

Maduro



*Secretaría*

15846

- Ver al dorso
- Para su información
- Notas
- Para mantenerle al día
- Expediente
- Dar Cuenta
- Registrar y Procesar

*Senado*  
DE PUERTO RICO

EL CAPITOLIO  
PO Box 9023431  
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## REFERIDO A:

### COMISIONES PERMANENTES

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- Hacienda
- Gobierno
- Seguridad Pública y Judicatura
- Salud
- Educación y Asuntos de la Familia
- Desarrollo Económico y Planificación
- Urbanismo e Infraestructura
- Jurídico Penal
- Jurídico Civil
- Agricultura
- Recursos Naturales y Ambientales
- Comercio y Cooperativismo
- Turismo y Cultura
- Trabajo, Asuntos del Veterano y Recursos Humanos
- Bienestar Social
- Asuntos Municipales
- Recreación y Deportes
- Banca, Asuntos del Consumidor y Corporaciones Públicas
- Desarrollo de la Región del Oeste
- Asuntos de la Mujer
- Asuntos Internos
- Reglas y Calendario
- Asuntos Federales
- De la Montaña
- Ética

### COMISIONES ESPECIALES

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- Puerto de las Américas
- Derecho de Autodeterminación del Pueblo de Puerto Rico
- Sobre Reforma Gubernamental

### COMISIONES CONJUNTAS

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- Informes Especiales del Contralor
- Donativos Legislativos de Puerto Rico
- Internado Córdova-Fernós
- Internado Pilar Barbosa
- Internado Ramos Comas
- Código Penal
- Revisión y Reforma del Código Civil
- Alianzas Público Privadas
- Auditoría Fiscal y Manejo Fondos Públicos
- Revisión Continua Código Penal v Reforma de las Leves



*[Handwritten initials]*  
Iniciales

*Oficina del Presidente*

Katherine Erazo

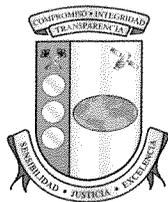
CHIEF OF STAFF

Fecha 15 de mayo de 2012

Referido a Madeline Rivera

- Para su información
- Evaluar y recomendar
- ~~Para trabajar y contestar directamente~~
- Dar cuenta al cuerpo
- Para otorgar contrato
- Para nombramiento
- Autorizado

15846



Estado Libre Asociado de Puerto Rico  
**Oficina del Contralor**

RECIBIDO  
OFIC. PRESIDENTE SENADO PR  
THOMAS RIVERA SCHATZ  
2012 MAY 15 PM 2:20

Yesmín M. Valdivieso  
Contralora

15 de mayo de 2012

**A LA MANO**

Hon. Thomas Rivera Schatz  
Presidente  
Senado de Puerto Rico  
San Juan, Puerto Rico

Estimado señor Presidente:

Le incluimos el *Comprehensive Annual Financial Report (CAFR)* de la Oficina del Contralor de Puerto Rico, para el año fiscal terminado el 30 de junio de 2011. En este informe presentamos el resultado del desempeño en el ejercicio de las funciones y los deberes que se nos confieren en la Sección 22 del Artículo III de la Constitución del Estado Libre Asociado de Puerto Rico y en la *Ley Núm. 9 del 24 de julio de 1952*, según enmendada.

Incluimos, además, los *Datos Relevantes sobre Informes de Auditoría Emitidos Durante el Año Fiscal 2010-11*.

Estamos a sus órdenes para ofrecerle cualquier información adicional que estime necesaria.

Mejorar la fiscalización y la administración de la propiedad y de los fondos públicos es un compromiso de todos.

Cordialmente,

*Yesmín M. Valdivieso*  
Yesmín M. Valdivieso

Anejos

RECIBIDO SECRETARIA  
THOMAS RIVERA SCHATZ  
2012 MAY 15 PM 2:57

m 18741



## HOJA DE TRÁMITE

Fecha referido: 15 DE MAYO DE 2012

Referido a: SRA. MADELINE RIVERA, SUBSECRETARIA DEL SENADO

De: GINA HERNÁNDEZ GONZÁLEZ, SECRETARIA EJECUTIVA OFICINA DEL PRESIDENTE DEL SENADO

Asunto: 1. ADJUNTO ESTADO FINANCIERO DE LA OFICINA DEL CONTRALOR DE PUERTO RICO.

- Para su conocimiento
- Para acción correspondiente
- Para trabajar y contestar directamente
- Autorizado

### OBSERVACIONES

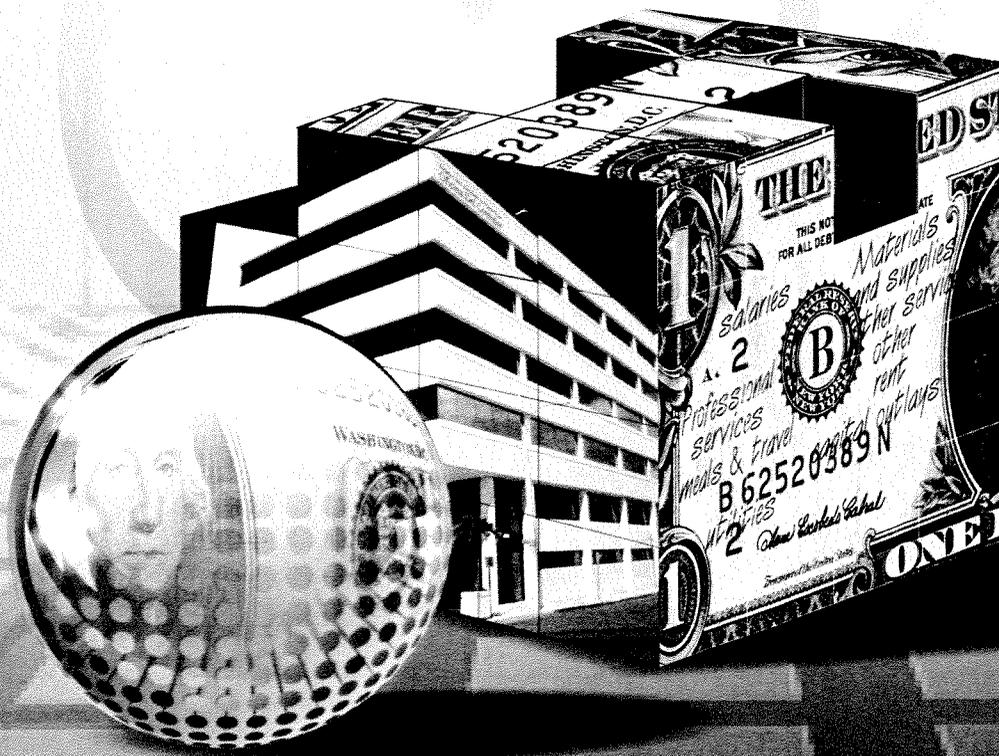
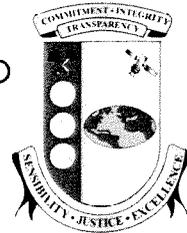
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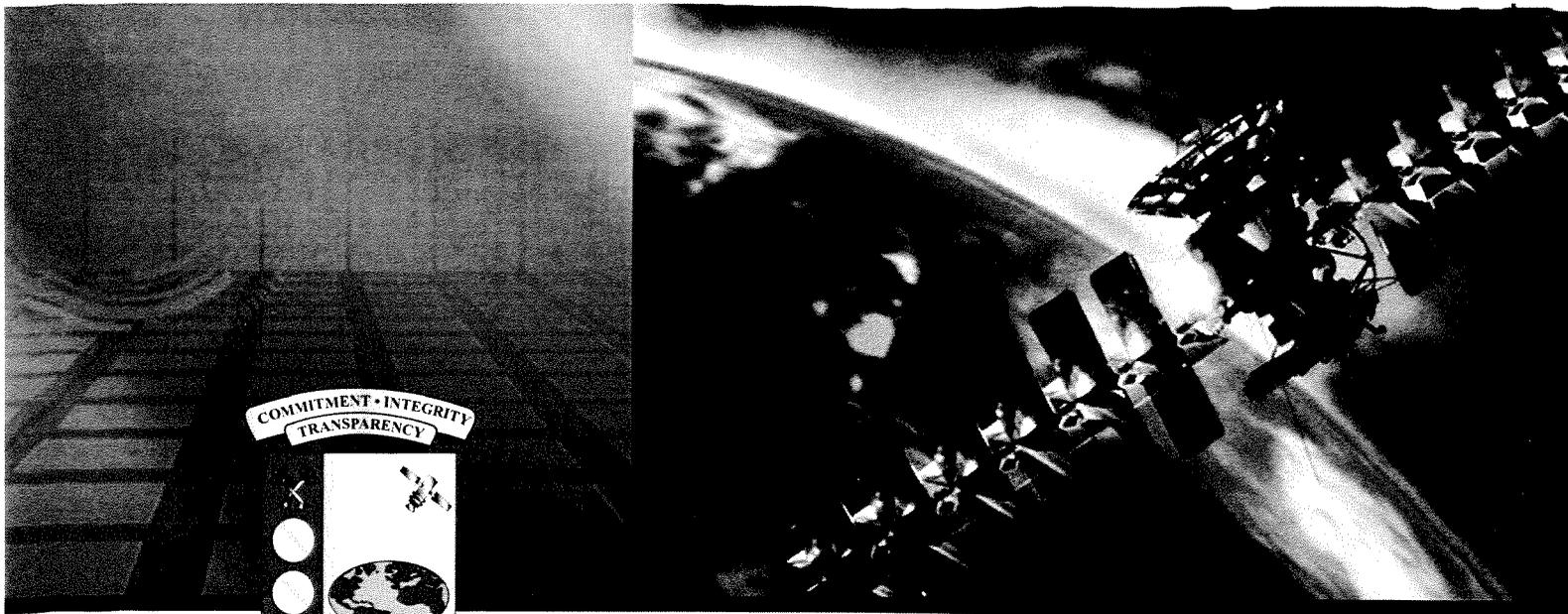
# COMPTROLLER ANNUAL REPORT

## FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30

OFFICE OF THE COMPTROLLER • COMMONWEALTH OF PUERTO RICO



**TQM** A total Quality Management Organization



# Official Shield

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The sky-blue color represents loyalty and truth, essential values in public service.

The crossed keys with the gold coins mean fidelity, security and safe-keeping of the peoples's moneys and properties.

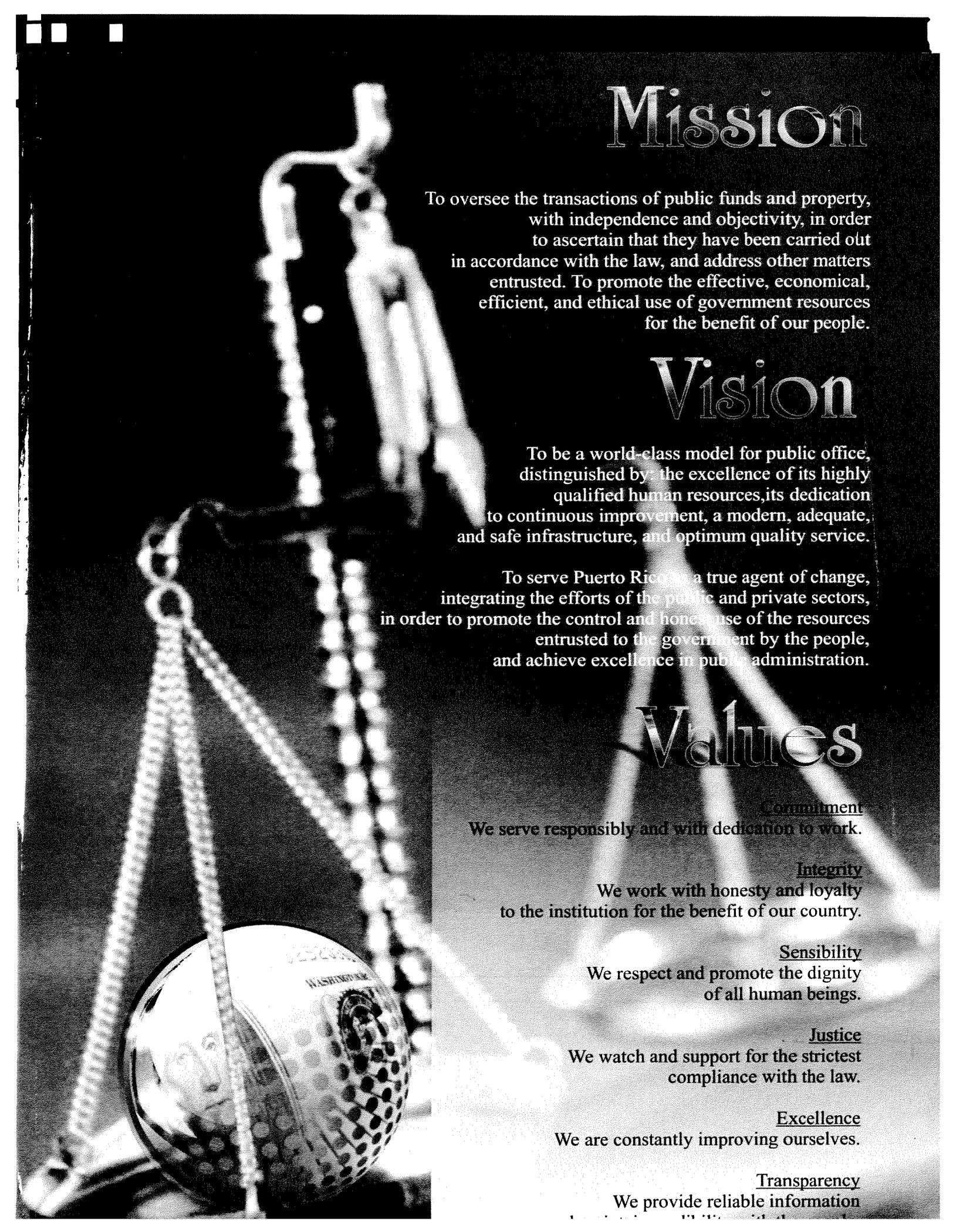
The satellite orbiting above the earth represents the era of information technology systems and telecommunications.

The planet symbolizes a new world, of which we are all a part thereof.

Bordering the shield, we have the six values that are part of our public service philosophy.

To improve the oversight function and administration of public funds and property is a commitment of all.

Additional information related to the Office of the Comptroller of Puerto Rico is available through the Internet at: <http://www.ocpr.gov.pr>



# Mission

To oversee the transactions of public funds and property, with independence and objectivity, in order to ascertain that they have been carried out in accordance with the law, and address other matters entrusted. To promote the effective, economical, efficient, and ethical use of government resources for the benefit of our people.

# Vision

To be a world-class model for public office, distinguished by: the excellence of its highly qualified human resources, its dedication to continuous improvement, a modern, adequate, and safe infrastructure, and optimum quality service.

To serve Puerto Rico as a true agent of change, integrating the efforts of the public and private sectors, in order to promote the control and honest use of the resources entrusted to the government by the people, and achieve excellence in public administration.

# Values

## Commitment

We serve responsibly and with dedication to work.

## Integrity

We work with honesty and loyalty to the institution for the benefit of our country.

## Sensibility

We respect and promote the dignity of all human beings.

## Justice

We watch and support for the strictest compliance with the law.

## Excellence

We are constantly improving ourselves.

