



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

# **The Puerto Rico State Historic Preservation Office Needs to Improve Its Accounting System**

**This is a revised version of the report prepared for public release.**




OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**MAY 11 2021**

Memorandum

To: Serena G. Bellew, Deputy Associate Director  
National Park Service, Preservation Assistance Programs, Cultural Resources,  
Partnerships, and Science

From: Chris Stubbs   
Director, Office of Financial and Contract Audits

Subject: Final Audit Report – *The Puerto Rico State Historic Preservation Office Needs to Improve Its Accounting System*  
Report No. 2019-FIN-014

This memorandum transmits the results of our audit of the Puerto Rico State Historic Preservation Office's accounting system.

We will refer Recommendations 1 – 5 to the Office of Policy, Management and Budget to track their implementation and report to us on their status. In addition, we will notify Congress about our findings and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions, please contact me at 202-208-5745.

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## Results in Brief

The National Park Service (NPS) provided \$12.7 million to the Puerto Rico State Historic Preservation Office (PRSHPO) in fiscal year (FY) 2019 for the repair and restoration of historic sites damaged in 2017 by Hurricanes Irma and Maria. The PRSHPO received a considerably smaller amount in prior FYs—approximately \$1.3 million combined for FYs 2017 and 2018. Due to the significant increase in funding in FY 2019, the NPS requested that we conduct a financial audit of the PRSHPO’s accounting system to ensure that it could properly account for the increased funding.

We conducted this audit to determine if the PRSHPO’s accounting system was capable of recording, tracking, and reporting accurate and reliable financial information for hurricane supplemental funds. We found deficiencies in how labor expenses were recorded, tracked, and reported. Specifically, the PRSHPO:

- Cannot record labor expenses by final cost objective (e.g., grant, contract, internal project, or other direct activity)
- Did not have appropriate internal controls to track labor expenses charged to final cost objectives
- Did not always approve or track labor expense adjustments
- Did not produce a complete and accurate labor distribution report containing important information on expenses related to staffing and the allocation of labor expenses

We also found that the PRSHPO did not have a policy or procedures as an internal control for ensuring compliance with Federal statutes, relevant regulations, and terms and conditions of a Federal award as required by the Code of Federal Regulations. Specifically, it did not document pertinent Federal award information within its accounting system to demonstrate the PRSHPO’s understanding of award terms and conditions and that costs would be determined allowable, allocable, and reasonable.

We make five recommendations to help the PRSHPO improve its accounting system. In response to our draft report, the NPS and the PRSHPO jointly concurred with our findings and recommendations.

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# Introduction

## Objective

We conducted this audit to determine if the Puerto Rico State Historic Preservation Office's (PRSHPO's) accounting system was capable of recording, tracking, and reporting accurate and reliable financial information for hurricane supplemental funds.

## Background

On February 9, 2018, Congress passed the Bipartisan Budget Act of 2018 (Pub. L. No. 115-123), which provided supplemental funding for recovery from the 2017 wildfires and necessary expenses related to the consequences of Hurricanes Harvey, Irma, and Maria. The Act provided \$50 million to the National Park Service (NPS) for the protection and conservation of State, territorial, and local cultural and historic assets.

State historic preservation offices play an important role in protecting and restoring our past for future generations. Funding for these offices provides the means for the protection and conservation of State, territorial, and local cultural and historic assets. In conjunction with their mission, these offices must produce accurate and reliable financial information to ensure State officials and the U.S. Department of the Interior (DOI) can rely upon information produced by the system for management purposes.

The NPS provided \$12.7 million to the PRSHPO for the repair and restoration of historic sites damaged in 2017 by Hurricanes Irma and Maria, which was a significant increase over prior fiscal years. During fiscal years (FYs) 2017 and 2018, the PRSHPO received approximately \$1.3 million in historic preservation grants within its accounting system. Due to the increase in funding, the NPS requested that we conduct a financial system audit.

