Commonwealth of Puerto Rico
OFFICE OF THE COMPTROLLER

Comprehensive Annual

Financial Report
For Fiscal Year Ended June 30, 2008

ISO 9001: 2000
BUREAU VERITAS
Certification
N°188184

ANAB
ACCREDITED

TQM
A Total Quality Management Organization

Our Values

Commitment
We are dedicated to our work and with loyalty to the institution for the benefit of our country.

Integrity
We work with responsibility and honesty.

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.

Official Shield

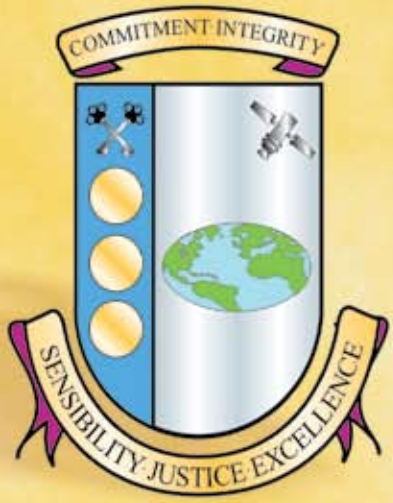
The sky-blue color represents loyalty and truth, essential values in public service.

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

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



We count on your cooperation to improve the oversight function and administration of public funds and property.

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

In an effort to reduce the cost of printing, if your present address has changed, contact the Director of Finance and General Services Division at (787) 250-3309, Office of the Comptroller, 105 Ponce de León Ave., Hato Rey, Puerto Rico 00919.

Commonwealth of Puerto Rico
OFFICE OF THE COMPTROLLER

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2008

TO BE A WORLD-CLASS MODEL FOR PUBLIC OFFICE

COMMITMENT·INTEGRITY

SENSIBILITY·JUSTICE·EXCELLENCE

Commonwealth of Puerto Rico
OFFICE OF THE COMPTROLLER

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. To promote the effective and efficient 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 sophisticated 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 honest use of the resources entrusted to the government by the people.

Values

Commitment
We are dedicated to our work and with loyalty to the institution for the benefit of our country.

Integrity
We work with responsibility and honesty.

Sensibility
We respect and promote the dignity of all human beings.

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Commonwealth of Puerto Rico
OFFICE OF THE COMPTROLLER

Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2008

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Introduction Section

TO BE A WORLD-CLASS MODEL FOR PUBLIC OFFICE

COMMITMENT·INTEGRITY

SENSIBILITY·JUSTICE·EXCELLENCE

Letter of Transmittal

TO BE A WORLD-CLASS MODEL FOR PUBLIC OFFICE

COMMITMENT·INTEGRITY

SENSIBILITY·JUSTICE·EXCELLENCE

Commonwealth of Puerto Rico

Office of the Comptroller

Manuel Díaz Saldaña
Comptroller

November 14, 2008

To the Governor of Puerto Rico,
the President of the Senate,
the Speaker of the House of Representatives,
the 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 of the Office of the Comptroller of Puerto Rico, hereinafter referred to as the Office, for the fiscal year ended June 30, 2008. The Office 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 Comprehensive Annual Financial Report includes three sections:

Introduction: This Section has not been audited and provides general information about the report. It also includes the Comptroller's transmittal letter, a listing of the principal officers, and the organizational chart.

Financial: This Section comprises the Independent Auditors' Report, the financial statements of the Office, Notes to Financial Statements, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

Statistics: These data have not been audited. They provide information about finances, economics, and operational matters related to the Office that is generally presented on a comparative basis.

General Information about the Commonwealth of Puerto Rico

Geography and Population

Puerto Rico is the fourth largest of the Caribbean islands and is located approximately 1,600 miles Southeast of New York. It is approximately 100 miles long and 35 miles wide. According to the United States Census Bureau, the population of Puerto Rico was 3,808,610 in 2000. The Puerto Rico Planning Board estimates that by 2010, the population will be approximately 4,022,000.

Relationship with the United States

Christopher Columbus discovered Puerto Rico in 1493. Shortly thereafter, the Island was settled by the Spaniards and remained as a Spanish possession for four centuries. The Island came under the sovereignty of the United States with the signing of the Treaty of Paris on December 10, 1898, at the conclusion of the Spanish-American War.

Puerto Ricans became citizens of the United States in 1917, by virtue of the Jones Act, approved by the Congress of the United States. In 1950, the Congress of the United States enacted Public Law 600 in order to allow for an increased self-government for the Island. This Law set forth the political, economic, and fiscal relationship between Puerto Rico and the United States. It also provided for the drafting and adoption of a local constitution on July 25, 1952. Among other things, our Constitution created the position of the Comptroller and defined its role in government.

The Constitution of Puerto Rico was drafted by a Constituent Commission, approved in a special referendum by the people of Puerto Rico, amended and ratified by the United States Congress, and subsequently approved by the President of the United States. The official designation of the Government or body politic has henceforth been "Estado Libre Asociado", which literally translates into "Free Associated State", and has been called "Commonwealth" by the United States Government.