## Transparency

We provide reliable information

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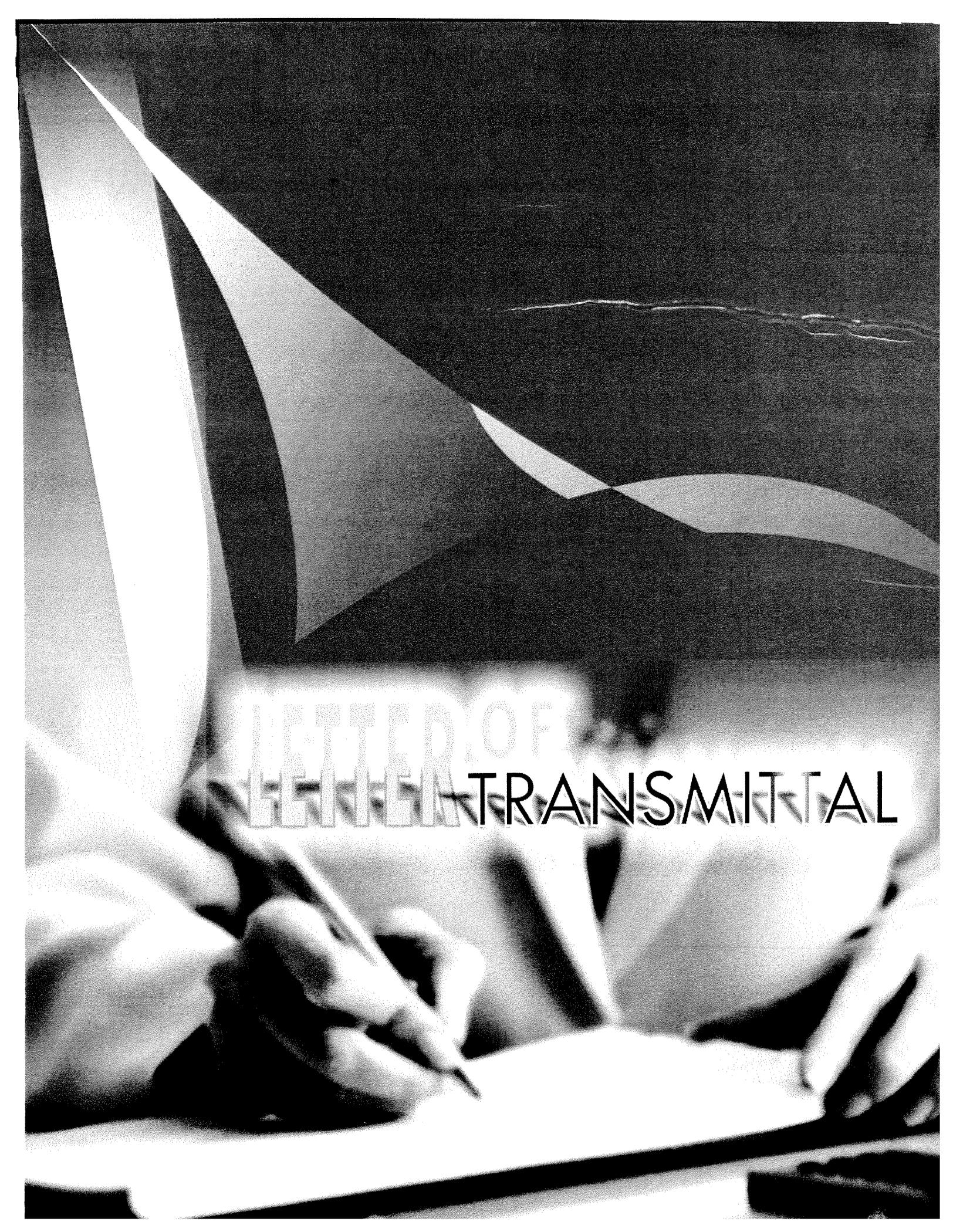
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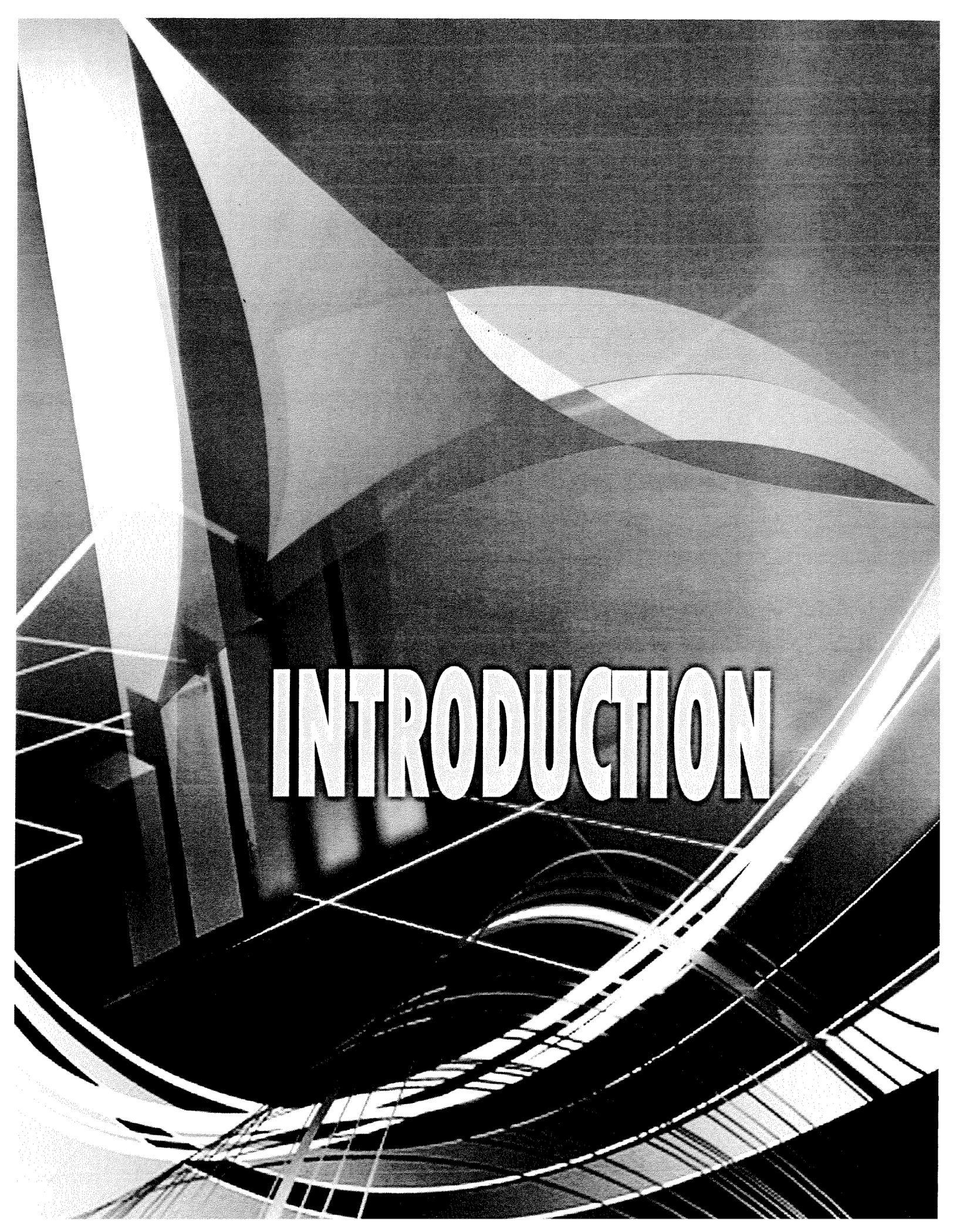
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LETTER OF  
LETTER TRANSMITTAL

The background is a complex, abstract composition of overlapping, semi-transparent geometric shapes and lines. It features a mix of dark and light gray tones, creating a sense of depth and movement. The shapes include large, curved planes and sharp, angular forms that intersect to form a grid-like pattern in some areas. The overall effect is that of a futuristic or architectural interior, possibly a modern building's atrium or a high-tech environment. The lighting is dramatic, with strong highlights and deep shadows, emphasizing the three-dimensional quality of the design.

# INTRODUCTION



Commonwealth of Puerto Rico  
**OFFICE OF THE COMPTROLLER**

**Yesmín M. Valdivieso**  
*Comptroller*

December 15, 2011

To the Governor of Puerto Rico,  
the President of the Senate,  
the Speaker of the House of Representatives,  
Members of the Legislature,  
and the People of Puerto Rico:

In the exercise of our ministerial duty, it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the Office of the Comptroller of Puerto Rico, hereinafter referred to as the OCPR, for the fiscal year ending June 30, 2011. The OCPR is responsible for the accuracy, completeness, and fairness of the information and disclosures included in this document. All disclosures necessary for a reasonable understanding of the financial activities have been included. To the best of our knowledge, the information presented herein is accurate.

The independent auditor has issued an unqualified (“clean”) opinion on the OCPR financial statements for the fiscal year ended June 30, 2011. The independent auditors’ report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Following the MD&A are the basic financial statements, including the government-wide financial statements, the fund financial statements, and the notes to financial statements. The statistical section, completes the CAFR. It provides information about finances, economics, and operational matters related to the OCPR that is generally presented on a comparative basis.

2011  
OCPR

## General Information of the Office of the Comptroller

The Comptroller of Puerto Rico has the Constitutional duty to oversee all revenues, accounts, and disbursements of the Commonwealth of Puerto Rico, and to ascertain that all operations involving public funds and public property are performed according to applicable laws and regulations. This authority arises from Section 22, Article III of the Constitution of the Commonwealth of Puerto Rico, and from the Public Law that created the Office of the Comptroller of Puerto Rico, Law No. 9 of July 24, 1952, as amended.

On July 1, 2010, the Governor of Puerto Rico appointed Yesmín M. Valdivieso as Comptroller, with the advice and consent of the Legislature, as required by the Constitution. This appointment is for a term of 10 years.

Government agencies are audited through the application of various Government Auditing Standards and other pertinent investigative techniques adopted by the Comptroller. The OCPR has divided all the government entities of the Executive, Legislative, and Judicial branches, into 2,168 units, as of June 30, 2011 for auditing or examination purposes. This figure includes departments, agencies, public corporations, municipalities, and 1,527 community schools.

Results, including findings and recommendations, are presented in the audit and special reports, thus providing for appropriate corrective actions. Violations of law are referred to the appropriate administrative, civil, or criminal law enforcement agencies.

The findings fall under two main categories:

**Primary:** Serious violations of law and applicable regulations are considered primary violations. These include: errors and irregularities of material importance related to falsification, embezzlement, misapplication of accounting principles, noncompliance with laws and regulations, and relevant legal dispositions.

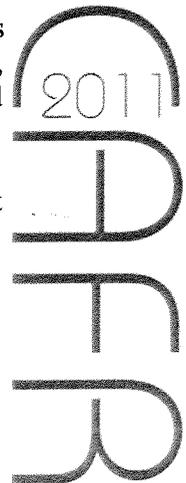
**Secondary:** Without material consequences. Include administrative errors, mathematical errors, or misinterpretation of laws and regulations.

The chief executive of the audited agency is required to inform the OCPR of the actions taken or that will be taken in order to comply with the recommendations resulting from the audit.

### Strategic Plan

The OCPR operates according to a two year Strategic Plan (2010-2012) with an Annual Objectives Plan. The Strategic Plan is divided into five Focal Areas: Oversight, Prevention, Human Capital, Technology, and Customer Service, with several objectives and initiatives that are being developed and implemented in order to make the projected goals a reality.

Each year we establish the objectives that we propose to accomplish, depending on the resources that are assigned to the OCPR.





During fiscal year 2010-11 we have attained significant goals using the managerial philosophy of Total Quality Management (TQM) to optimize the use of funds that have been assigned to conduct our operations. The commitment and dedication of our excellent working team has permitted us to attain 90 percent of the initiatives which we summarize henceforth:

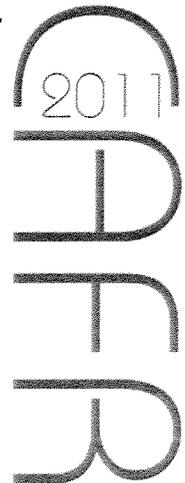
### Oversight

1. The most important reports during the fiscal year are:
  - a. Special Reports DB-11-07, DB-11-08, DB-11-09, CP-11-06, CP-11-07, M-11-27, and DR-11-02, dated April 28, 2011, concerning a study of costs incurred due to dismissal, disciplinary measures and other personnel transactions taken for political reasons against officials and employees of the: Executive, Legislative and Judicial Branches; Public Corporations; Municipalities and Municipal Consortiums; and the Special Permanent Commission of the Public Service Retirement System, respectively.
  - b. Special Reports DA-11-07, DB-11-11, DB-11-12, CP-11-08, CP-11-09, and DR-11-03, dated May 18, 2011, concerning the fourth evaluation performed on the implementation of Measures to Improve the Public Administration and the Anticorruption and Prevention Program of the: Executive, Judicial and Legislative Branches; System and Central Administration of the University of Puerto Rico and Public Corporations; and the University of Puerto Rico Retirement System, respectively.
2. Acquired new and much improved versions of TeamMate System, an electronic program designed to optimize the audit function.

### Prevention

1. Professional guidance concerning sound public administration were offered to 6,191 government officials and employees. These included internal auditors from the state government agencies, public corporations and municipalities, and 3,887 members of the public schools councils in compliance with Law No. 77 of April 13, 2006, as amended. It also includes lectures offered to 40 officials on the proper use of public property and funds in compliance with Law No. 222 of August 6, 1999, as amended, and 141 executives appointed by the Governor of Puerto Rico in compliance with Law No. 190 of September 1, 2006.
2. Participated in national and international meetings and conferences related to our investigative and preventive functions, among them: Fraud Auditing Boot Camp, 21<sup>st</sup> Annual Auditing Boot Camp, Techno Forensic & Digital Investigations Conference 2010, NASSACT Middle Management Conference, and ASTD Conference & Exposition.

3. Participated in the XX General Assembly of the *Organización Latinoamericana y del Caribe de Entidades Fiscalizadoras Superiores (OLACEFS)* at La Antigua, Guatemala. In this Assembly we presented the technical topic Alternatives for the Traditional Oversight Function which received the acceptance of the comptrollers and other participants.
4. Received the visit of personnel from the General Comptrollership of the Republic of Costa Rica (*Contraloría General de la República de Costa Rica*) to evaluate and implement in their country the criteria and certification of Measures to Improve the Public Administration and the Anticorruption and Prevention Program.
5. Participated and offered a lecture in the Regional Seminar of Good Practices, Challenges and Opportunities in the Performance Management of Superior Audit Institutions, celebrated in Santiago de Chile. Our participation in this conference was by invitation of the International Development Bank.
6. Selected by the Supreme Audit Institution of Mexico (*Auditoría Superior de la Federación*) to participate as a team member for the Peer Review, conducted in May 2011.
7. Selected by the World Bank to collaborate with the Chamber of Accounts (*Cámara de Cuentas*) and with the General Comptrollership (*Contraloría General*) of the Dominican Republic, to strengthen these institutions with training in areas of auditing and technology.
8. Celebrated the First Anticorruption Summit with the participation of the Governor of Puerto Rico and 460 officials and public servants. The Comptroller of Puerto Rico, the Executive Director of the Office of Government Ethics of Puerto Rico, Secretary of the Department of Justice, the President of the Panel of the Special Independent Prosecutor, Special Agent in Charge of the Federal Bureau of Investigation, and the Interim United States Attorney for the District of Puerto Rico offered lectures about the functions of their institutions and anticorruption initiatives.
9. Formalization of Cooperation Agreements with the following institutions:
  - a. Human Resources Office of the Commonwealth of Puerto Rico (*Oficina de Recursos Humanos del Estado Libre Asociado de Puerto Rico*) on December 14, 2010.
  - b. General Comptrollership of Accounts of Guatemala (*Contraloría General de Cuentas de Guatemala*) on February 3, 2011.
  - c. FBI and US Attorney's Office on December 20, 2010.





10. Seventeen circular letters were issued during the fiscal year. Among the most important letters are:
  - a. Circular Letter OC-11-02 dated July 22, 2010 – Use of public funds and property to manage emergency situations due to atmospheric disturbances.
  - b. Circular Letter OC-11-14 dated November 18, 2010 – Orientation of public spending during the holiday season.

### Human Capital

1. Office-wide training was offered on techniques for the detection of illegal use of controlled substances, sexual harassment, and other forms of discrimination.
2. All personnel were trained on Government Ethics.
3. Fringe benefits, including the Productivity Bonus and the government contribution for the Medical plan premium, were maintained to retain and attract highly qualified personnel. Lectures were offered to interested fellow-workers and their immediate families, through a program known as Strengthening the Family.
4. Engaged in special activities as part of our commitment with the community and to comply with our **social responsibility** objective. Among them: blood donation campaigns with the American Red Cross, United Funds Campaign, collection and donation of toys for children of limited economic resources, and collection and delivery of primary needed articles to *Iniciativa Comunitaria*, a community based entity that offers various services to the homeless. We participated in activities with the Muscular Dystrophy Association and Samaritan's Purse a worldwide charity organization. The OCPR adopted the Tomás Carrión Maduro School for Special Education where we worked as a team with other government agencies to maintain the school in optimal conditions for the students use. Also, last December we identified 9 homes for abused children, bringing goods and gifts for the children.
5. The OCPR continued providing services as established in the Personnel Support Program empowered by Law 9 of July 24, 1952, as amended. The Program's philosophy and goals are directed to assist our fellow-workers and their families, primarily for problems related to their marital or family situations, work conditions, emotional aspects, and adolescence guidance, among others. The Program is voluntarily guided, and it is considered an innovative initiative to improve the quality of life of our personnel.
6. Designed a new organizational structure to optimize human resources distribution based on the new vision promoted by the Comptroller.

### Technology

1. Evaluated, implemented, and improved 26 projects, processes and programs related to technology. Some of the most important were:

- a. Implementation of Virtualization, video conference system
- b. Implementing PKI technology (e-signature)
- c. Segmentation of network infrastructure
- d. Removing and replacing obsolete physical servers.

#### Customer Service

1. Evaluated the results of surveys to measure customer satisfaction of audited entities, government referral entities, and the general public.
2. Designed a new template for the audit reports, to make them more easy to understand the findings.
3. The complaint process was change to make it faster, effective and convenient.
4. The Comptroller visited 43 municipalities to share her vision on prevention and how the OCPR can become an information facilitator and promote prevention efforts to speed up the audit process.

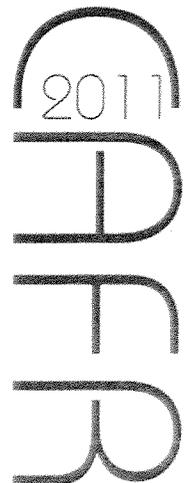
#### Other Initiatives

The OCPR, since created, has never had its own office building or adequate facilities that may enable a more efficient operation. It operates from three different rented locations dispersed in the area of Hato Rey. Its central offices are located at 105 Ponce de León Avenue, San Juan, Puerto Rico. Law No. 38 of January 10, 1999, authorizes us to acquire, possess, use, and dispose of real property for the location of our offices. The proposed Bill 3176 of February 9, 2011 was submitted and approved by the House of Representatives and the Senate to amend Article 4 of the Law No. 9 of July 24, 1952, in order to clarify the power granted to the Comptroller of Puerto Rico to purchase by any legal means, those real estate necessary to locate its headquarters and centralize its operations and to finance the acquisition or development of the same. We continue forward with our plans and are actively working to achieve our goal. This bill now waits for the Governor's signature.