The PRSHPO is charged with various duties associated with implementing the National Historic Preservation Act in Puerto Rico, which include the following:

- Conducting a comprehensive survey of historic properties
- Maintaining an inventory of historic properties
- Administering State programs or Federal assistance
- Identifying and nominating eligible properties to the National Historic Register
- Advising and assisting Federal, State, and local governments on historic preservation
- Preparing and implementing a Statewide historic preservation plan

- Providing public information, education, training, and technical assistance
- Working with local governments to develop local historic preservation programs and help them become “certified local governments”
- Providing consultation for Federal undertakings under the National Historic Preservation Act

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# Results of Audit

We determined that the PRSHPO's accounting system was not fully capable of recording, tracking, and reporting accurate and reliable financial information for hurricane supplemental funds. We found deficiencies within two areas of the PRSHPO's accounting system: (1) labor expenses, and (2) policies and procedures.

**Labor expenses.** We found the following issues with the PRSHPO's recording, tracking, and reporting of labor expenses:

- The PRSHPO cannot record labor expenses by final cost objective (e.g., grant, contract).
- The PRSHPO did not have appropriate internal controls to track labor expenses charged to final cost objectives.
- The PRSHPO did not always approve or track labor expense adjustments.
- The PRSHPO did not produce a completed and accurate labor distribution report containing important information on expenses related to staffing and the allocation of labor expenses.

**Policies and Procedures.** We found that the PRSHPO did not have a policy or procedures for ensuring compliance with Federal statutes, relevant regulations, and terms and conditions of a Federal award and did not document pertinent Federal award information in accordance with 2 Code of Federal Regulations (C.F.R.) 200.303, *Internal Controls*, and 2 C.F.R. 200.302(b), *Financial Management*. These regulations require controls for accountability of Federal funds and identification of necessary Federal award information within a financial management system.

## The PRSHPO Needs to Improve Its Labor Recording, Tracking, and Reporting

### The PRSHPO Cannot Record Labor Expenses by Final Cost Objective

The PRSHPO's timekeeping system did not have a mechanism for charging labor to multiple final cost objectives such as a grant, contract, internal project, or other direct activity, as required by 2 C.F.R. § 200.413. Instead, the system only requires the employee to punch in and punch out; therefore, the system strictly tracks an employee's time and attendance. Labor hours are accumulated using a punch-in, punch-out detail report that goes to payroll at the end of the pay period. The project number assigned to the employee is then charged for the hours worked, regardless of what the employee actually worked on.

While we did not identify mischarging or commingling of funds, the inability to charge labor to multiple cost objections is of concern because the PRSHPO received funding from other Federal

agencies besides the DOI. For example, the Federal Emergency Management Agency (FEMA) recently awarded \$14.3 million in disaster funds to the PRSHPO to restore the Cuartel de Ballajá, a historic building in Old San Juan.

Without a timekeeping system that can charge hours to multiple projects, the PRSHPO cannot ensure that labor expenses are accurately accumulated and reported. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials, and other items of expense incurred for the Federal award (2 C.F.R. § 200.413). Further, the C.F.R. states that direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity or that can be directly assigned to such activities with accuracy.

### Recommendation

We recommend that the NPS coordinate with the PRSHPO to:

1. Design and implement timekeeping policies and procedures that allow employees to charge labor hours to multiple cost objectives for a more accurate record of work performed

### The PRSHPO Did Not Have Appropriate Internal Controls for Tracking and Reconciling Labor Expenses

We found the PRSHPO cannot track labor expenses all the way through to final cost objectives. This is because the PRSHPO's records do not include an employee identification number on most of its detailed reports. While the employee payroll register includes an identification number, other reports do not. These reports either show the employee title (see Figure 1) or just the employee name (see Figure 2).

**Figure 1: Example Journal Entry Backup Report Showing Only Employee Title**

	Título de la Clase	SUELDO	SEG. SOC.	RETIRO	F.S.E.	PLAN MED.	TOTAL	TOTAL
			%	%	%	0	BENEFICIOS	
	Analista de Contabilidad		\$0.00	\$0.00	\$0.00		\$0.00	\$0.00
	Asistente Administrativo							
	Coordinadora Educacional							

Source: PRSHPO.



**Figure 2. Example Timesheet Detail Report Showing Only Employee Name**

Employee: [REDACTED]		2P Exento						
Date	In Punch	Out Punch	In Punch	Out Punch	PC Exception	Amount	Acum.	
Sun [REDACTED]/2017								
Mon [REDACTED]/2018					HOLIDAY	7:30	7:30:00	
Tue [REDACTED]/2018					VAC	7:30	15:00:00	

Source: PRSHPO.

