



October 20, 2011

Office of Audit Services  
Jacob Javits Federal Building  
26 Federal Plaza, Room 3900  
New York, NY 10278

Report Number: A-02-11-02002

Jesús F. Méndez-Rodríguez, C.P.A.  
Secretary of the Treasury  
Puerto Rico Treasury Department  
P.O. Box 9024140  
San Juan, PR 00902-4140

Dear Mr. Méndez-Rodríguez:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Puerto Rico Treasury Department Expired Uncashed Checks*. We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-11-02002 in all correspondence.

Sincerely,

/James P. Edert/  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Sheila Conley  
Deputy Assistant Secretary for Finance  
OS/ASFR/Office of Finance  
U.S. Department of Health and Human Services  
Room 549D, Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF PUERTO RICO  
TREASURY DEPARTMENT  
EXPIRED UNCASHED CHECKS**



Daniel R. Levinson  
Inspector General

October 2011  
A-02-11-02002

# *Office of Inspector General*

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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

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

## INTRODUCTION

### BACKGROUND

#### **Puerto Rico Treasury Department**

The Commonwealth of Puerto Rico's accounting system is administered by the Puerto Rico Treasury Department. The Treasury Department is responsible for controlling and accounting for commonwealth and Federal funds, issuing vendor checks on behalf of the commonwealth, and issuing payroll checks to commonwealth employees.

Pursuant to Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR pt. 225), to be allowable under a Federal award, costs must be net of all applicable credits. Applicable credits include checks, representing costs previously charged to Federal programs, which have not been cashed and are considered expired. Pursuant to section 87A of the Puerto Rico Political Code of 1902, commonwealth checks which have not been cashed within 180 days from the date of issuance are considered expired.

### OBJECTIVE, SCOPE, AND METHODOLOGY

#### **Objective**

Our objective was to determine whether the Treasury Department ensured that the Federal Government was credited for its share of expired uncashed checks.

#### **Scope**

We reviewed the Treasury Department's policies, procedures, and controls over expired uncashed checks originally charged to Federal programs during the period July 1, 2003, through June 30, 2009.

We conducted fieldwork at the Treasury Department's office in San Juan, Puerto Rico from January through August 2011.

#### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal and commonwealth regulations;
- reviewed Treasury Department policies and procedures for canceling expired uncashed checks and crediting Federal programs;
- obtained from the Treasury Department a listing of 486 expired uncashed checks, totaling \$1,504,270, originally charged to Federal programs during the period July 1, 2003, through June 30, 2009; and

- judgmentally sampled 40 expired uncashed checks, totaling \$145,235, to determine whether the Federal Government was credited for its share.

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 objective.

### **RESULTS OF REVIEW**

The Treasury Department established and implemented procedures for canceling expired uncashed checks and crediting the Federal portion of these checks to the Federal program from which the checks were originally issued. As a result, this report contains no recommendations.