#### Total Quality Management

##### Seminars/Trainings

On February 7, 2011, and at their request, we offered a training to executive, professional and audit personnel of the Ports Authority of Puerto Rico about the concepts, the methodology, the benefits and the results expected in adopting and implementing the managerial philosophy of Total Quality and the Quality Management System in the OCPR.





### External Seminars

In order to keep ahead on the best practices in international quality management issues, four staff members participated in the 65<sup>th</sup> Annual World Conference on Quality and Improvement, sponsored by the American Society for Quality (ASQ). Representatives from different companies and organizations presented their work models to implement the new role of quality and obtain high returns and competitiveness in order to satisfy the needs of their clients. In this Conference we were able to compare our trajectory with that of International members of the quality community.

### Improving Processes

Continued with our commitment to analyze existing processes in our organization, improving them, and identifying the pertinent variables so as to monitor behavior, measure progress, and control the processes. During fiscal year 2010-2011, we evaluated three processes related to the audit function, using the Process Improvement Team's methodology. Also, the OCPR met 94 percent of the quality objectives defined for the year.

### Newsletter - *Contraloría con Calidad*

We published an electronic edition of the quality newsletter, which informs our personnel of our accomplishments and provides updates on the latest Total Quality Management techniques and best practices.

### ISO (International Organization for Standardization)

ISO (word derives from the Greek *isos*, meaning "equal") is the world's largest developer and publisher of International Standards. ISO is a network of the national standards institutes of 162 countries, on the basis of one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system.

The quality management system standards of the revised ISO 9001:2000 series are based on eight principles (all fundamental to good business practice) that can be used by senior management as a framework to guide their organizations towards improved performance. The eight quality management principles are: Customer Focus, Leadership, Involvement of People, Process Approach, System Approach to Management, Continual Improvement, Fact Based Decision Making and Mutually Beneficial Supplier Relationships.

On April 16, 2009, Bureau Veritas, a widely recognized certification body in the world, certified the Quality Management System (QMS) of the OCPR against the 9001:2008 international standard. Also, the scope of the certification extended to include the design and execution of external orientations and training as means of governmental control. On June 30, 2011, Bureau Veritas performed the required third and fourth follow up audits and certified, without any non-conformances detected, the compliance of our QMS to the standard.

## The Corrective Action Plan

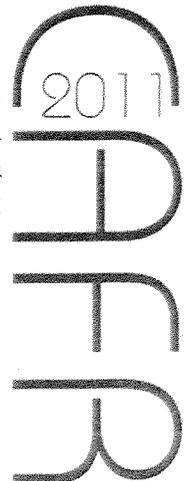
The Corrective Action Plan (CAP) is a follow-up mechanism that ensures compliance with the recommendations made by the OCPR in its audit reports. This program was implemented pursuant to the provisions of Law No. 9, which allows the Comptroller, in the exercise of his authority, to adopt practices and procedures generally accepted in current auditing practices.

On May 6, 1988, the Governor issued Executive Order 5098D. This Order requires that the chief executive of an audited unit implement the corrective actions in compliance with the Comptroller's recommendations. The Order also requires the Office of Government Ethics to follow up on the findings included in the reports in order to identify any violation of Law No. 12 of July 24, 1985, "Law on Government Ethics". In addition, on November 1, 1990, the Office approved Regulation No. 26 implementing the CAP. This Regulation requires the Treasury Department, the Office of the Commissioner of Municipal Affairs (formerly the Administration of Municipal Services) and the Boards of Directors of Public Corporations to verify that audited entities comply with the CAP by implementing the recommended corrective measures within a given time period. The CAP also provides a mechanism to ensure that cases referred to the Department of Justice are given proper attention.

On June 13, 1998, the Governor issued Administrative Bulletin Number OE-1998-16, superseding Executive Order 5098D. On September 11, 2009 the OCPR issued Regulation No. 26, superseding previous regulation. Accordingly, all government entities have 90 days to submit the CAP. The 90 days allowed begin on the first day of the month following the publication of the audit report. The 90-day time span to submit complementary reports begins on the first day of the month following the notification of the evaluation of the CAP or a previous complementary report. The chief executive of an audited unit submits complementary reports until all recommendations are given proper attention. All government entities are encouraged to delegate responsibility for the CAP on the internal audit units.

By June 30, 2011, the OCPR had received 796 and evaluated 792 CAPs to ascertain compliance with the recommendations contained in the audit reports, this represents 99 percent of the evaluations. This figure includes initial CAPs and complementary reports. During fiscal year 2009-10 the OCPR received 959 and evaluated 863 CAPs, the 96 remaining were evaluated during fiscal year 2010-11. The Administrative Bulletin and Regulation No. 26 state that government entities should apply the same procedures applicable to the Comptroller's audit report recommendations contained in the external auditor's management letters. If, upon due consideration, the agency executive determines that the recommendations of the external auditors cannot be adopted, this determination should be appropriately documented and sustained.

The entire operation of the CAP continues to be reviewed, since optimum efficiency wants to be reached in the follow-up process, in order to increase compliance with the recommendations and develop quicker and accurate statistical data. On March 1, 2010, we implemented a process which allows the government entities to send the CAPs and complementary reports information using electronic mail.





## Public Registry on Contracts of Government Agencies and Municipalities

According to Law No. 18 of October 30, 1975, as amended, government agencies, including public corporations and municipalities, are required to maintain a registry of all their contracts and deeds, including amendments thereto. Additionally, they have to submit a copy of their contracts, deeds, and amendments to the OCPR within 15 consecutive days from the date of execution, or within 30 consecutive days if the contract is executed outside of Puerto Rico. Exceptions to this requirement are set forth in the statute and Regulation No. 33, issued by the Comptroller on February 27, 1998 and amended on September 15, 2009.

The OCPR maintains a registry and a file for every contract and deed received and uses the Registry for verification purposes as part of its oversight role. On October 15, 2009, we implemented a new version of the Registry which allows the government agencies, among other enhancements, to send digitized copies of the contracts using the Internet. The Registry is accessible to the general public via Internet since 1999 at <http://www.ocpr.gov.pr>. Interested parties may request copies of these contracts. A nominal fee is required for each copy. The OCPR received 538 requests for copies during fiscal year 2009-10, and 551 during 2010-11.

The information system related to the Registry of Government Contracts established in 1990-91 has proven to be an efficient research tool related to contracts executed by government entities. This system has a search feature which allows for the retrieval of information using various references fields or clues such as: contract number, name of the contractor, date of execution, dollar amount and type of contract. Furthermore, the system is capable of furnishing elaborate statistical information regarding the types of contracts most frequently executed by an agency or group of agencies, the number of agencies that are late in submitting contracts, the agencies that submit contracts with erroneous information, and those that belatedly submit corrected information after receiving our observations.

## Registry of Irregularities Related to Public Funds and Property Informed by Government Entities

The OCPR instituted a computerized registry system during the fiscal year 1994-95 in order to record the information received from the various government entities regarding the loss of public funds and property. This computerized system was established to collect and store the data reported by government entities in compliance with the provisions of Law No. 96 of June 26, 1964, as amended. As per this statute, government entities are also required to report certain losses to the Treasury Department and the Justice Department.

In compliance with the requirements of Law No. 96, during fiscal year 2009-10, the OCPR received information on 2,878 cases for a loss of \$1,779,285; during fiscal year 2010-11, received information on 3,769 cases for a loss of \$1,763,429. These cases are subject to further examination when the corresponding government entities are audited.

## Registry of Privatization

Law No. 136 of June 7, 2003, as amended by Law No. 71 of July 23, 2007, requires all government entities, including public corporations and municipalities, to submit an annual report of all privatizations of functions, areas of administration, or duties of their entities to the Governor, the Legislature and the Office of the Comptroller. Additionally, they have to submit all documents related to contracts, budget, projects, obligations, internal controls, immovable property and an independent financial and administrative evaluation of said privatizations. The OCPR is required to maintain a registry on all reports received. The Registry is accessible to the general public via Internet at <http://www.ocpr.gov.pr>.

## Government Payroll Expenses and Job Registry

According to Law No. 103 of May 25, 2006, every agency that receives funds from the government's general fund has to submit by December 31, to the secretaries of the House of Representatives and Senate of Puerto Rico, the Office of the Comptroller, and the Office of Management and Budget (OMB), a certification signed and sworn by the Director of Finance and the Agency Executive. Such certification must contain, among other things: the number of job posts by category at the beginning and at the end of the fiscal year, including the payroll budget; professional services received and analysis of expenses during the fiscal year; and all its funding sources from the general fund, special assignments, state and federal funds, and other income. Also, Law No. 103 creates a Job Registry, to be monitored by the Office of the Comptroller, which requires that all agencies and public corporations must report, on a monthly basis, all occupied job posts and vacancies. The registry has been designed by the OCPR and is available online through the website with the title Job Registry under *Contraloría Digital*.

## Results of Operations

### Budget

The budget assigned to the OCPR for fiscal year 2010-11 was \$43,000,000, which represents the same amount of the budget for the previous four years. The OCPR spent and encumbered \$41,638,363 leaving a balance not reserved of \$1,361,637. This balance is available for non-recurring expenses for a three-year period, according to Law No. 230 of July 23, 1974, as amended, "Puerto Rico Government Accounting Act". Specific information is presented in the Statistical Section of this Report. **(Chart 1)**

### Human Capital

As of June 30, 2011, the OCPR had 652 full time occupied positions or 93 percent out of 701 authorized positions; 438 were auditors and 214 were support personnel. Support personnel consist of legal counsels, administrative staff, and other professionals. **(Chart 2)** During 2010-11, 14 auditors and 8 support personnel resigned or retired, while 1 auditor and 9 support personnel were hired. A grand total of 1,203,034 hours were dedicated to audits, administrative and office work, training, compensated absences, and other activities. **(Chart 3)**





## Training

The OCPR has established an internal regulation that requires support personnel a minimum of 15 hours of continued education annually. Auditors are required a minimum of 80 hours every 2 years; 24 have to be in areas related to the profession. Auditors of the Information Technology Audit Division are required 20 hours in computer information system.

During 2010-11, 26,033.75 hours were dedicated to training and education. Seminars and conferences in auditing, management, report writing, grammar skills, leadership, supervision, and recent developments in information technology have been a priority.

## Financial Information

### Internal Controls

The OCPR is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft, or misuse, and that adequate accounting data is compiled to allow for the presentation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that, (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and sound management judgment by administrators.

The OCPR has regulations to strengthen the independence, integrity, and trust on the Office's internal auditing activity and the transparency in its fiscal processes and transactions.

### Budgetary Controls

The OCPR maintains an encumbrance accounting system to accomplish budgetary controls. As demonstrated by the financial statements and schedules included in the Financial Section of this report, management of the OCPR continue to meet its responsibility for sound financial administration, following the norms of austerity and modesty.

### Independent Audit

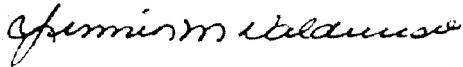
PKF, LLP, an independent certified public accounting firm, performed the audit of the financial statements of the OCPR for fiscal year ended June 30, 2011, as well as for the year ended June 30, 2010. The Independent Auditors' Report is included in the Financial Section. The accounting firm performed the audit on time as expected, and the OCPR received the certified financial statements on October 28, 2011.

**Financial Reporting**

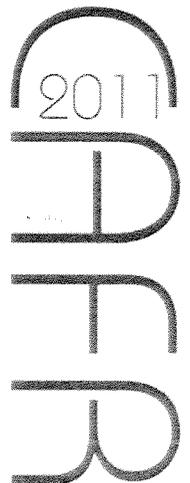
The OCPR complies with all financial reporting requirements.

Improving the oversight function and administration of public funds and property is a commitment of all.

Respectfully submitted,



Yesmin M. Valdivieso





# Principal Officers

**YESMÍN M. VALDIVIESO**  
Comptroller

**NATANAEL ARROYO CRUZ, CFE, CICA**  
Deputy Comptroller

**JAMIEL MIRANDA MATOS, PE, ESQ**  
Assistant Comptroller  
Strategic Planning, TQM,  
and Administration Area

**NILSA T. AÑESES LOPERENA, ESQ, CFE**  
Assistant Comptroller  
Legal Affairs Area

**YAMIRA PÉREZ ORTIZ, CPA, CFE, FCPA**  
Assistant Comptroller  
Audit Affairs and  
Professional Development Area

**EDGARDO CASTRO RIVERA, CFE**  
Assistant Comptroller  
Anti-Corruption Strategies Area

**HÉCTOR A. RIVAS ORTIZ, CPA, CFE, FCPA**  
Executive Aide  
Reports Reviewer

**MYRIAM J. FLORES SANTIAGO, CFE**  
Internal Audit Director

**LISANDRA RIVERA RIVERA, MAC**  
Press Officer

## AUDIT DIRECTORS

**HÉCTOR A. RIVAS ORTIZ**  
Acting Director, Departments and Agencies  
Audit Division "A"

**JESÚS A. ROSARIO MORALES, CFE**  
Director, Departments and Agencies  
Audit Division "B"

**HEDIN V. GARCÍA GUZMÁN**  
Deputy Director, Departments and Agencies  
Audit Division "E"

**LOURDES DÍAZ VALCÁRCEL, CFE, CISA**  
Director, Information Technology  
Audit Division

**MYRIAM RIVERA PÉREZ, CFE**  
Director, Municipalities  
Audit Division

**JULIO J. DÁVILA BRAVO, CFE, CFS**  
Director, Public Corporations  
Audit Division

**NYDIA I. HERNÁNDEZ MATOS, ESQ, CFE**  
Director, Departments and Agencies  
Audit Division "R"

## SUPPORT DIRECTORS

**NILSA T. AÑESES LOPERENA, ESQ, CFE**  
Director, Assistance in Litigation  
and Forensic Audit Division (DALAF)

**WALESKA CINTRÓN RODRÍGUEZ, MBA**  
Director, Finance and General Services Division

**ISEUT VÉLEZ RIVERA, MA**  
Director, Human Capital Division

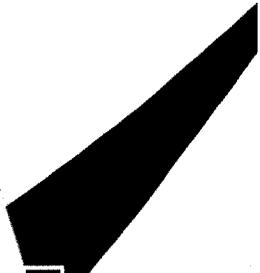
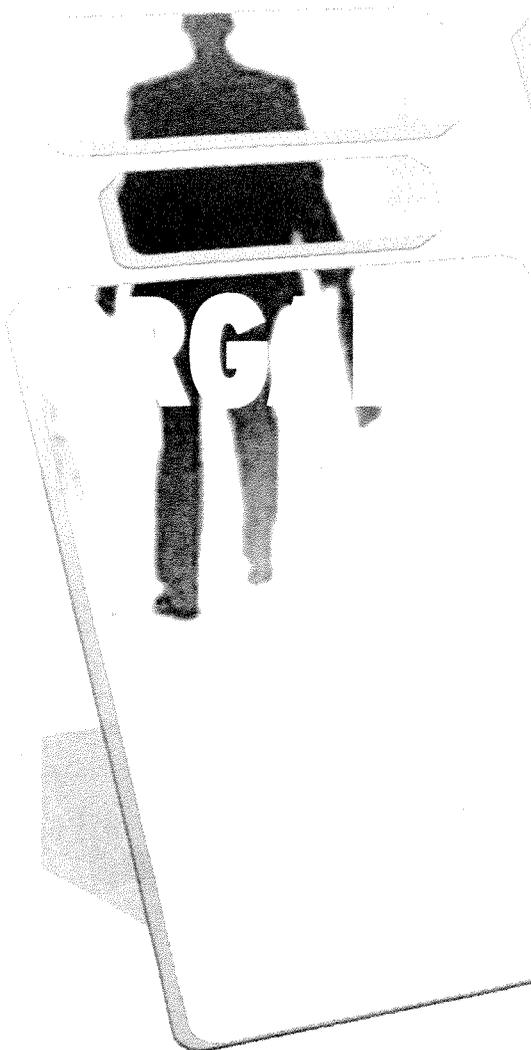
**MARICELI FIGUEROA SAMBOLÍN, MBE**  
Director, Information