Puerto Rico exercises virtually the same control over its internal affairs as any of the fifty states of the Union. However, it differs from the federated states in its relationship with the Federal Government. The People of Puerto Rico are citizens of the United States; can only vote in local (Puerto Rico) elections, and are represented in Congress by a Resident Commissioner, who has a voice in the House of Representatives and limited voting power.

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 October 2, 1997, the Governor of Puerto Rico appointed CPA Manuel Díaz Saldaña as Comptroller, with the advice and consent of the Legislature, as required by the Constitution. This appointment is for a term of 10 years and his tenure as Comptroller ended on October 1, 2007. However, at the date of the publication of this report, his successor has not been nominated by the Governor, and Díaz Saldaña decided to remain in the post until his successor has been appointed and qualifies, as stated in the Constitution.

Government agencies are audited through the application of various Government Auditing Standards and other pertinent investigative techniques adopted by the Comptroller. The Office has divided all the government entities of the Executive, Legislative, and Judicial branches into 2,206 units for auditing or examination purposes. This figure includes departments, agencies, public corporations, municipalities, and 1,525 community schools.

Results, including findings and recommendations, are presented in the audit 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, irregularities of material importance related to falsification, embezzlement, misapplication of accounting standards, and relevant legal dispositions, mathematical errors, or misinterpretation of facts.
>
> Secondary: Inconsequential omissions or errors.

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

Official Seal and Shield

A new seal and shield were adopted during fiscal year 1997-98. The silver field represents the integrity, firmness, and vigilance of the Office in our mission to oversee the transactions of public funds and property, with independence and objectivity, to ascertain that they have been carried out in accordance with the law. The terrestrial globe means that we are part of a world in constant evolution and improvement. This is an essential component of our organizational vision, to be a world-class model for public office. The satellite represents the era of information technology systems and telecommunications, essential instruments for a leading role position in auditing techniques, and much needed to achieve a sophisticated infrastructure for optimum quality services. The sky-blue color within the left partition represents loyalty and truth, essential values present in public service. The two keys on top mean fidelity, security, and discretion in the custody of the public funds, represented by the golden bezants.

Strategic Plan

The Office operates according to a Strategic Plan and an Annual Operations Plan. The Strategic Plan is divided into five Focal Areas, 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 Office.

During fiscal year 2007-08 we have attained significant goals using the managerial philosophy of Total Quality Management 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 the goals we summarize henceforth:

Oversight

1. Two hundred and twenty reports were published during the fiscal year. Among the most important reports are:

    a. Special Reports DB-08-07, DB-08-08, DB-08-09, CP-08-08, M-08-17, and DR-08-01, dated November 26, 2007, 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-08-20, DB-08-16, DB-08-17, CP-08-24, CP-08-25, M-08-36, M-08-37, DR-08-02, and DR-08-03, dated May 5, 2008, concerning the first 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; Public Corporations; Municipal Consortiums and Municipalities; Special Permanent Commission of the Public Service Retirement System; and the University of Puerto Rico Retirement System, respectively.

    c. Special Reports DB-08-18 and DB-08-19, dated May 5, 2008, concerning the second evaluation performed on the implementation of measures to improve the public administration and the Anticorruption and Prevention Program of the: members of the Senate and House of Representatives, respectively.

    d. Audit Report CP-08-26, dated May 8, 2008 – Puerto Rico Electric Power Authority, concerning the results of the examination of the per diem allowance payments to the members of the Government Board.

e. Audit Report CP-08-29, dated June 18, 2008 – Puerto Rico Aqueduct and Sewer Authority, partial results of the reading, validation and invoicing process of the customer's accounts.

2. We continued with the implementation and improvement of the TeamMate System, an electronic program designed to reduce the use of paper and optimize the audit function.

3. On August 3, 2007, the Honorable David M. Walker, Comptroller General of the United States, was invited by the Office to give a conference and lead a discussion related to the U.S. Financial Condition and Fiscal Future. Participation included legislators, mayors, government officials and employees, members of professional and student organizations and the press. According to Mr. Walker, the federal government is on a "burning platform" and the *status quo* way of doing business is unacceptable for a variety of reasons, including, among others: past fiscal trends and significant long-range challenges; additional resource demands due to Iraq, Afghanistan, incremental homeland security needs, and past natural disasters in the United States; numerous government performance/accountability and high risk challenges; outdated federal organizational structures, policies, and practices; and rising public expectations for demonstrable results and enhanced responsiveness.

4. At the request of the *Colegio de Contadores Públicos Autorizados*, on October 30, 2007, the Comptroller participated in the Forum Fraud: Real–Life Business Issues. He gave a presentation and recommended that in Puerto Rico, all the people should be concerned and responsible to improve public administration by combating corruption with effective strategies.