To follow the flow of costs, we had to make assumptions based on names and salary because employee identification numbers were not provided in all reports. There is no assurance that these assumptions are accurate, and, as a result, labor costs cannot be tracked and reconciled accurately to payroll reports, cost accumulation records, and ultimately the Federal Financial Report (SF-425). This is inconsistent with 2 C.F.R. § 200.303, which states that an entity must have an effective internal control system. As labor is one of the most significant expenditures incurred using Federal funds, appropriate internal controls (e.g., performing reconciliations) become crucial because errors could otherwise go unnoticed.

### Recommendation

We recommend that the NPS coordinate with the PRSHPO to:

2. Develop and implement policies that identify labor expenses by employee identification number from the timekeeping system to cost accumulation records for each final cost objective

### The PRSHPO Did Not Always Approve or Track Labor Expense Adjustments

The PRSHPO did not always properly document adjustments to labor expenses. Policies and procedures state that employees must notify their supervisor of known upcoming adjustments (e.g., sick leave and vacation) and that the supervisor must approve the adjustments. In situations of unforeseen absences, employees must notify the supervisor at least 2 hours before the workday begins or prior to leaving if the workday has already begun.

The PRSHPO has an official absence request form; however, it is only required for personal affairs absences of 3 days or more and sick leave. Although we found that employees used the form in some cases, most adjustments were made as pen and ink changes to the time and attendance tracking report (punch-in and punch-out detail for each employee) at the end of the pay period. Moreover, we found that this report did not consistently provide the required approvals to ensure changes were valid and accurate. In particular, starting with a universe of \$626,938 in labor expenses incurred from December 11, 2017, to February 26, 2019, for Grant Nos. P17AF00096 and P18AF00131, we selected 29 timesheets for examination. Out of the 29

timesheets, 23 included adjustments, and 18 of those 23 timesheets did not have documentation of the required notification and approvals. In some instances, the supervisor made an adjustment, but we did not see evidence of employee approval.

Not requiring the use of formal documentation (i.e., absence request form) for all cases could lead to inaccurate labor charges and misstatements of labor expense. In contrast, when operating properly, consistent use of this control activity allows management and employees to prevent or detect inaccuracies on a timely basis.

<b>Recommendation</b>
<p>We recommend that the NPS coordinate with the PRSHPO to:</p> <ol style="list-style-type: none"><li>3. Require approval of the official form for absences and adjustments to time and attendance by both the employee and the supervisor</li></ol>



### **The PRSHPO Did Not Produce an Accurate and Complete Labor Distribution Report**

A labor distribution report contains important information on expenses related to staffing and the allocation of labor expenses. It provides details for all employees on direct hours worked, hours absent, hourly rate, wages earned, indirect expenses applied, and benefits accrued. In addition, it has information about which projects incurred the labor and what funds were used to pay for that labor.

Currently, the PRSHPO assigns employees to only one project and monitors the total labor expenses using a journal entry report and schedule of expenses per project. While the journal entry backup documentation includes some of the information noted above, it does not include employee name, employee identification number, projects worked, total hours worked, hours absent, and hourly rate. The PRSHPO, however, does not have source of disaster funding, and it is not always feasible for employees to work on only one project at a time. Therefore, the PRSHPO should produce a more comprehensive report to track these expenses across different funding sources.

According to 2 C.F.R. § 200.302, an entity's financial management system must be able to track funds and establish that the funds were used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. A comprehensive labor distribution report would help the PRSHPO comply with this requirement by allowing it to reconcile labor hours and dollars to payroll and cost accumulation records to ensure errors do not occur. Finally, the report helps determine productivity and provides information on appropriate staffing decisions (for example, whether there is a need for a reduction in force or, conversely, for hiring).