**RAFAEL GUSTAVO PÉREZ, MBA, CISSP, PE, PMP**  
Director, Information Systems Division

**ABELARDO CASANOVA HERNÁNDEZ, ESQ**  
Director, Legal Division

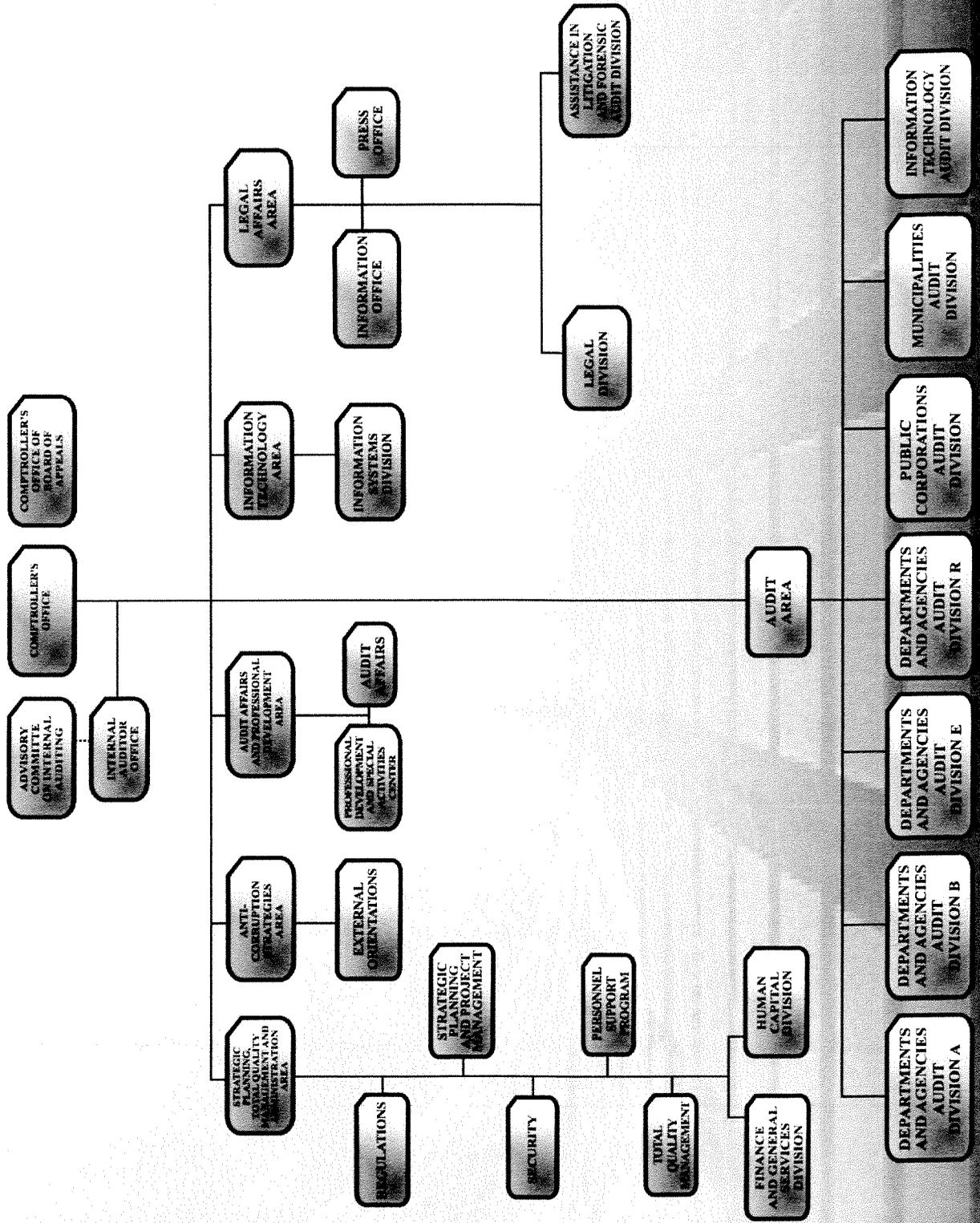
**MARA E. REYES ALFONSO, CFE, CGAP**  
Director, Professional Development  
and Special Activities Center

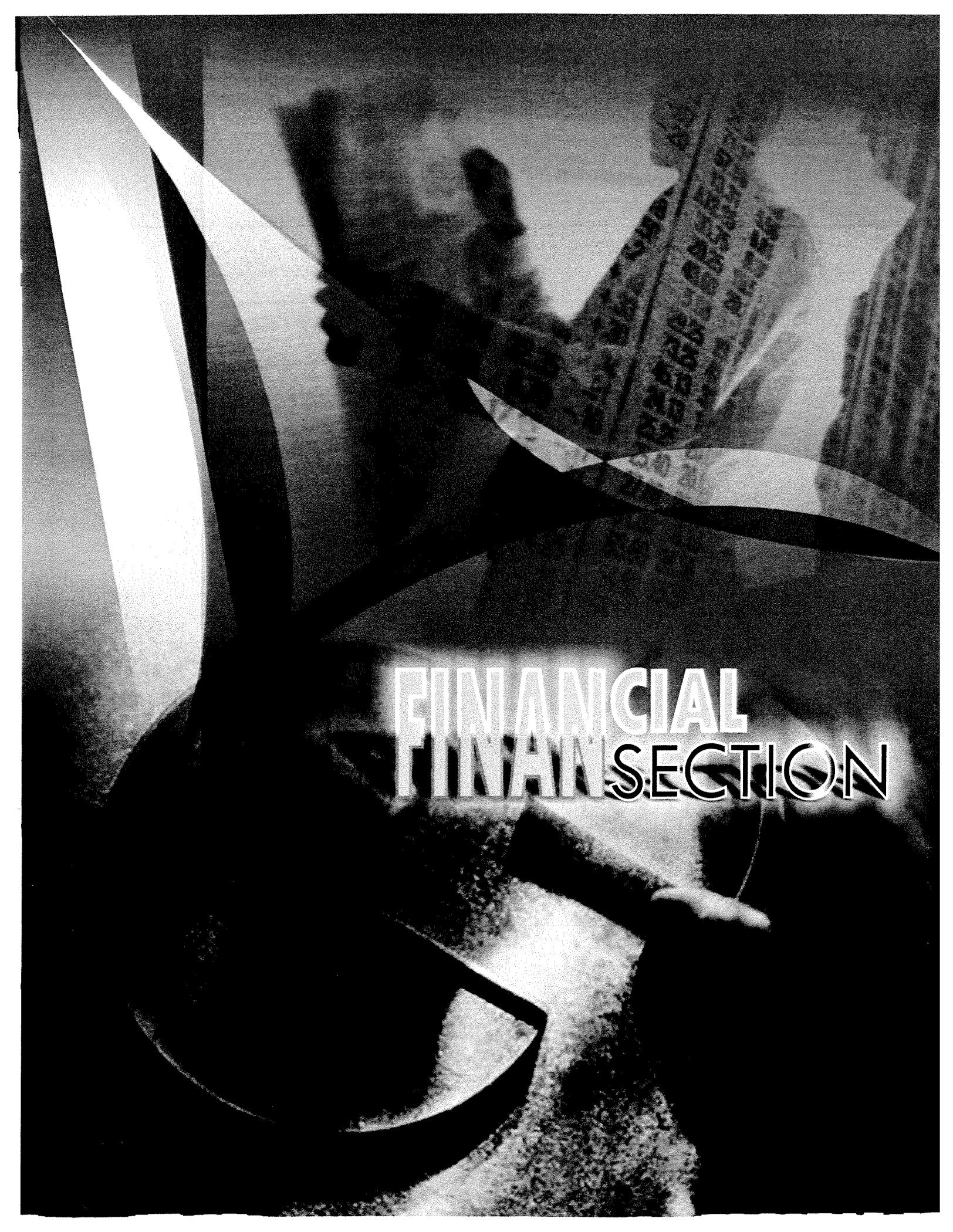
**AURORA BARALT DE JIMÉNEZ, MCR**  
Director, Personnel Support Program



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

ORGANIZATIONAL CHART





FINANCIAL  
FINANCE SECTION



Accountants &  
business advisers

**COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER**

**FINANCIAL STATEMENTS  
(With the Independent Auditors' Report Thereon)**

**FISCAL YEAR ENDED  
JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Hon. Yesmín M. Valdivieso, CPA  
Comptroller  
Commonwealth of Puerto Rico  
Office of the Comptroller  
San Juan, Puerto Rico

We have audited the accompanying financial statements of the governmental activities of the Office of the Comptroller of the Commonwealth of Puerto Rico (the Office) as of and for the year ended June 30, 2011, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Office of the Comptroller of the Commonwealth of Puerto Rico as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of the Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities of the Commonwealth of Puerto Rico attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position and changes in financial position of the Commonwealth of Puerto Rico in conformity with accounting principles generally accepted in the United States of America.

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San Juan, PR 00927-5013

The PKF International Association is an association of legally independent firms.

Hon. Yesmín M. Valdivieso, CPA  
Comptroller  
Commonwealth of Puerto Rico  
Office of the Comptroller  
San Juan, Puerto Rico  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the Office's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, and contract agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison information on pages 3 through 7 and 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PKF, LLP

License No. 22  
Expires December 1, 2013

October 28, 2011

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis  
June 30, 2011

The Office of the Comptroller, (the Office) an agency principally assigned to the Legislative Branch of the Commonwealth of Puerto Rico, offers to the readers of the financial statements this narrative overview and analysis of the financial activities of the Office for the fiscal year ended June 30, 2011.

Financial Highlights

- The total liabilities of the Office at the close of the fiscal year ended June 30, 2011 amounted to \$10,031,046, comprised of the accrual required under GASB No. 34 for vacations and sick leave in the amount of \$9,624,732 and \$406,314 due to creditors and employees. The liabilities exceeded its assets by \$6,754,520 (net deficit) principally due to the aforesaid accrual for vacations and sick leave. The Office has the resources to meet its ongoing obligations, and the liabilities for accrued vacations and sick leave will be met with revenues from legislative appropriations in future years as these liabilities become due.
- The Office's total assets increased by \$222,463.
- The final budget of the Office for the fiscal year 2010-2011 was \$43,000,000.

The Office achieved an economy of \$1,361,637 in its management of the general fund budget for the fiscal year 2010-2011.

Overview of the Financial Statements

This Management's Discussion and Analysis document is intended to serve as an introduction to the Office of the Comptroller's basic financial statements. The Office of the Comptroller's basic financial statements comprise three components: 1) Government-Wide Financial Statements on all of the Activities of the Office, 2) Fund Financial Statements, and 3) Notes to Financial Statements.

Government-Wide Financial Statements: The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Office of the Comptroller's financial position, in a manner similar to a private-sector business.

The Statement of Net Deficit presents information of all of the Office of the Comptroller's assets and liabilities, with the difference between the two reported as net assets or deficit. Over time, increases or decreases in net assets or deficit in assets may serve as a useful indicator of whether the financial position of the Office of the Comptroller is improving or deteriorating as a result of the year's operations.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)  
June 30, 2011

Overview of the Financial Statements (continued)

Government-Wide Financial Statements (continued):

The Statement of Activities presents information showing how the Office of the Comptroller's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-Wide Financial Statements distinguish functions of the Office of the Comptroller that are supported by legislative assessments from the General Fund of the Commonwealth of Puerto Rico (governmental activities). The Office of the Comptroller of Puerto Rico has the constitutional duty to ascertain that all revenues, accounts and disbursements of the Commonwealth of Puerto Rico and all operations involving public funds and public property were performed as stated in Article III of the Constitution of the Commonwealth of Puerto Rico, Act No. 9 of July 24, 1952, as amended.

The Government-Wide Financial Statements of the Office of the Comptroller's finances can be found on pages 8 to 9 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office of the Comptroller, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Office of the Comptroller belongs to categories of Governmental Funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Fund Financial Statements are narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Fund Balance Sheet and the Statement of Governmental Fund of Revenues, Expenditures, and Changes in Fund Balance provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)  
June 30, 2011

Overview of the Financial Statements (continued)

Fund Financial Statements (continued):

The Office of the Comptroller maintains one individual governmental fund and adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 23 of this report.

Financial Analysis of the Government's Funds

As noted earlier, the Office of the Comptroller uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Net Deficit

The Statement of Net Deficit serves as an indicator of the Office's financial position at the end of fiscal year. The Office's net deficit decrease by \$675,187, over the course of this fiscal year's operations. The Office's net assets include investment in capital assets for \$1,710,997 and a deficit of \$6,754,520. The following is a Condensed Statement of Net Deficit for fiscal years ended June 30, 2011 and 2010.

<u>Condensed Statement of Net Deficit</u>			
	2011	2010	Change
Current assets	\$ 3,276,526	\$ 2,895,212	\$ 381,314
Capital assets, net	1,710,997	1,869,848	(158,851)
Total assets	4,987,523	4,765,060	222,463
Current liabilities	3,425,752	1,289,601	2,136,151
Long-term liabilities	6,605,294	9,194,169	(2,588,875)
Total liabilities	10,031,046	10,483,770	(452,724)
Net Deficit			
Invested in capital assets	1,710,997	1,869,848	(158,851)
Deficit	(6,754,520)	(7,588,558)	834,038
Total Net Deficit	\$ (5,043,523)	\$ (5,718,710)	\$ 675,187

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)  
June 30, 2011

Financial Analysis of the Government's Funds (continued)

Capital Assets

The capital assets of the Office of the Comptroller are those assets that are used in the performance of its functions. The investment in capital assets for the fiscal year ended June 30, 2011, amounts to \$1,710,997. The total invested in the Office of the Comptroller's capital assets for the fiscal year was \$390,363.

Major capital assets events during the current fiscal year included the following:

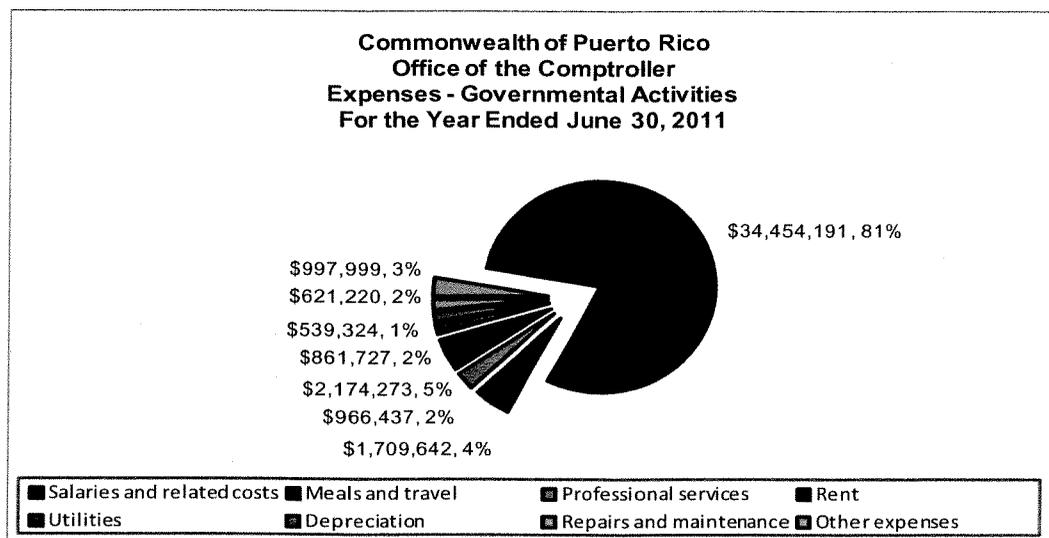
- The acquisition of several equipments and furniture at a cost of \$119,708.
- The capitalization of internally developed software in the amount of \$270,655.
- The retirement of equipment, electronic equipment and furniture in the total amount of \$887,372.

Changes in Net Deficit

The following Condensed Statement of Activities reflects how the Office's Net Deficit changed during the fiscal year ended June 30, 2011.

	2011	2010	Change
Revenue:			
State appropriation	\$ 43,000,000	\$ 43,000,000	\$ -
Expenses	(42,324,813)	(42,954,573)	629,760
Change in Net Deficit	\$ 675,187	\$ 45,427	\$ 629,760

The following chart presents the expenses incurred by the Office during the fiscal year ended June 30, 2011.



## COMMONWEALTH OF PUERTO RICO

## OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)

June 30, 2011

Financial Analysis of the Government's Funds (continued)

The Office's major expense is related to salaries, benefits and payroll taxes which represent the 81% of total expenses incurred during fiscal year ended June 30, 2011.

General Fund Budgetary Highlights:

The 2010-2011 General Fund Budget was \$43,000,000 and actual expending was \$41,638,363. Total expenditures represented 96.8% of total budget availability for the fiscal year. The Office's expenditure rate presents a similar rate when compared to prior year performance (96.8%).

The following table summarizes the budget expenditures and unexpended balance for the fiscal years ended June 30, 2011 and 2010.

	<u>Budget and Expenditures Comparison</u>	
	<u>2011</u>	<u>2010</u>
Revenue		
State appropriation	\$ 43,000,000	\$ 43,000,000
Expenditures	<u>41,638,363</u>	<u>41,614,499</u>
Unexpended balance	<u>\$ 1,361,637</u>	<u>\$ 1,385,501</u>
Expenditure rate	96.8%	96.8%

The operational results, presents a savings on the assigned budget amounting to \$1,361,637 and \$1,385,501, for years ended 2011 and 2010, respectively.

Economic Factors and Next Year's Budget

The economy of Puerto Rico must be analyzed as a region within the United States economy, since it is part of the United States monetary and banking system, as well as within its territorial boundaries. The main drive of the Puerto Rico economy is a huge external sector closely tied to the flow of merchandise, tourists, and capital between Puerto Rico and the Mainland.

The Office adopted the 2010-2011 fiscal year budget on July 1, 2011. The legislative appropriations for the fiscal year 2011 amounted to \$43,000,000.

