  
REQUIREMENTS**

\* \* \*

**Gerry L. Pelet Nieves  
Asesora Salud**

**1. Federal Financial Reports Not Timely or Accurate**

**Ismael A. Vélez De la  
Rosa  
Asesor Educación**

The Program Instruction (ACF-PI-HS-17-04) issued on 8-21-2017 by ACF in a period where the Program had no way of finding out because there were no networks or electricity. The Grant Award also did not establish filing dates, only a 425 Report after 24 months. (Exhibit 3)

\* \* \*

**Ulises Toledo Ortiz  
Director Asociado  
Recursos Humanos**

Prior to this, the reports were filed in Grant Solution, see Grant Solution page dated September 28, 2020 (Exhibit 4). The letter of November 18, 2020, from [REDACTED] does not establish partial dates for the submission of Financial Reports 425 (Exhibit 5).

**Ángel M. Díaz Vázquez  
Director Asociado  
Planificación,  
Cumplimiento y  
Estadísticas**

It is true that the Program maintained a manual accounting system supplemented by the Municipality's Monet System. According to the Payment Process (Exhibit 6); It clearly establishes the documents that are used from the mechanized system of Monet and SAGE. It is wrong to say that the systems were not reconciled because the complete information is obtained from Monet and the differences are corrected in both systems. The 425 Report to which it refers was filed on September 30, 2020, whose Reporting Period End Date is August 31, 2020. It reports the difference between Cash in Bank of the General Ledger of \$99,426.52 (Exhibit 7) corresponding to an account receivable from the Head Program Start previously identified and accounted in the General Ledger. See account 120-077 Account Receivable HS of the General Ledger. This amount was received on December 14, 2020.

**Hilda E. Serrano  
Sotomayor  
Directora Asociada  
Finanzas**

Operating a manual accounting system does not mean that accounts cannot be reconciled, accounts are reconciled, and errors are corrected. In this case it was an account receivable and depended on a request of funding from Head Start and the Journal entries. In accounting, whether manual or mechanized, errors occur and are corrected by reconciling one system with the other and this does not mean Risk for Fraud, Waste and Abuse because for that reason accounting systems allows adjustments.

**Irieth González Bonet  
Directora Asociada  
Área Programática**

**Ivette Acosta Ramírez  
Directora Asociada  
Área Programática**



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## ADMINISTRATION FOR CHILDREN & FAMILIES

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**María L. Beauchamp  
Vélez**  
Directora Ejecutiva

July 21, 2022  
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**Germán L. Cancel Torres**  
Sub Director

### 2. Grant Drawdowns Not Supported

The Municipality did not request funds based on estimates from any employee, we informed that an employee was assigned to the Department of Finance, and that she obtained the list of vouchers ready for payment and provided the information via text messages or WhatsApp to the person in charge of accounting and from these to the person authorized to request the funds, who received from the Director the "one time passcode" (Exhibit 8). This was done just during the "lock-down" of the Government.

\* \* \*

**Gerry L. Pelet Nieves**  
Asesora Salud

**Ismael A. Vélez De la  
Rosa**  
Asesor Educación

\* \* \*

**Ulises Toledo Ortiz**  
Director Asociado  
Recursos Humanos

The Director of Finance supervised this entire process, the assigned Head Start staff cannot obtain the voucher, since she doesn't have access to the Monet System, the information is obtained from the Finance staff (see letter February 23). The Program had to wait for the Director of Finance to allow entry into their offices, therefore the money had to be available for paying.

### 3. Bank Reconciliation Not Performed Timely

Accounting is done in the Head Start Program. The monthly accounting period ends with the preparation of a Trial Balance and a Bank Reconciliation that ensures that the income and expenses reconcile with the General Ledger, for this reason all Bank Reconciliations of the Program were made and shown to the OIG staff. They were signed by the Director of Finance of the Program. After this, the Municipality prepared the ones they carry out. The Program has access to the monthly Bank Statement and to guarantee the accuracy of the accounting work, it prepares them after the end of the monthly accounting cycle. Saying that the Municipality increased the risk of errors and irregularities is incorrect. The Bank Reconciliation Process establishes that the reconciliation is prepared by the accountant and signed by the Associate Director of Finance. (Exhibit 9)

**Ángel M. Díaz Vázquez**  
Director Asociado  
Planificación,  
Cumplimiento y  
Estadísticas

**Hilda E. Serrano  
Sotomayor**  
Directora Asociada  
Finanzas

**Irithel González Bonet**  
Directora Asociada  
Área Programática

### 4. The Municipality used Disaster Grant for Staff not eligible to work due to untimely criminal background checks

The background check includes several documents: Sex Offender Registry (Act 300), State or Tribal Criminal History Registry, including fingerprint check or FBI background check, and a State Child Abuse Registry check, if applicable) Of these, only one document was delivered out of date, since the Exclusion Regulation grants up to 90 days to complete this process.

**Ivette Acosta Ramírez**  
Directora Asociada  
Área Programática



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July 21, 2022  
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**Germán L. Cancel Torres  
Sub Director**

There was a delay in this audit due to changes in OIG personnel, we were exposed to an imminent risk and after nine (9) months there was a managerial change in the OIG office, and they asked us again for the same documentation. We can understand this, but in addition, there was a change in the objective of the audit.

\* \* \*

**Gerry L. Pelet Nieves  
Asesora Salud**

The errors, delays in reports correspond to the emergency situations that Puerto Rico and the entire world went through, but they were identified, informed, explained and corrected in the Program, which means that there was never a Risk of Fraud, Waste, and Abuse of Federal Funds, and Potentially Jeopardized the Safety of Children.

**Ismael A. Vélez De la  
Rosa  
Asesor Educación**

\* \* \*

**Ulises Toledo Ortiz  
Director Asociado  
Recursos Humanos**

Cordially,

María L. Beauchamp Vélez  
Executive Director

**Ángel M. Díaz Vázquez  
Director Asociado  
Planificación,  
Cumplimiento y  
Estadísticas**

**Hilda E. Serrano  
Sotomayor  
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