<b>Recommendation</b>
<p>We recommend that the NPS coordinate with the PRSHPO to:</p> <ol style="list-style-type: none"><li>4. Develop and implement a labor distribution report that includes all appropriate information such as employee name, project number, employee identification number, total hours worked, hours absent, hourly rate, wage earned, indirect expenses applied, and benefits accrued</li></ol>



## **The PRSHPO Needs Policy and Procedures for Ensuring Compliance with Federal Awards**

The PRSHPO did not have a policy or procedures in place to ensure compliance with Federal statutes, relevant regulations, and terms and conditions of a Federal award. Specifically, the PRSHPO should have a policy or procedure to create a synopsis of terms and conditions of its Federal awards, many of which are hundreds of pages long. A synopsis extracts and organizes the most pertinent and relevant parts of a grant or contract into a short document of only one or two pages and should be used as a control to properly record, track and report on costs incurred under a Federal award to ensure compliance with laws, regulations, and grant or contract terms. Such a synopsis should include pertinent provisions; points of contact; billing instructions (e.g., Contract Line Item Number level, period of performance, etc.); applicable regulations; pass-through entities; special contract requirements relative to such matters such as overtime, travel, and labor qualifications; and any waivers to specific regulations.

Given the significant increase in the amount of Federal funds recently provided to the PRSHPO, this internal control activity is vital to ensure funds are expended appropriately and that the PRSHPO complies with all requirements. The PRSHPO stated that it follows the requirements in the NPS Historical Preservation Fund Grants Manual or local or State government requirements. The NPS Historical Preservation Fund Grants Manual states that grantees are responsible for administering and monitoring their own activities as well as activities performed under their subgrants and contractual agreements. Federal regulations require entities to establish and maintain effective internal controls over a Federal award and manage the award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Use of synopses will help the PRSHPO comply with all relevant guidance by helping ensure that the PRSHPO fully understands the terms and conditions and can determine the allowability, allocability, and reasonableness of Federal funds expended.

<b>Recommendation</b>
<p>We recommend that the NPS coordinate with the PRSHPO to:</p> <ul style="list-style-type: none"><li>5. Develop and implement a policy and procedures to summarize pertinent provisions of Federal awards to ensure compliance with Federal statutes, regulations, and terms and conditions</li></ul>

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# Conclusion and Recommendations

## Conclusion

We found opportunities for the PRSHPO to improve the recording, tracking, and reporting of financial information within its accounting system. The PRSHPO cannot ensure that labor expenses are accurately accumulated, tracked, and reported because it did not record expenses by final cost objective, did not track expenses using specific identification numbers for employees, did not appropriately document adjustments, and did not produce a complete labor distribution report. This may lead to incorrect expenses billed and inaccurate reporting on all Federal awards. In addition, the PRSHPO did not have a policy and procedures in place to create a synopsis of Federal statutes, regulations, and terms and conditions of a Federal award to ensure compliance.

Given the PRSHPO's significant increase in Federal funds from previous years, our five recommendations will help add reliability within its accounting system and will establish additional internal controls to assist in achieving its objectives.

## Recommendations Summary

We recommend that the NPS coordinate with the PRSHPO to:

1. Design and implement timekeeping policies and procedures that allow employees to charge labor hours to multiple cost objectives for a more accurate record of work performed.

**NPS Response:** The NPS and the PRSHPO concurred with the recommendation. According to the response, the NPS will monitor and track the recommendation to ensure it is resolved and implemented. The NPS stated that the PRSHPO has started using a revised timesheet that registers the monthly hours worked per program area. It further stated that the revised timesheet includes an employee identification number using the last four digits of the employee's social security number. The response also stated that the PRSHPO will develop a policy to establish a bi-weekly electronical submittal of the timesheet. The NPS will review the PRSHPO's timekeeping policy for compliance with 2 C.F.R. § 200, *Historic Preservation Fund Grant Manual*, and award terms and conditions.

**OIG Comment:** Based on the response, we do not consider this recommendation resolved or implemented. Although the use of a revised, more detailed timesheet is a positive development, the use of a truncated social security number is considered sensitive Personally Identifiable Information when associated with any other identifiable information, such as an employee's name. The NPS should work with the PRSHPO to resolve this recommendation with an alternative solution for assigning a unique employee identification number.

2. Develop and implement policies that identify labor expenses by employee identification number from the timekeeping system to cost accumulation records for each final cost objective.

**NPS Response:** The NPS and the PRSHPO concurred with the recommendation. According to the response, the NPS will monitor and track the recommendation to ensure it is resolved and implemented. The NPS stated that the PRSHPO will incorporate the last four digits of the employee's social security number in the employee identification number in both the Journal Entry Backup Report and Time Sheet Detail Report to match the Employee Payroll Register. The NPS stated that it will review the PRSHPO's policy for compliance with 2 C.F.R. § 200, *HPF Grant Manual*, and award terms and conditions. The NPS also stated that it will review the labor distribution report to ensure indirect costs are associated properly.