Requests for Information

This financial report is designed to provide a general overview of the Office of the Comptroller's finances for all those with an interest in the government's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and General Services Division, The Office of the Comptroller of the Commonwealth of Puerto Rico, PO Box 366069, San Juan, Puerto Rico 00936-6069.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Statement of Net Deficit - Governmental Wide  
June 30, 2011

ASSETS

Current assets:	
Cash	\$ 764,394
Cash with fiscal agent	2,467,085
Accounts receivable	<u>45,047</u>
 Total current assets	 3,276,526
Noncurrent assets:	
Capital assets, net	<u>1,710,997</u>
 Total assets	 <u>4,987,523</u>

LIABILITIES AND NET DEFICIT

Current liabilities:	
Accounts payable and accrued liabilities	406,314
Accrued compensated absences, current portion	<u>3,019,438</u>
 Total current liabilities	 3,425,752
Noncurrent liabilities:	
Accrued compensated absences, long term portion	<u>6,605,294</u>
 Total liabilities	 <u>10,031,046</u>
Net deficit:	
Invested in capital assets	1,710,997
Deficit	<u>(6,754,520)</u>
 Total net deficit	 <u>\$ (5,043,523)</u>

See notes to financial statements

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Statement of Activities - Governmental Wide  
For the Year Ended June 30, 2011

Expenses	
Salaries and payroll related costs	\$ 34,454,191
Meals and travel	1,709,642
Professional services	966,437
Insurance	29,380
Rent	2,174,273
Utilities	861,727
Non-capitalizable equipment	30,571
Depreciation and amortization	539,324
Materials and supplies	158,575
Repairs and maintenance	621,220
Trainings and continuing professional education	108,323
Suscriptions and memberships	101,757
Outsource services:	
Security	275,061
Maintenance	105,479
Other	30,613
Printing services	32,473
Postage	1,703
Miscellaneous	114,174
Loss on disposition of assets	<u>9,890</u>
	42,324,813
Revenues	
State appropriation	<u>43,000,000</u>
Change in net deficit	675,187
Net deficit at beginning of year	<u>(5,718,710)</u>
Net deficit at end of year	<u>\$ (5,043,523)</u>

See notes to financial statements.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Balance Sheet-Governmental Fund  
June 30, 2011

ASSETS

Cash	\$ 764,394
Cash with fiscal agent	2,467,085
Accounts receivable	<u>45,047</u>
 Total assets	 <u>\$ 3,276,526</u>

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 406,314</u>
--	-------------------

FUND BALANCE

Committed	7,257
Assigned	136,524
Unassigned	<u>2,726,431</u>
 Total fund balance	 <u>2,870,212</u>
 Total liabilities and fund balance	 <u>\$ 3,276,526</u>

See notes to financial statements.

## OFFICE OF THE COMPTROLLER

Reconciliation of the Balance Sheet-  
Governmental Fund to the Statement of Net Deficit  
June 30, 2011

Fund balance per Balance Sheet - Governmental Fund	<u>\$ 2,870,212</u>
Amounts reported for governmental activities in the Statement of Net Deficit are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Balance Sheet-Governmental Fund.	1,710,997
Accrued compensated absences are not due and payable neither in the current period nor with current year budget resources and therefore are not reported in the Balance Sheet-Governmental Fund.	<u>(9,624,732)</u>
	<u>(7,913,735)</u>
Net deficit per Statement of Net Deficit	<u>\$ (5,043,523)</u>

See notes to financial statements.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
Year Ended June 30, 2011

Revenues	
State appropriation	<u>\$ 43,000,000</u>
Expenditures	
Salaries and payroll related costs	34,653,251
Meals and travel	1,709,642
Professional services	966,437
Insurance	29,380
Rent	2,174,273
Non-capitalizable equipment	30,571
Utilities	861,727
Capital outlays	390,363
Materials and supplies	158,575
Repairs and maintenance	621,220
Trainings and continued professional education	108,323
Suscriptions and memberships	101,757
Outsource services:	
Security	275,061
Maintenance	105,479
Other	30,613
Printing services	32,473
Postage	1,703
Miscellaneous	<u>114,174</u>
Total expenditures	<u>42,365,022</u>
Excess of revenues over expenditures	634,978
Fund balance at beginning of year	<u>2,235,234</u>
Fund balance at end of year	<u>\$ 2,870,212</u>

See notes to financial statements.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2011

Excess of revenues over expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund.	<u>\$ 634,978</u>
Amounts reported in the Statement of Activities are different because:	
Governmental fund report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.	390,363
Depreciation and amortization expense on capital assets is reported in Statement of Activities but does not require the use of current financial resource. Therefore, depreciation and amortization expense is not reported as expenditure in the statement of governmental fund.	(539,324)
Loss on disposition of assets is reported in the Statement of Activities, but does not require the use of current financial resources. Therefore, loss on disposition of assets is not reported as expenditure in the statement of governmental fund.	(9,890)
Compensated absences expense reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in statement of governmental fund.	<u>199,060</u>
	<u>40,209</u>
Change in net deficit of governmental activities	<u>\$ 675,187</u>

See notes to financial statements

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Statement of Revenues and Expenditures and  
Changes in Fund Balance - Budget and Actual  
Non GAAP Budgetary Basis

Year Ended June 30, 2011

	Original budget	Final budget	Actual amounts in the budgetary basis	Variance favorable (Unfavorable)
Revenue:				
State appropriations	\$ 43,000,000	\$ 43,000,000	\$ 43,000,000	\$ -
Expenditures:				
Salaries and payroll related expenditures	35,273,000	34,740,146	34,515,744	224,402
Facilities and payments of public services	694,000	910,632	823,580	87,052
Purchased services	3,014,000	3,133,547	2,997,989	135,558
Transportation expenditures	1,523,000	1,697,461	1,618,941	78,520
Professional services	899,000	1,348,999	885,960	463,039
Other expenditures	1,115,000	572,145	391,645	180,500
Materials and supplies	461,000	464,949	345,008	119,941
Capital outlays	-	114,976	51,140	63,836
Announcements and media publications approved by Law	21,000	17,145	8,356	8,789
	43,000,000	43,000,000	41,638,363	1,361,637
Net change in fund balance	\$ -	\$ -	\$ 1,361,637	\$ 1,361,637

See notes to financial statements.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements  
June 30, 2011

Note 1 - Organization and summary of significant accounting policies:

Organization

The position of Comptroller of Puerto Rico was created by virtue of Article III, Section 22 of the Constitution of the Commonwealth of Puerto Rico. The Comptroller of Puerto Rico is appointed by the Governor with the consent of the Legislature of the Commonwealth of Puerto Rico for a term of ten years and until his successor has been appointed and qualified.

The Commonwealth of Puerto Rico was constituted on July 25, 1952, under provisions of its Constitution as approved by the people of Puerto Rico and the Congress of the United States of America. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of the government. The Commonwealth assumes responsibility for public safety, public health, public housing, welfare, education, and economic development.

The function of the Comptroller of Puerto Rico is to audit all the revenues, accounts and expenditures of the Commonwealth of Puerto Rico, its agencies and instrumentalities, and its municipalities, in order to determine if they have been made in conformity with the law and to submit the corresponding audit reports. Also, it submits annual reports and all other special reports that are required by the Legislative Assembly or the Governor.

The Office of the Comptroller (the Office) was created by Law 9 of July 24, 1952 as amended. The Office is an entity of the Commonwealth of Puerto Rico, assigned principally to the legislative branch of the government. The administration of the Office is autonomous and is under the direction of the Comptroller of Puerto Rico.

The accompanying basic financial statements of the Office have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The financial reporting entity

The Office is for financial reporting purposes a part of the Commonwealth of Puerto Rico. Because the Office is part, for financial reporting purposes, of the Commonwealth of Puerto Rico, its financial data is included as part of the general government section in the general fund of the Commonwealth of Puerto Rico financial statements.

The accompanying financial statements are issued solely and for the information and use of the Comptroller, the Governor and the Legislature of Puerto Rico and the people of the Commonwealth of Puerto Rico.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (the Statement of Net Deficit and the Statement of Activities) report information on all of the activities of the Office. The Statement of Activities demonstrates the degree to which the total expenses are offset by total revenues. Separate financial statements are provided for governmental funds.

Measurement focus, basis of accounting, and financial presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Office considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fund accounting

The Office reports its financial position and results of operations in a general fund which is considered a separate accounting entity. The operation of the general fund is accounted for within a set of self-balancing accounts. The general fund is the operating fund of the Office. It is used to account for all the transactions of the Office.

Cash with fiscal agent

The funds of the Office are under the custody of the Secretary of the Treasury of Puerto Rico pursuant to Act. No. 230 of July 23, 1974, as amended, known as "Commonwealth of Puerto Rico Accounting Law". The Treasury Department follows the practice of pooling cash and cash equivalents under the custody and control of the Secretary of the Treasury. The funds of the Office in such pooled cash accounts are available to meet its current operating requirements. No collateral is required to be maintained for these pooled accounts.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Capital assets

Capital assets, which include property and equipment, are reported in the Government-Wide Financial Statements of the Office. The Office defines capital assets of government as assets, which have an initial, individual cost of \$500 or more at the date of acquisition and have a useful life in excess of two years. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are recorded as expenditures in the Governmental Fund Financial Statements. Depreciation and amortization expense is recorded in the Government-Wide Financial Statements.

Capital assets are depreciated using the straight-line method over the assets estimated useful lives. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Equipment	5
Electronic equipment for data processing	5
Furniture	10
Software	5
Vehicles	5-10

Compensated absences

The employees of the Office are granted thirty (30) days of vacation and eighteen (18) days of sick leave annually. Vacation and sick leave may be accumulated in excess of the maximum permitted of sixty (60) and ninety (90) days, respectively. When an employee resigns, the Office accumulated vacation is liquidated. The resignation as a government employee, before consuming the accrued sick leave days, ends all rights to compensation except for those employees with ten (10) or more years of service, which have the right to such compensation up to the maximum allowed.

Insurance

The Commonwealth of Puerto Rico purchases commercial insurance covering casualty, theft, tort, claims, and other losses for the Office. The Office reimburses the Commonwealth for premium payments made on its behalf. The current Office insurance policies have not been canceled or terminated. For workers' compensation the State Insurance Fund Corporation, a component unit of the Commonwealth of Puerto Rico, provides the workers compensation to the Office employees.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Budgetary data

The Office's budgetary system is its primary control over expenditures. The Office conducts the following procedures in order to establish the budgetary information reflected in the accompanying financial statements:

- The Office prepares its annual budget and submits it to the Legislature for its approval.
- The budget is approved on the basis of a global assignment.
- The Office submits to the Office of Management and Budget of the Commonwealth of Puerto Rico (OMB) the budget detailed by expenditure classification for its recording in the books.
- The budget is prepared using modified accrual basis of accounting, except for encumbrances, as explained below.

The budgeted revenue presented in the Statement of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual-Non GAAP Budgetary Basis, consisted of a Legislative Appropriation, by resolution, for the year ended June 30, 2011 for operational appropriations of \$43,000,000.

The primary differences between the budgetary basis and the GAAP basis are the encumbrances are presented as expenditures under the budgetary basis.

The reconciliation of the expenditures between the budgetary basis and the GAAP basis is as follows:

Expenditures according to the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual Non GAAP Budgetary Basis	\$ 41,638,363
Plus prior year encumbrances recorded as expenditures during current year under the GAAP basis	829,004
Less current year encumbrances not recorded as expenditures under the modified accrual basis	<u>(102,345)</u>
Expenditures according to the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	<u>\$ 42,365,022</u>

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Budgetary data (continued)

In August 1994, the Governmental Accounting Law of the Commonwealth of Puerto Rico, Law 230 of July 23, 1974, was amended in order to establish that all of the unencumbered funds of the governmental agencies will remain in their accounting books at the end of the fiscal year for which they were granted. These unencumbered funds are allowed to be partially or totally encumbered for non-recurrent expenditures and for a period of three (3) years from the closing of the fiscal year for which they pertain.

The balance of obligated funds (encumbrances) and non-obligated funds as of June 30, 2011, are composed of the following:

<u>Fiscal Year</u>	<u>Obligated Funds</u>	<u>Non-Obligated Funds</u>
2008-2009	\$ 28,074	\$ 43,315
2009-2010	6,105	1,321,479
2010-2011	102,345	1,368,894
	<u>\$ 136,524</u>	<u>\$ 2,733,688</u>

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Net assets (deficit)

Net assets (deficit) are the difference between assets and liabilities in the Governmental Wide Financial Statements. Net assets (deficit) are segregated in the following two (2) categories:

- Invested in capital assets– These consist of capital assets, less accumulated depreciation and amortization.
- Unrestricted – These consist of net assets which do not meet the definition of the preceding category.

Fund equity

For the fiscal year ended June 30, 2011, the Office is in compliance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes new categories for reporting fund balance and revises the definitions for governmental fund types.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Fund equity (continued)

Governmental Fund balance is reported in five (5) classifications that comprise a hierarchy based primarily on the extent to which the Office is bound to honor constraints on the specific purposes for which those funds can be spent. The five (5) classifications of fund balance for the Governmental Funds are as follow:

- Non-spendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted – resources with constraints placed on the use of resources which either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- Committed – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- Assigned – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Commonwealth of Puerto Rico through its instrumentalities has the responsibility for committing fund balance amounts. For assigned fund balance amounts, the Office's Comptroller has the authority to assign unspent budgeted amounts to specific purposes in the General Fund at year end. The Office's Comptroller approves the assigned amounts before year end.

Subsequent events

In May 2009, the Financial Accounting Standards Board (FASB) established standards related to accounting for, and disclosure of, events that occur after the statement of position date, but before financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 28, 2011, the date the financial statements were available to be issued.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Note 2 - Capital assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning balance	Additions	Retirements	Ending balance
Governmental activities				
Capital assets, being depreciated:				
Equipment	\$ 1,276,361	\$ 3,639	\$ (150,491)	\$ 1,129,509
Electronic equipment	3,559,822	70,593	(650,964)	2,979,451
Furniture	1,209,354	30,871	(47,874)	1,192,351
Computer Software	757,952	285,260	(38,043)	1,005,169
Vehicles	362,099	-	-	362,099
Total capital assets being depreciated	<u>7,165,588</u>	<u>390,363</u>	<u>(887,372)</u>	<u>6,668,579</u>
Less accumulated depreciation and amortization for:				
Equipment	1,029,680	64,835	(144,834)	949,681
Electronic equipment	2,486,174	360,633	(650,182)	2,196,625
Furniture	825,804	82,433	(44,529)	863,708
Computer Software	713,603	943	(37,937)	676,609
Vehicles	240,479	30,480	-	270,959
Total accumulated depreciation and amortization	<u>5,295,740</u>	<u>539,324</u>	<u>(877,482)</u>	<u>4,957,582</u>
Total capital assets, being depreciated, net	<u>\$ 1,869,848</u>	<u>\$ (148,961)</u>	<u>\$ (9,890)</u>	<u>\$ 1,710,997</u>

Note 3 – Governmental Fund - Fund balance

At June 30, 2011, portions of the Governmental Fund balances were committed and assigned for specific amounts as follow:

<u>Fund balance</u>	<u>Amount</u>
Committed:	
Repairs and maintenance of vehicles	<u>\$ 7,257</u>
Assigned:	
Salaries and payroll related expenditure	1,873
Facilities and payments of public services	3,837
Purchased services	31,658
Transportation	5,099
Professional services	48,746
Other	3,248
Materials and supplies	16,661
Purchase of equipment	<u>25,402</u>
	<u>136,524</u>
Unassigned	<u>2,726,431</u>
	<u>\$ 2,870,212</u>

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Note 4 - Pension plan

The Office participates in the Employee's Retirement System of the Government of Puerto Rico and its instrumentalities (ERS), a multiple-employer contributory retirement plan, which covers only eligible full-time employees. The system provides retirement, death, and disability benefits and annuities to Commonwealth employees not covered by their own systems.

Commonwealth legislation requires employees to contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the excess over \$550 of monthly gross salary. The Office is required by the same statute to contribute 9.275% of the participants' gross salary. Total employer contributions during the year ended June 30, 2011 amounted to \$2,339,696.

On September 24, 1999, an amendment to Act No. 447 of May 15, 1991, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). Employees participating in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining on or after January 1, 2000 will only be allowed to become members of the System 2000.

System 2000 reduces the retirement age from 65 to 60 for those employees who joined the current plan on or after April 1, 1990. System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there is a pool of pension assets, which is invested by the System together with those of the current defined benefit plan. The Commonwealth of Puerto Rico will not guarantee benefits at retirement age. The annuity is based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employees' salary up to a maximum of 10%) will be invested in an account which either; (1) earn a fixed rate based on the two year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not granted under System 2000. The employer's contribution (9.275% of the employee's salary) is used to fund the current plan.

For the year ended June 30, 2011, total covered payroll was \$25,323,569. Covered payroll refers to all compensation paid by the Office to employees covered by the ERS on which contributions to the pension are based.

The amount of the annuity shall be one and one-half percent (1.50%) of the average compensation multiplied by the number of years of creditable service up to twenty years, plus two percent (2.00%) of the average compensation multiplied by the number of years of creditable service in excess of twenty years, for those employees covered after March 31, 1990, the annuity shall be equal to one and one-half (1.50%) percent of the average compensation multiplied by the number of years of creditable service, in no case shall the annuity be less than \$2,400.