**OIG Comment:** Based on the response, we do not consider this recommendation resolved or implemented. As noted in OIG's reply to recommendation 1, the use of a truncated social security number is considered sensitive Personally Identifiable Information when associated with any other identifiable information, such as an employee's name. The NPS should work with the PRSHPO to resolve this recommendation with an alternative solution for assigning a unique employee identification number.

3. Require approval of the official form for absences and adjustments to time and attendance by both the employee and the supervisor.

**NPS Response:** The NPS and the PRSHPO concurred with the recommendation. According to the response, the NPS will monitor and track the recommendation to ensure it is resolved and implemented. The NPS stated that the PRSHPO developed a policy requiring approval from both the employee and supervisor on the official form for absences and adjustments to time and attendance. The NPS also stated that it will review the PRSHPO's revised form's compliance with 2 C.F.R. § 200, *Historic Preservation Fund Grant Manual*, and award terms and conditions.

**OIG Comment:** Based on the NPS' response, we consider this recommendation resolved but not implemented.

4. Develop and implement a labor distribution report that includes all appropriate information such as employee name, project number, employee identification number, total hours worked, hours absent, hourly rate, wage earned, indirect expenses applied, and benefits accrued.

**NPS Response:** The NPS and the PRSHPO concurred with the recommendation. The According to the response, the NPS will monitor and track the recommendation to ensure it is resolved and implemented. The NPS stated that the PRSHPO will develop and implement a Labor Distribution Report and the NPS will review it for compliance with

the 2 C.F.R. § 200, *Historic Preservation Fund Grant Manual*, and award terms and conditions.

**OIG Comment:** Based on NPS' response, we consider this recommendation resolved but not implemented.

5. Develop and implement a policy and procedures to summarize pertinent provisions of Federal awards to ensure compliance with Federal statutes, regulations, and terms and conditions.

**NPS Response:** The NPS and the PRSHPO concurred with the recommendation. According to the response, the NPS will monitor and track the recommendation to ensure it is resolved and implemented. The NPS stated that the PRSHPO will develop and implement policies and procedures to summarize pertinent provisions of Federal awards. In addition, several key staff will request training on 2 C.F.R. § 200. The NPS also stated that it will review the PRSHPO's policy for recording Federal award requirements and review evidence of successful completion of training in 2 C.F.R. § 200 for PRSHPO staff who manage grants from the Historic Preservation Fund.

**OIG Comment:** Based on NPS' response, we consider this recommendation resolved but not implemented.

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# Appendix 1: Scope and Methodology

## Scope

Our audit scope included the Puerto Rico State Historic Preservation Office's (PRSHPO's) policies, procedures, and costs incurred under open Grant Nos. P17AF00096 and P18AF00131 during the period October 1, 2016, through February 28, 2019. We did not examine costs for allowability, allocability, or reasonableness.

## Methodology

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

To accomplish our objective, we:

- Gathered background information on the work and mission of the PRSHPO
- Gained an understanding of applicable Federal regulations and PRSHPO policies and procedures
- Reviewed the terms and conditions for current PRSHPO grants
- Interviewed PRSHPO management and staff
- Reconciled current grant expenditures to SF-425 and the SHPO job cost ledger (i.e., schedule of expenditures)
- Reviewed policies and procedures to ensure compliance with Federal laws and grant terms and conditions
- Determined whether SF-425s on Federal awards were submitted on time
- Reviewed evidence that supports selected expenditures charged to the grant and ensured costs reconciled to other PRSHPO reports
- Reviewed policies and procedures related to grant subawards
- Tested payroll and other direct cost transactions to source documents



- Examined deliverables to determine whether the PRSHPO complied with selected terms and conditions of the grants
- Conducted two site visits to the PRSHPO in March and April 2019

In planning and performing our audit, we obtained an understanding of the PRSHPO internal control over recording, tracking, and reporting financial information to design audit procedures for the purpose of developing our findings and conclusion, but not for the purpose of forming a conclusion on the effectiveness of the PRSHPO internal control. Our audit was not designed to identify all deficiencies in internal control and therefore, significant deficiencies may exist that have not been identified. However, as described in our findings, we identified certain deficiencies in internal control.

We relied on computer-generated job/grant cost ledger data provided by the PRSHPO for summary cost information and to select audit samples of payroll and other direct costs. To evaluate the accuracy of the data, we performed several analytical and substantive tests. Specifically, we:

- Reconciled other direct cost amounts recorded in the job/grant cost ledger to information within the general ledger journal entries and supplemental reports to determine if there were any errors or omissions
- Reconciled data from the timekeeping system to payroll reports and general ledger journal entries to determine if there were any errors or omissions
- Tested a sample of labor and other direct cost transactions to underlying source documents to verify expenses were complete and accurate

To test payroll costs recorded, we identified the total universe of recorded labor costs under PRSHPO's two current grants. We then selected a judgmental sample of 29 timesheets of employees who charged time to the grants and reconciled the time and attendance records with subsequent payroll and labor distribution records and followed-up on any discrepancies. In addition, we evaluated time recorded for compliance with policies and procedures and interviewed PRSHPO officials knowledgeable about the data. We chose employees who charged a significant number of hours to the grants.

To test other direct costs, we selected a judgmental sample of 11 transactions totaling \$44,132 that PRSHPO recorded under its current grants. These expenditures represented 35 percent of all other direct costs charged to the grants as of February 2019. We chose transactions that were of high-dollar value and unusual in nature. We then reviewed source documents supporting the transactions, including purchase requisitions, purchase orders, vendor invoices and receipts, travel vouchers, and receiving reports and followed up on any discrepancies. In addition, we evaluated the costs recorded for compliance with regulations, policies and procedures, and interviewed PRSHPO officials knowledgeable about the data.

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## **Appendix 2: Response to Draft Report**

The National Park Service's response to our draft report follows on page 16.



# United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, NW  
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H36(2256)

## Memorandum

To: Chris Stubbs  
Director, Office of Financial and Contract Audits  
Office of the Inspector General  
U.S. Department of the Interior

From: Serena G. Bellew  
Deputy Associate Director, Preservation Assistance Programs  
Cultural Resources, Partnerships, and Science Directorate  
National Park Service

Via: Megan J. Brown  
Chief, State, Tribal, Local, Plans & Grants Division  
Cultural Resources, Partnerships, and Science Directorate  
National Park Service

Subject: Draft Audit Report – *The Puerto Rico State Historic Preservation Office Needs to Improve Its Accounting System*  
Report No. 2019-FIN-014

**SERENA  
BELLEW**

Digitally signed  
by SERENA  
BELLEW  
Date: 2020.11.20  
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The September 2020 audit report from the Department of the Interior, Office of the Inspector General titled *The Puerto Rico State Historic Preservation Office Needs to Improve its Accounting System* (Report No. 2019-FIN-014) contains five recommendations to the Puerto Rico State Historic Preservation Office (Oficina Estatal de Conservación Histórica).

In order to monitor implementation of these recommendations, the National Park Service, State, Tribal, Local, Plans & Grants Division will undertake the following actions:

1. Inform the named office of the results of this audit
2. Ask the office to identify the responsible official for implementing and verifying recommendations
3. Ask the office to provide target completion dates for all recommendations
4. Ask the office to indicate whether they agree or disagree with the recommendations and what action(s) they will take to address these recommendations
5. Require the office to improve business processes and recordkeeping identified in the audit report
  - a. Training requirement
  - b. Production of policies and procedures for review
6. Place all active awards on high risk status until all identified recommendations have been implemented

NPS expects that the following factors will add to the complexity of review and will likely increase the amount of time monitoring will take:

1. The applicable office policies and procedures and documentation that the PRSHPO is recommended to change are not part of the “Federal award information” required by 2 CFR 200.111 to be in the English language and, as such, may be produced in Spanish. NPS will require technical assistance to translate and/or review submitted documentation.
2. The Department-wide transition to GrantSolutions grants management software represents an unknown review dimension for both awarding agencies (here, NPS) and grant recipients (PRSHPO). If, when, and how this system may aid or delay in recipient monitoring is not fully understood.
3. Some SHPO staff are political appointees who may not retain positions after November 2020 elections; NPS will continue to work with existing or new staff, as appropriate.