Additional information of the System is provided in its financial statements for the year ended June 30, 2011 a copy of which can be obtained from the Administrator of the Retirement Systems of the Commonwealth of Puerto Rico, P.O. Box 42003, San Juan, Puerto Rico 00949.

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMPTROLLER

Notes to Financial Statements (continued)  
June 30, 2011

Note 5 - Lease commitments

The Office rents its facilities through operating lease agreements in which the latest expires in 2013. Rent expense under such lease agreements for the year ended June 30, 2011 amounted to \$2,174,273. Future minimum lease payments as of June 30 are as follows:

2012		\$	1,913,043
2013			<u>1,286,324</u>
		\$	<u>3,199,367</u>

Note 6 - Legislative appropriations

The Office's principal source of revenue is legislative appropriations from the Commonwealth of Puerto Rico. Appropriations are for general operating purposes of the Office.

Note 7 - Contingencies

The Office is defendant in various lawsuits pending in court. As established by the laws of Puerto Rico, the Department of Justice of the Commonwealth of Puerto Rico represents the Office in any litigation. As established by law, any unfavorable outcome against the Office will be settled by the Commonwealth of Puerto Rico and not from the Office itself. Accordingly, the Office does not recognize any accrual for any unfavorable outcome in the accompanying financial statements.

Note 8 - Compensated absences

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning balance 07/01/10	Accumulated balance	Used balance	Ending balance 06/30/11	Due within one year	Long-term portion
Compensated absences	<u>\$ 9,823,792</u>	<u>\$ 5,032,397</u>	<u>\$ 5,231,457</u>	<u>\$ 9,624,732</u>	<u>\$ 3,019,438</u>	<u>\$ 6,605,294</u>

A black and white collage of statistical and data-related images. In the foreground, a computer keyboard is visible with keys for numbers 1, 2, 4, 5, and 8. To the right, a clock face shows numbers 10, 11, and 12. A pie chart is partially visible with segments labeled with numbers like 1327, 312, and 2325. A line graph with a grid background is also present, showing a fluctuating line. The text "STATISTICAL SECTION" is overlaid in the center in a bold, white, sans-serif font.

# STATISTICAL SECTION

## Chart 1 – Operations Budget

The table and chart that follow indicate the composition of the budget by salaries, meals and travel, professional services, and others, with respect to the total legislative appropriations. In addition, present a comparative picture for two consecutive fiscal years, 2010-11 and 2009-10.

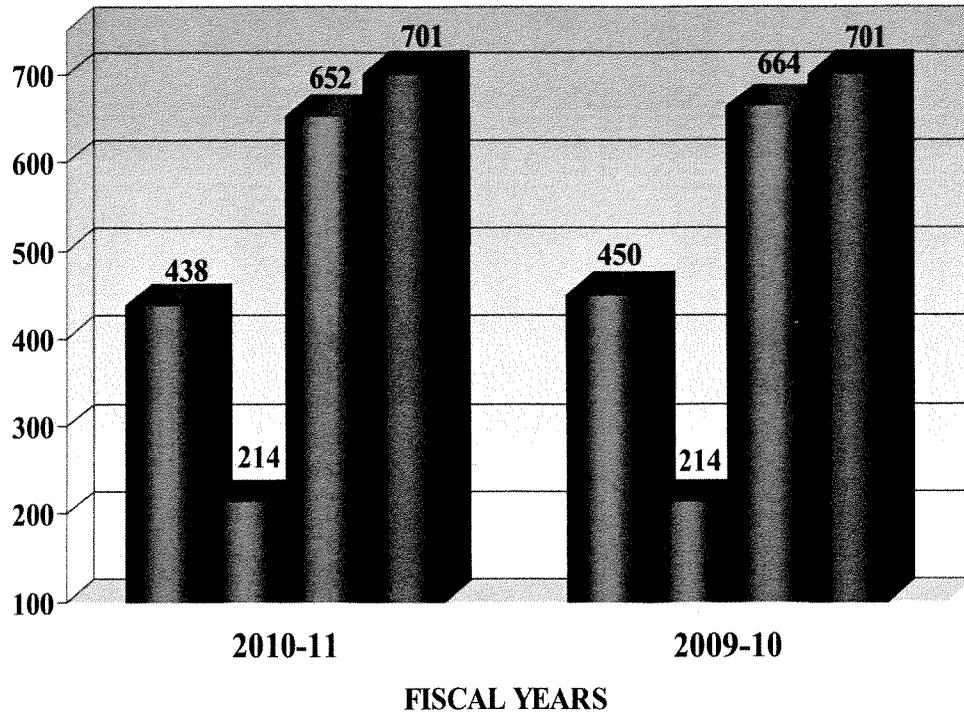
Description	2010-11		2009-10	
	Appropriation	Percent	Appropriation	Percent
Salaries and Payroll Related Costs	\$34,740,146	81.0	\$34,197,092	79.5
Meals and Travel	1,697,461	4.0	1,906,241	4.4
Other Purchased Services	922,358	2.1	695,039	1.6
Professional Services	1,348,999	3.1	1,592,290	3.7
Utilities	910,632	2.1	869,000	2.0
Rent	2,211,189	5.1	2,119,338	5.0
Materials and Supplies	464,949	1.0	521,000	1.2
Other Expenditures	589,290	1.3	906,000	2.1
Capital Outlays	<u>114,976</u>	<u>0.3</u>	<u>194,000</u>	<u>0.5</u>
<b>Total</b>	<u>\$43,000,000</u>	<u>100</u>	<u>\$43,000,000</u>	<u>100</u>

2011  
 OFFER



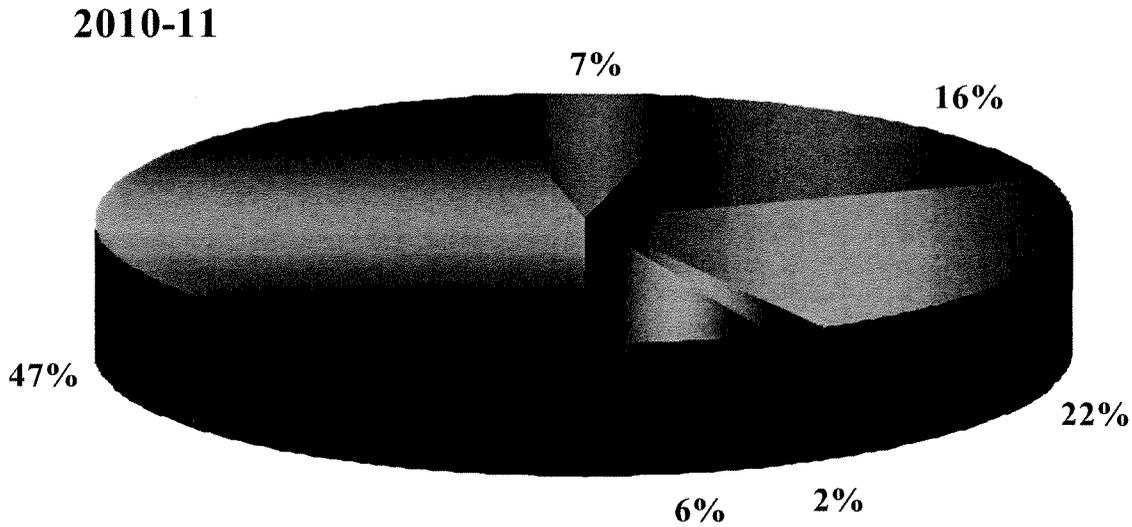
## Chart 2 – Human Capital

This chart shows the distribution of human capital by auditor and support personnel for fiscal years 2010-11 and 2009-10.



■ Auditors    ■ Support Personnel    ■ Total Personnel    ■ Authorized Positions

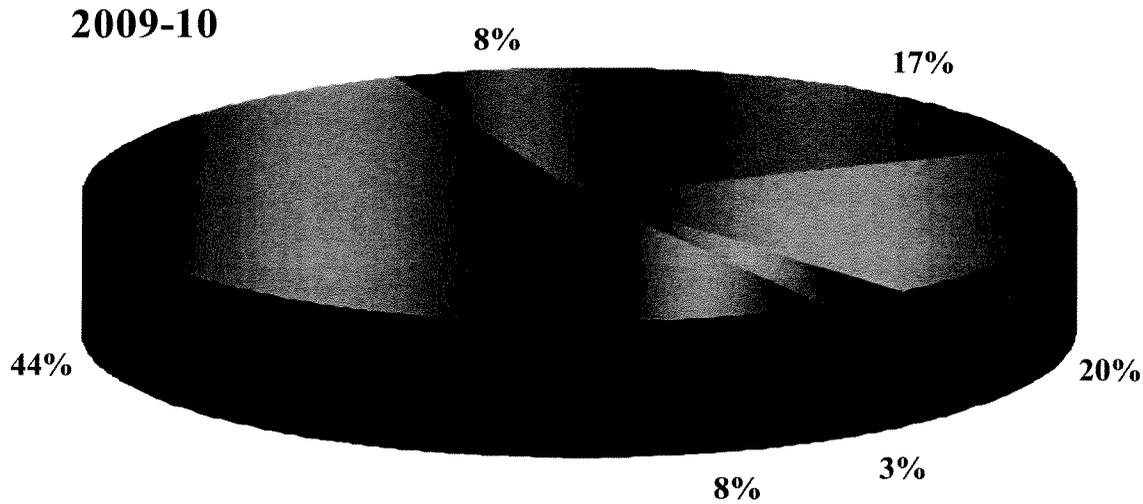
Chart 3 – Time Distribution



■ Audits  
■ Leave

■ Administrative Work  
■ Training

■ Office Work  
■ Other Activities



2011  
G  
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# to IMPROVE



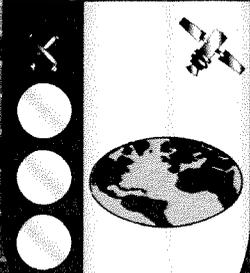
THE OVERSIGHT  
FUNCTION

AND ADMINISTRATION  
OF PUBLIC FUNDS

AND PROPERTY

IS A COMMITMENT OF ALL.

COMMITMENT • INTEGRITY  
TRANSPARENCY



SENSIBILITY

EXCELLENCE

Comptrollership at your service...

# Internal Anticorruption Policy (Summary)

Revised on September, 2005.

## STATEMENT POLICY

The Office of the Comptroller of Puerto Rico is highly committed to combat corruption and fraud in the government and internally.

## PHILOSOPHY OF THE ORGANIZATION

All our coworkers must act according to our codes of ethics and behavior, as well as the applicable norms and regulations of their respective working areas. Zero Tolerance for Corruption has been established through this policy.

## INTERNAL CONTROL POLICY

- Code of Ethics
- Code of Behavior
- Regulations
- Procedures
- Norms for the safety of our computerized systems
- Norms for confidentiality of the Office information and processes
- Annual renewal of constitutional commitment
- Annual certification of profitable activities and of filing Income Tax Returns.

## ETHICS COMMITTEE

This Committee is responsible of giving immediate attention to any notification or allegation of actions that constitute fraud of corruption.

## PREVENTION PHASE

**Recruiting:** The recruiting of personnel must comply with the regulations and procedures approved by the Comptroller.

**Personnel Responsibility:** All personnel are required to notify our Ethics Committee of the possibility of an action that constitute corruption, which they are aware of.

**Regulation:** Effective internal control are established in regulations, systems, and procedures of this Office to warrant transparency in administrative, fiscal, and financial processes.

**Internal Controls:** The managerial personnel are responsible for monitoring that the controls established in their respective working areas are effective, efficient, and updated. Our auditors periodically audit processes in order to determine if the controls are adequate and efficient.

**External Controls:** The Office is subject to monitoring by external entities, in order to promote and assure a sound public administration, as follows:

- The Advisory Committee on Internal Audit is able to require audits of the Office and have access to all the accounting files.
- External Auditors shall not be contracted for more than three consecutive years.
- Regulations and policies for suppliers of property or services were approved to regulate relations between the Office and providers.
- Office of Government Ethics of Puerto Rico (OGEPR) - both the Comptroller and designated personnel thereby, file financial statements to OGEPR.

## NOTIFICATION OF ACTIONS THAT CONSTITUTE CORRUPTION

Direct communication to the Ethic Committee guarantee:

- Consistency in handling information
- Adequate, objective, and independent investigation
- Protection for coworkers and the interest of the Office.

Depending on the magnitude of the action committed, the Comptroller determines if the case is referred to other government entities, such as:

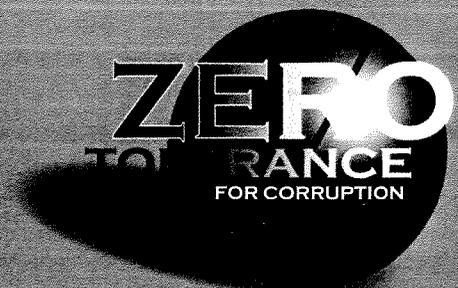
- Police Department
- Department of Justice
- Office of Government Ethics
- Department of the Treasury
- Federal Agencies

## CONFIDENTIALITY

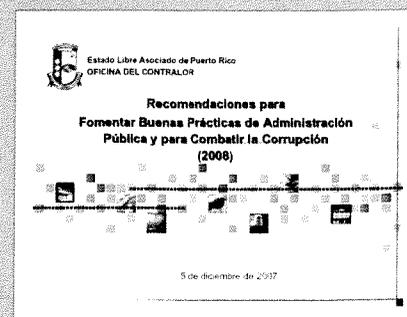
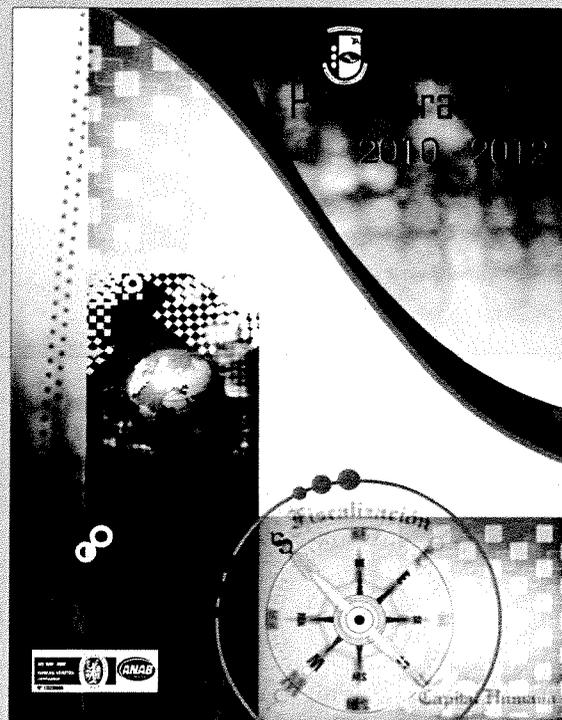
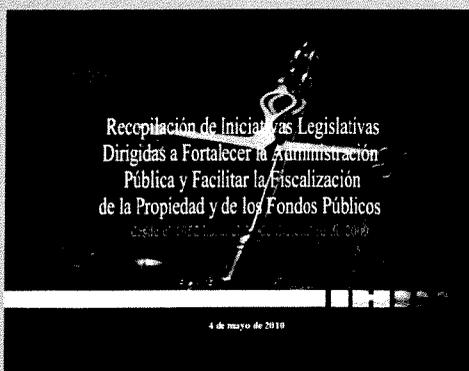
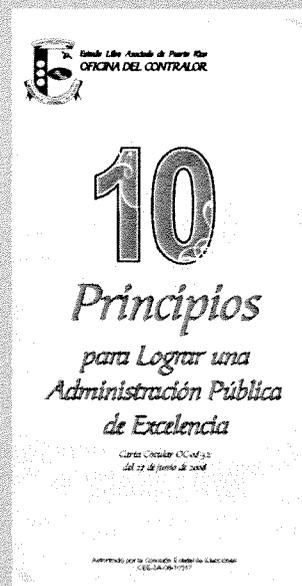
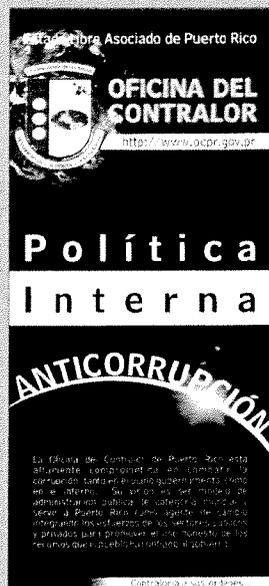
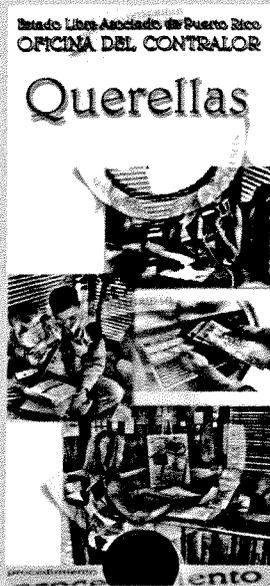
Laws No. 426 of November 7, 2000 and No. 14 of April 11, 2001, provide protection and prohibit disclosure of public employees and officials, complainants or witnesses for reporting alleged illegal acts or corruption actions.