Recommendation Number	Target Completion Date	Recommendation	Responsible Official		NPS Monitoring Action(s) and Deliverable(s) Due from Puerto Rico State Historic Preservation Office	Puerto Rico State Historic Preservation Office Response
			PRSHPO	NPS		
1	April 30, 2021	Design and implement timekeeping policies that allow employees to charge labor hours to multiple cost objectives for a more accurate record of work performed		Megan Brown	Review timekeeping policy for compliance with 2 CFR 200, HPF grant manual, and award terms and conditions  Deliverables due: policy document; example timesheet for representative employee who works on more than one project demonstrating the appropriate charging of costs to multiple objectives	PRSHPO agrees with the finding. Even though we have already implemented the use of a timesheet form to register the monthly worked hours per program area we will develop a policy document that will establish a bi-weekly electronic submittal of the timesheet. An employee identification number using the last four SS# digits will be incorporated in the said form
2	April 30, 2021	Develop and implement policies that identify labor expenses by employee identification number from the timekeeping system to cost accumulation records for each final cost objective	Vilmarie Collazo	Megan Brown	Review policy for compliance with 2 CFR 200, HPF grant manual, and award terms and conditions. Review labor distribution report to ensure indirect costs are associated with a labor distribution report  Deliverables due: policy document; example timesheet with unique employee ID and all related ledgers	PRSHPO agrees with the finding. An identification number will be incorporated in both Journal Entry Backup Report (JEBR) and Time Sheet Detail Report (TSDR) to match that of the Employee Payroll Register (EPR). Since the EPR utilizes SS#, we will be using the last four SS# digits as an employee identification number
3	April 30, 2021	Require approval of the official form for absences and adjustments to time and attendance by both the employee and the supervisor		Megan Brown	Review revised form for compliance with 2 CFR 200, HPF grant manual, and award terms and conditions (employee and supervisor signature and date required on any change; any adjustments need to be explained in writing)  Deliverables due: revised official form for absences and adjustments to time and attendance; SHPO will send time and attendance report for selected sample	PRSHPO agrees with the finding. A policy has been implemented that requires approval of the official form for absences and adjustments to time and attendance by both the employee and the supervisor.
4	April 30, 2021	Develop and implement a labor distribution report that includes all appropriate information such as employee name, project number, employee identification number, total hours worked, hours absent, hourly rate, wage earned, indirect expenses applied, and benefits accrued		Megan Brown	Review of labor distribution report for compliance with 2 CFR 200, HPF grant manual, and award terms and conditions  Deliverable due: labor distribution report(s); statement from SHPO outlining how the specified data fields will be tracked and monitored	PRSHPO agrees with the finding and will develop and implement a labor distribution report as recommended
5	April 30, 2021	Develop and implement a policy and procedures to summarize pertinent provisions of Federal awards to ensure compliance with Federal statutes, regulations, and terms and conditions	Vilmarie Collazo	Megan Brown	Review of policy for recording federal award requirements and review evidence of successful completion of training in 2 CFR 200 for SHPO staff who manage grants from the Historic Preservation Fund.  Deliverable due: policy document, training completion certificate(s)	PRSHPO agrees with the finding and will develop and implement policies and procedures to summarize pertinent provisions of federal awards. We will request at least 9 people from our staff to take training in 2 CFR 200. They are the SHPO, DSHPO, Finance Officer, Contracts and Purchases Officer, Human Resources Officer and four HIM Projects Managers

#### Additional Requirements

- Training
  - 2 CFR 200
- Modification of existing awards
  - High risk
  - Policy production

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## Appendix 3: Status of Recommendations

In its response to our draft report, the National Park Service concurred with our findings and recommendations (see Appendix 2). Based on the response, we consider Recommendations 1 and 2 unresolved, and Recommendations 3 through 5 resolved but not implemented.

Recommendations	Status	Action Required
1 – 2	Unresolved	We will refer these recommendations to the Office of Policy, Management and Budget for resolution.
3 – 5	Resolved but not implemented	We will refer these recommendations to the Office of Policy, Management and Budget to track their implementation.

# **Report Fraud, Waste, and Mismanagement**



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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