## CONTINUOUS EDUCATION

We established a policy that requires a minimum of 15 annual credit hours to support personnel and 40 credit hours to auditing staff, to expand their knowledge on internal controls, laws, regulations, fiscal norms, and procedures, among others.



# Reference Guides Published





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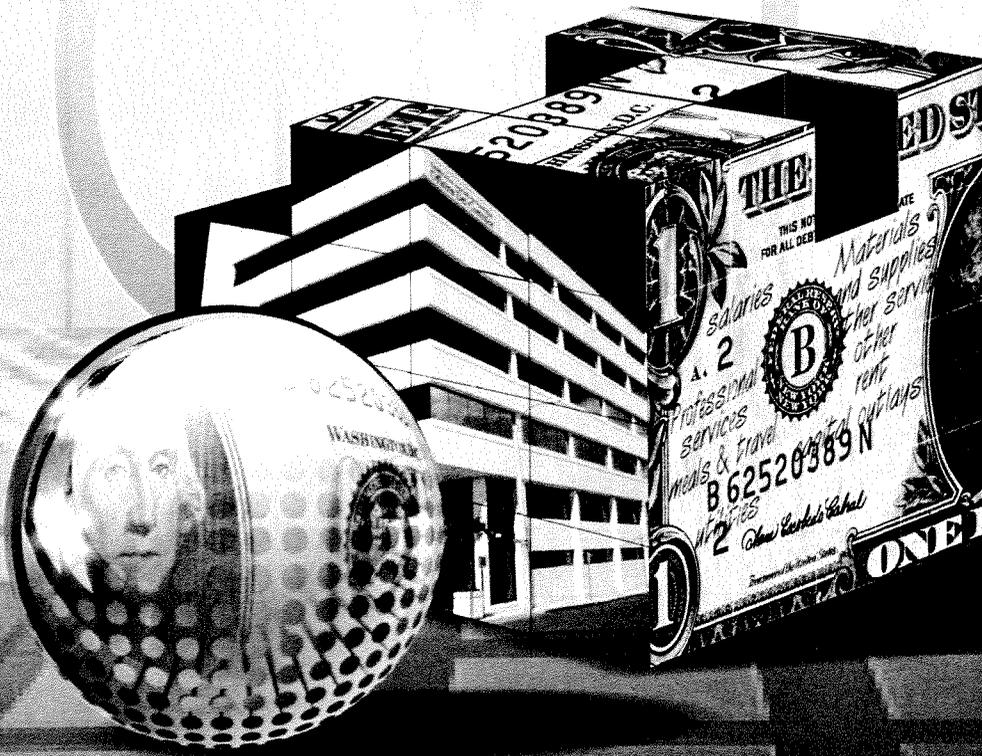


# DATOS RELEVANTES

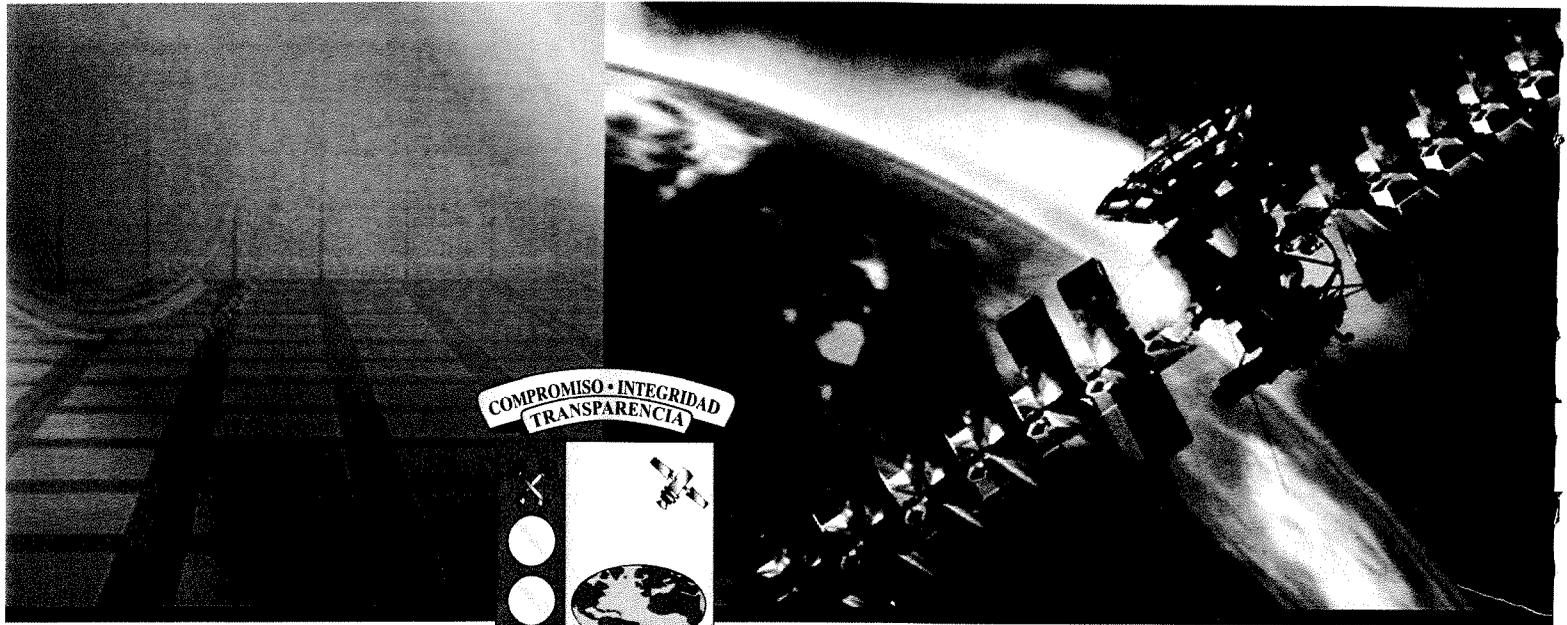
2010-11

Sobre los Informes  
**EMITIDOS DURANTE EL AÑO FISCAL**

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**TQM** Una Organización  
de Categoría Mundial



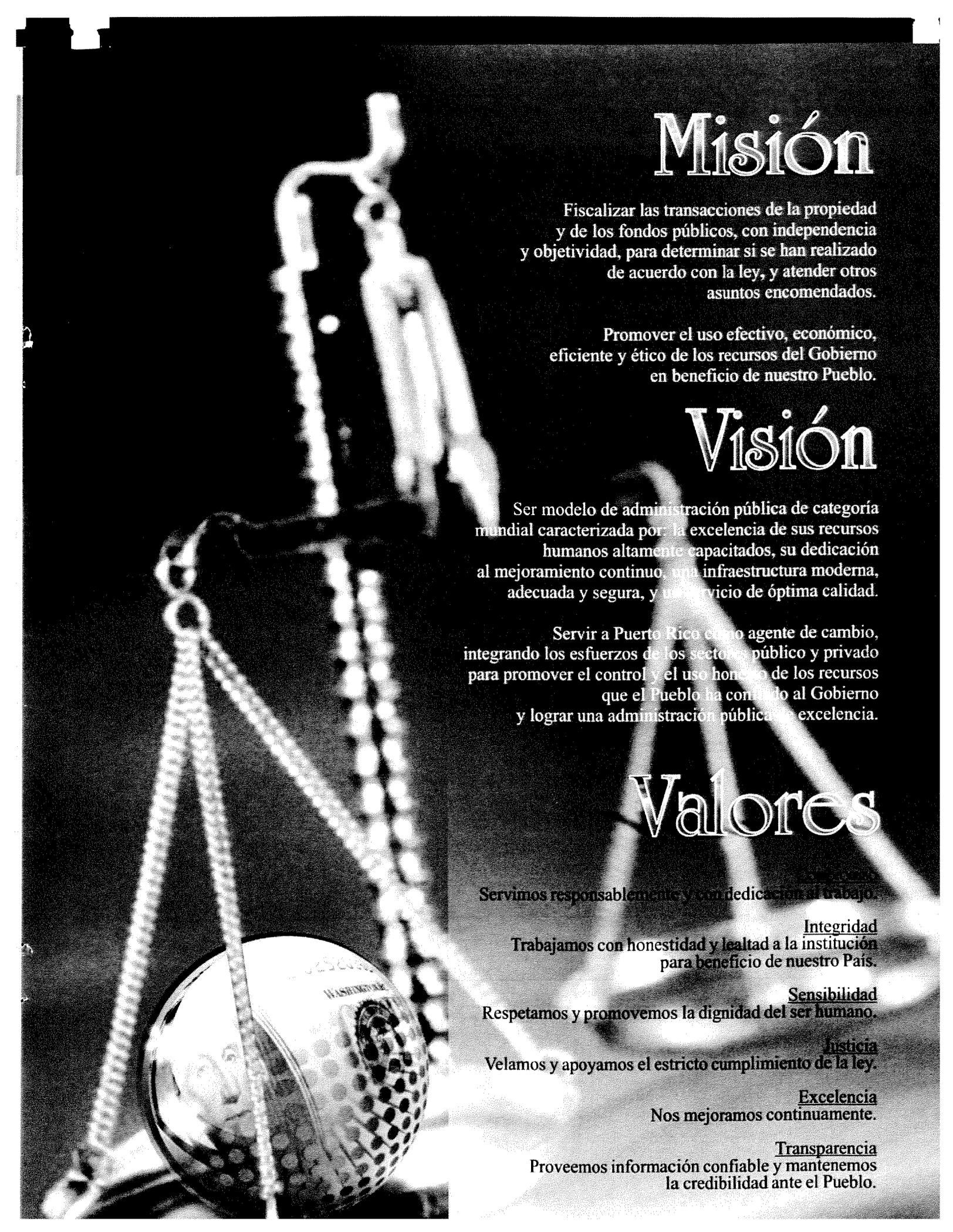
## Emblema

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- El ribete azul representa la lealtad y la verdad, valores esenciales en el servicio público.
- Las llaves cruzadas con los pesantes de oro significan fidelidad, seguridad y custodia del dinero y los bienes del Pueblo.
- El satélite que circula la Tierra representa la era de la información y la importancia de la tecnología.
- El planeta simboliza un nuevo mundo globalizado, del cual todos somos parte.
- Alrededor del escudo tenemos los seis valores que son parte de nuestra filosofía de servicio público.

Mejorar la fiscalización y la administración de la propiedad  
y de los fondos públicos, es un compromiso de todos.

Información adicional relacionada con la Oficina del Contralor de Puerto Rico está disponible  
en nuestra página en Internet: <http://www.ocpr.gov.pr>.



# Misión

Fiscalizar las transacciones de la propiedad y de los fondos públicos, con independencia y objetividad, para determinar si se han realizado de acuerdo con la ley, y atender otros asuntos encomendados.

Promover el uso efectivo, económico, eficiente y ético de los recursos del Gobierno en beneficio de nuestro Pueblo.

# Visión

Ser modelo de administración pública de categoría mundial caracterizada por: la excelencia de sus recursos humanos altamente capacitados, su dedicación al mejoramiento continuo, una infraestructura moderna, adecuada y segura, y un servicio de óptima calidad.

Servir a Puerto Rico como agente de cambio, integrando los esfuerzos de los sectores público y privado para promover el control y el uso honesto de los recursos que el Pueblo ha confiado al Gobierno y lograr una administración pública de excelencia.

# Valores

Compromiso  
Servimos responsablemente y con dedicación al trabajo.

Integridad  
Trabajamos con honestidad y lealtad a la institución para beneficio de nuestro País.

Sensibilidad  
Respetamos y promovemos la dignidad del ser humano.

Justicia  
Velamos y apoyamos el estricto cumplimiento de la ley.

Excelencia  
Nos mejoramos continuamente.

Transparencia  
Proveemos información confiable y mantenemos la credibilidad ante el Pueblo.



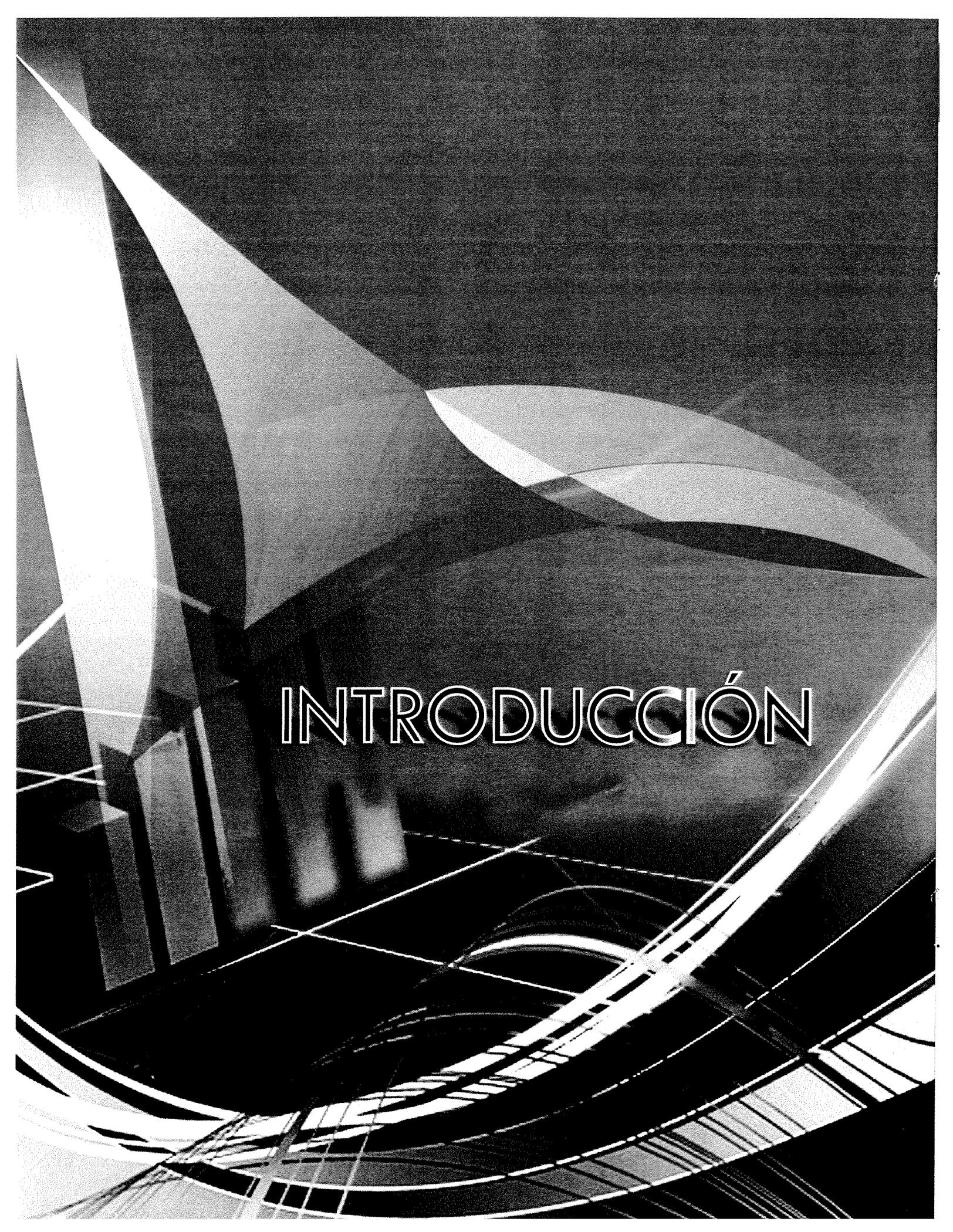
Estado Libre Asociado de Puerto Rico  
**OFICINA DEL CONTRALOR**

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The background is a complex, abstract composition of overlapping, semi-transparent geometric shapes. It features a series of curved, ribbon-like planes that create a sense of depth and movement. A network of thin, white lines crisscrosses the lower portion of the image, resembling a technical drawing or a structural grid. The overall color palette is monochromatic, ranging from deep blacks to bright whites, with various shades of gray in between. The lighting is dramatic, highlighting the edges and surfaces of the planes, giving them a three-dimensional appearance.

# INTRODUCCIÓN

## INTRODUCCIÓN

En este documento presentamos información sobre los informes emitidos por la Oficina del Contralor de Puerto Rico (Oficina del Contralor) durante el año fiscal 2010-11.

### **Propósito de este informe**

El propósito de este informe es que el lector tenga información general sobre el resultado de las auditorías que realizamos en las diferentes entidades gubernamentales de las ramas Legislativa, Ejecutiva y Judicial, y los municipios. Por consiguiente, que esto contribuya al mejoramiento de la administración pública, mediante el uso efectivo y eficiente de los recursos del Gobierno.

### **Base legal**

En la Constitución del Estado Libre Asociado de Puerto Rico y en la *Ley Núm. 9 del 24 de julio de 1952*, según enmendada, se le asignó al Contralor de Puerto Rico la función de fiscalizar los ingresos, las cuentas y los desembolsos del Estado, de sus agencias y organismos, y de los municipios. Dicha función tiene el propósito de determinar si las transacciones se han realizado de acuerdo con la ley.

### **Unidades de auditoría**

La Oficina del Contralor audita regularmente las operaciones de todas las agencias y los organismos públicos de las ramas Legislativa, Ejecutiva y Judicial, y los municipios. Para propósitos de nuestra función, hemos segregado las entidades gubernamentales en 2,168 unidades de auditoría, como se indica en la tabla que se presenta en la página que sigue:

DESCRIPCIÓN	UNIDADES DE AUDITORÍA
Rama Legislativa	12
Rama Ejecutiva	1,998 <sup>1</sup>
Rama Judicial	43
Municipios	<u>115<sup>2</sup></u>
<b>TOTAL</b>	<b>2,168</b>

### Estructura organizacional y recursos de auditoría

Al 30 de junio de 2011, la Oficina del Contralor estaba constituida en 14 divisiones: la Oficina del Contralor Propia, 7 divisiones de auditoría y 6 de apoyo. [ANEJO 1] A dicha fecha, las 7 divisiones de auditoría tenían asignados 454 puestos de auditoría, de los cuales 423 (93 por ciento) estaban ocupados y 31 (7 por ciento) estaban vacantes, según se indica:

DIVISIÓN DE AUDITORÍA	PUESTOS <sup>3</sup>		
	Autorizados	Ocupados	Vacantes
"A" de Departamentos y Agencias	55	47	8
"B" de Departamentos y Agencias	52	46	6
"E" de Departamentos y Agencias	60	54	6
"R" de Departamentos y Agencias	28	25	3
Corporaciones Públicas	57	53	4
Municipios	160	156	4
Tecnología de Información	42	42	0
<b>TOTAL</b>	<b>454</b>	<b>423</b>	<b>31</b>

Esta Oficina realiza auditorías en las entidades gubernamentales conforme a las normas y los procedimientos establecidos por la Contralora de Puerto Rico para cumplir con su función fiscalizadora. El resultado se presenta en los informes de auditoría. En estos se incluye la opinión sobre el resultado del examen de las operaciones y transacciones objeto de la auditoría, los hallazgos y las recomendaciones para que se tomen medidas correctivas. De esta manera, la gestión de la Contralora contribuye a mejorar la administración pública.

<sup>1</sup> Incluye corporaciones públicas, agencias y departamentos y las 1,527 escuelas de la comunidad operando.

<sup>2</sup> Además de los 78 municipios, incluye 15 consorcios municipales para recibir y administrar fondos de la *Ley de Adiestramiento para el Empleo [Workforce Investment Act (WIA)] PL105-220 del 7 de agosto de 1998*, 14 corporaciones municipales para el desarrollo municipal y los sistemas computadorizados de información de los 78 municipios, y 8 corporaciones sin fines de lucro.

<sup>3</sup> Además, existían 17 puestos de auditoría adicionales; 7 asignados a la Oficina del Contralor Propia (Oficina de Auditoría Interna), los cuales estaban ocupados; y 10 en la División de Asistencia en Litigación y Auditoría Forense, de los cuales 8 estaban ocupados y 2 vacantes.

## INFORMES EMITIDOS DURANTE EL AÑO FISCAL 2010-11

### Informes emitidos, y orientaciones a funcionarios y empleados públicos

Al 30 de junio de 2011, procesamos 88 informes, de los cuales 74 corresponden a auditorías regulares y 14 a proyectos especiales. Ofrecimos orientaciones a 2,123 funcionarios y empleados públicos sobre cómo mejorar la fiscalización y la administración de la propiedad y de los fondos públicos. Además, ofrecimos el *Curso sobre Principios de Sana Administración Pública* a 3,887 miembros de los consejos escolares por virtud de la *Ley Núm. 77 del 12 de abril de 2006*, según enmendada; a 40 funcionarios electos, según requerido por la *Ley Núm. 222 del 6 de agosto de 1999*, según enmendada; y a 141 funcionarios designados por el Gobernador en virtud de la *Ley Núm. 190 del 1 de septiembre de 2006*. También ofrecimos orientaciones a funcionarios por teléfono, mediante cartas y en las auditorías.

De los 88 informes emitidos, 4 corresponden a la Rama Legislativa, 51 a la Rama Ejecutiva (41 departamentos y agencias, y 10 corporaciones públicas), 5 a unidades de la Rama Judicial y 28<sup>4</sup> a municipios.

### Opiniones incluidas en los informes sobre el resultado de las auditorías

Esta Oficina clasifica las opiniones que se incluyen en los informes sobre el resultado de las auditorías, según se indica:

#### TIPO DE OPINIÓN

1. Favorable
2. Favorable con hallazgos secundarios
3. Favorable con hallazgos principales y secundarios
4. Parcialmente adversa
5. Adversa
6. De abstención

---

<sup>4</sup> Incluye a los consorcios y a las corporaciones municipales.

En los 14 informes especiales se incluyeron las conclusiones sobre el resultado de las evaluaciones y los estudios efectuados. Las opiniones sobre los 74 informes de auditoría regulares emitidos se clasifican como se indica:

Descripción	R A M A			Municipios	Total	Por ciento
	Legislativa	Ejecutiva	Judicial			
Favorable	0	8	0	1	9	12
Favorable con hallazgos principales y secundarios	2	9	1	15	27	36
Favorable con hallazgos secundarios	0	8	2	1	11	15
Parcialmente adversa	0	0	0	10	10	14
Adversa	0	17	0	0	17	23
De abstención	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>42</b>	<b>3</b>	<b>27</b>	<b>74</b>	<b>100</b>

### **Hallazgos incluidos en los informes de auditoría**

Los hallazgos incluidos en nuestros informes de auditoría se clasifican como principales o secundarios. Los principales incluyen desviaciones de disposiciones con un efecto material, tanto en el aspecto cuantitativo como en el cualitativo, sobre las operaciones de la entidad auditada. Se clasifican como hallazgos secundarios los que consisten en faltas o errores que no han tenido consecuencias graves.

Esta Oficina incluyó en los 74 informes de auditoría regulares emitidos durante el año fiscal 2010-11 un total de 1,354 hallazgos. De estos, 713 (53 por ciento) fueron clasificados como hallazgos principales y 641 (47 por ciento) como hallazgos secundarios. Para propósitos de este informe, en los hallazgos compuestos de varias situaciones, cada situación se consideró como un hallazgo. De la misma forma, se consideraron las recomendaciones hechas para cada una de las situaciones o hallazgos. En la siguiente tabla se indica la distribución de los hallazgos por ramas de gobierno y municipios.

2011  
 DATOS  
 RELEVANTES

Descripción	Situaciones		Total
	Principales	Secundarias	
Rama Legislativa	4	6	10
Rama Ejecutiva	466	155	621
Rama Judicial	1	29	30
Municipios	242	451	693
<b>Total</b>	<b>713</b>	<b>641</b>	<b>1,354</b>

Los **anejos 2 y 2-A** contienen información sobre la clasificación de las situaciones principales incluidas en los informes de auditoría emitidos durante el año fiscal 2010-11<sup>5</sup>. Los **anejos 3 y 3-A** contienen información sobre la clasificación de las situaciones secundarias incluidas en los informes de auditoría emitidos durante el año fiscal 2010-11<sup>5</sup>.

#### **Recomendaciones incluidas en los informes de auditoría**

Las recomendaciones en nuestros informes de auditoría son el remedio o la medida propuesta para corregir los errores, las irregularidades o los actos ilegales, comentados. Además, para que se tomen las medidas contra los funcionarios o los empleados responsables cuando los hechos lo ameriten. Estas se dirigen a los funcionarios que tienen la autoridad para tomar las medidas correspondientes, entre otros: al funcionario principal de la agencia o municipio, a los organismos principales de las entidades, a los secretarios de los departamentos de Justicia o de Hacienda y a la Directora Ejecutiva de la Oficina de Ética Gubernamental de Puerto Rico (OEGPR). Las recomendaciones al Secretario de Justicia surgen cuando se determinan serias irregularidades y violaciones de ley que, a juicio del Contralor, deben ser consideradas por dicho funcionario para las medidas correspondientes.

En los 88 informes emitidos durante el año fiscal 2010-11 se incluyeron 1,315 recomendaciones a los funcionarios mencionados. De estas, 36 fueron al Gobernador de Puerto Rico, 9 a la Asamblea Legislativa de Puerto Rico, 16 al Secretario de Justicia, 2 al Secretario de Hacienda y 15 a la Directora Ejecutiva de la OEGPR. Las restantes 1,237 fueron dirigidas a los funcionarios principales, organismos directivos y jefes de otras dependencias.

<sup>5</sup> Se incluyen las cinco más frecuentes.

## PLAN DE ACCIÓN CORRECTIVA

El *Plan de Acción Correctiva (PAC)* es un mecanismo de seguimiento establecido por la Oficina del Contralor en diciembre de 1987, para verificar que se cumpla con las recomendaciones incluidas por la Oficina en sus informes de auditoría. Este programa se instituyó a base de la facultad conferida al Contralor en la *Ley Núm. 9*.

En el *Boletín Administrativo OE-1998-16*, emitido por el Gobernador de Puerto Rico el 13 de junio de 1998, se requiere del funcionario principal de la unidad auditada que adopte medidas correctivas para cumplir con las recomendaciones de la Oficina del Contralor. El 11 de septiembre de 2009, se promulgó el *Reglamento Núm. 26* para la administración del *PAC*, el cual sustituyó la reglamentación anterior. En dicho *Reglamento* se dispone que el funcionario principal de la entidad auditada deberá remitir informes periódicos sobre el cumplimiento de las recomendaciones incluidas en los informes de auditoría emitidos por la Oficina del Contralor. El primer informe deberá remitirse dentro de los primeros 90 días consecutivos, contados a partir del primer día del mes siguiente a la fecha de publicación del informe. Se dispone, además, que dicho funcionario deberá remitir informes complementarios hasta que todas las recomendaciones queden cumplimentadas.

Las entidades gubernamentales y los municipios estaban cumpliendo sustancialmente con el *PAC* a la fecha de este informe. Durante el año fiscal 2010-11, se recibieron 796 informes de planes de acción correctiva. De estos, se evaluaron 792 planes, o sea, un 99 por ciento. En el año fiscal anterior se recibieron 959, de los cuales 863 fueron evaluados (90 por ciento); los 96 restantes también se evaluaron en el año fiscal 2010-11.

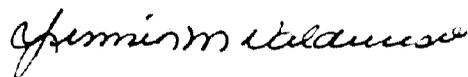
Es importante que los funcionarios principales establezcan las medidas de control necesarias para asegurarse de la administración correcta, efectiva y eficiente de la propiedad y de los fondos públicos, así como del estricto cumplimiento de las leyes y los reglamentos. De esta manera, los organismos gubernamentales, incluidos los municipios, podrán cumplir mejor con las funciones que les han sido asignadas por ley, y se reduce la posibilidad de que se cometan faltas, errores o irregularidades que afectan el erario.

## INFORMACIÓN ADICIONAL SOBRE ESTE DOCUMENTO Y SOBRE LOS INFORMES EMITIDOS

La información contenida en este documento ha sido extraída, entre otros, de los informes publicados por nuestra Oficina durante el año fiscal 2010-11. En los informes correspondientes se ofrece información detallada sobre los hallazgos y los resultados de las evaluaciones realizadas. Dichos informes son documentos públicos y pueden ser examinados en nuestra Oficina por cualquier parte interesada. También se pueden expedir copias gratis para propósitos oficiales o mediante el pago de los derechos dispuestos por ley. Las personas interesadas pueden comunicarse con el Administrador de Documentos al (787) 200-7253, ext. 536. Además, se pueden conseguir en nuestra página en Internet: <http://www.ocpr.gov.pr>.

En la Contraloría estamos a sus órdenes para ofrecerles cualquier información adicional sobre el contenido de este informe.

Mejorar la fiscalización y la administración de la propiedad y de los fondos públicos es un compromiso de todos.



Yesmín M. Valdivieso  
15 de diciembre de 2011





Estado Libre Asociado de Puerto Rico  
**OFICINA DEL CONTRALOR**

**ANEJO 2**

**SITUACIONES PRINCIPALES INCLUIDAS EN LOS INFORMES DE AUDITORÍA  
 EMITIDOS DURANTE EL AÑO FISCAL 2010-11**

SITUACIONES	CANTIDAD
Compras, cuentas por pagar y desembolsos	141
Controles internos y administrativos	138
Construcción de obras y mejoras permanentes	97
Personal	96
Efectivo	65





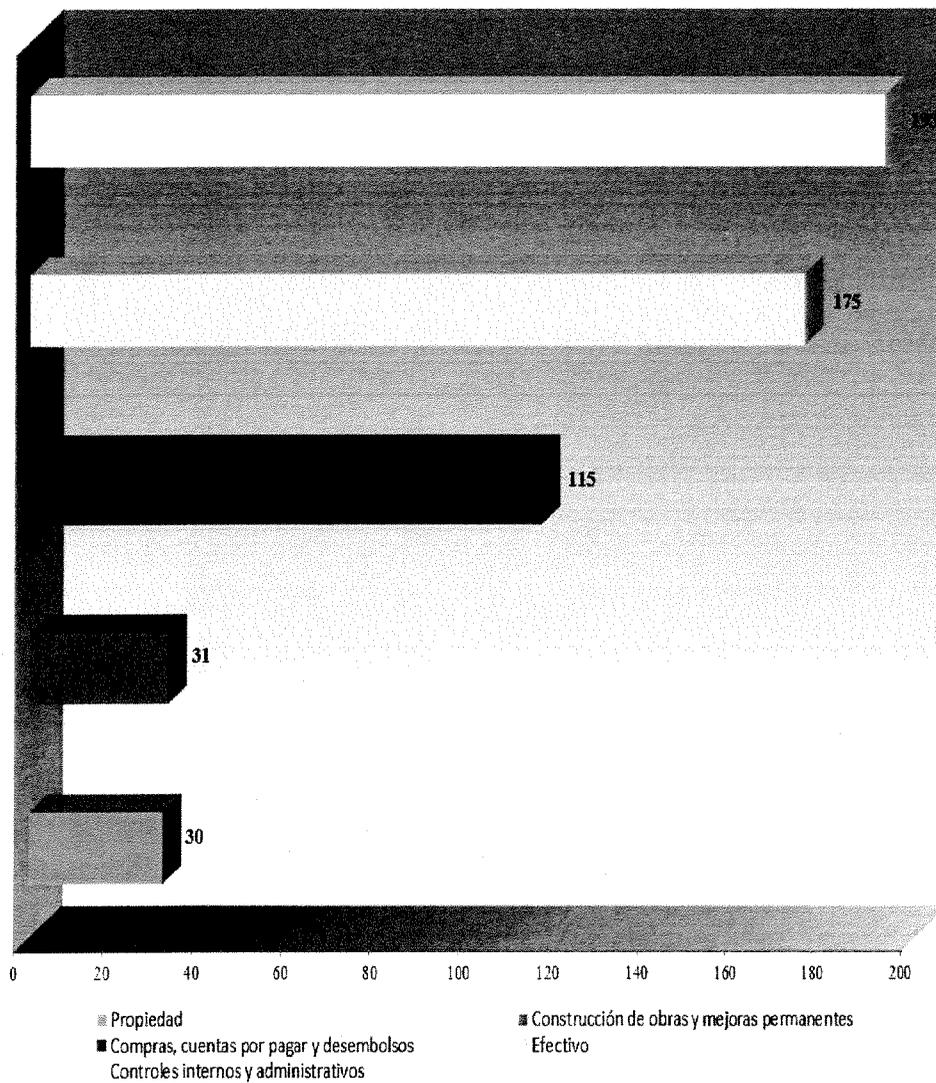
Estado Libre Asociado de Puerto Rico  
**OFICINA DEL CONTRALOR**

**ANEJO 3**

**SITUACIONES SECUNDARIAS INCLUIDAS EN LOS INFORMES DE AUDITORÍA  
 EMITIDOS DURANTE EL AÑO FISCAL 2010-11**

SITUACIONES	CANTIDAD
Controles internos y administrativos	193
Efectivo	175
Compras, cuentas por pagar y desembolsos	115
Construcción de obras y mejoras permanentes	31
Propiedad	30

**GRÁFICA 2 - CLASIFICACIÓN DE SITUACIONES SECUNDARIAS INCLUIDAS EN  
LOS INFORMES DE AUDITORÍA EMITIDOS DURANTE EL  
AÑO FISCAL 2010-11**



2011  
DATOS  
RELEVANTES

# MEJORAR

LA FISCALIZACIÓN

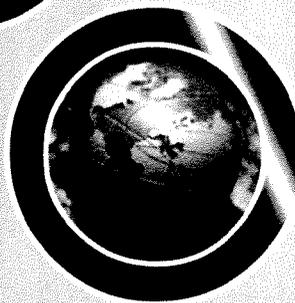
Y LA ADMINISTRACIÓN

DE LA PROPIEDAD

Y DE LOS FONDOS PÚBLICOS

ES UN COMPROMISO

DE



COMPROMISO • INTEGRIDAD  
TRANSPARENCIA



Contraloría a sus órdenes...

*Contraloría a sus órdenes...*

FEDERAL  
**THE UNITED STATES**

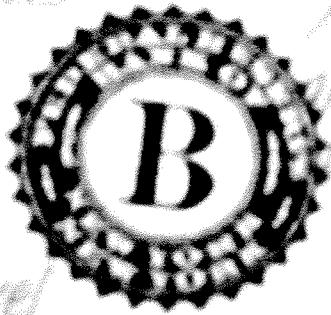
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