Prevention

1. Professional guidance concerning sound public administration were offered to 4,328 government officials and employees These included internal auditors from the state government municipalities, purchasing agents, collectors, and finance directors of the municipalities as well as of municipal consortiums (2,162), and members of the counsels of public schools (2,166).

2. We participated in national and international meetings and conferences related to our investigative and preventive functions, among them: TeamMate Forum, the 17th Biennial Forum of Government Auditors and the American Society for Training and Development.

3. We were selected by the **Supreme Audit Institution of México ("Auditoría Superior de la Federación")**, as a team member for their Peer Review, to be conducted on August 2008. The other SAI's participating as team members are the General Accountability Office of the United States and the National Audit Office of the United Kingdom.

4. Thirty two circular letters were issued during the fiscal year. Among the most important letters are:

    a. Circular Letter OC-08-12, dated August 28, 2007 – Payment of fines and embargoes due to delays in the payments of debts between government agencies for employer's contributions, insurance premiums or salary retention not remitted to the corresponding agencies.

    b. Circular Letter OC-08-14, dated August 30, 2007 – Government Payroll Expenses and Job Registry for Fiscal Year 2006-07.

    c. Circular Letter OC-08-21, dated November 16, 2007 – Orientation on the use of property and public funds for the legal defense of officials and public employees.

    d. Circular Letter OC-08-23, dated December 13, 2007 – Use of property and public funds during the electoral period and prohibition to certain government officials to participate in political-partisan activities.

    e. Circular Letters OC-08-27, OC-08-28, OC-08-29, OC-08-30, and OC-08-31, dated June 18, 2008, concerning the criteria and certification of the second evaluation on the implementation of measures to improve the public administration and the Anticorruption and Prevention Program of the: Executive Branch and Courts Administration Office; Municipalities; Municipal Consortiums; Legislative Branch; and Units of the University of Puerto Rico, respectively.

5. We published the following booklets and manuals:

    a. Strategic Plan 2008-2009 – December 2007.

    b. Collection of Legislative Initiatives Directed to Strengthen Public Administration and Facilitate the Supervision and Investigation Related to Property and Public Funds from 1952 to December 31, 2007 – April, 2008.

    c. Ten Principles for Excellence in Public Administration – June 2008.

Human Capital

1. All our fellow-workers were trained on detection of illegal use of controlled substances, sexual harassment, and other forms of discrimination.

2. All our fellow-workers were trained regarding 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. Also, a program known as **Comptrollership in Shape ("Contraloría en Forma")** was promoted to help fellow-workers maintain good physical condition. Lectures were offered to interested fellow-workers and their immediate families, through a program known as **Strengthening the Family ("Fortalecimiento Familiar")**.

4. We 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, 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.

5. On January 2,2007, the Office established the Personnel Support Program **("Programa de Ayuda al Personal")**, 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.

Technology

1. We evaluated, implemented, and improved 33 programs, projects, and processes related to technology. Some of the most important are:

    a. Creation or update of the **Digital Comptrollership** homepage **("Contraloría Digital")**; the Information System of the Corrective Action Plan; the Job Registry; the new Contracts Registry, Version 4; Registry of Irregularities Related to Public Funds and Property, Version 2.1 and the Registry of Privatization.

    b. Acquisition and installation of middleware for secure communications with databases from internet applications.

    c. Installation of Antivirus Program and Client Security, Version 10.

2. The Contracts Registry Program, Version 3.1 was implemented, and 15 training sessions were offered to 145 government entities and 212 government officials.

3. The Micro Information Products accounting software (MIP) was updated, and a new version of the fixed asset management software (FASGOV) was implemented in order to improve the control and management of property.

Customer Service

1. The establishment of the Total Quality Management Philosophy has helped us in the continuous improvement of processes and in the cultural change of the Office environment. This can be attested as follows:

    a. We increased to 79 percent the implementation of the Process Improvement Team's recommendations.

    b. An additional round of Process Improvement Teams was completed.

    c. Workplace Environmental Quality Survey was given to obtain the perception of fellow-workers on the application of the Ten Management Practices adopted. Survey results tabulated as of March 2008 revealed a 4.28 score on a 5 point scale that reflects a 0.73 increase or a 21 percent index increase, when compared to the results of the first survey conducted on June 1998 (3.55).

2. Evaluated the results of surveys to measure customer satisfaction of audited entities, government referral entities, mass media journalists (Press/Radio/TV), and the general public.

3. The Office, since created, has never had its own office building or adequate facilities that may enable a more efficient operation. It operated from five different rented buildings 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 immovable property for the location of our offices. The Treasury Commission of the Senate of Puerto Rico proposed Joint Resolution 449 of August 16, 2001, ordering the Lands Administration to transfer without profit and free from any liens or other encumbrances a plot of land in Hato Rey in which to construct the required building. We received the Resolution for comments on March 4, 2003. The Office endorsed the same; nevertheless, it never became law. All our endeavors have not yet been successful in obtaining the resources needed.

Total Quality Management

Seminars/Trainings (Update)

Pursuant to our **Route to Excellence** program, we offered or participated on the following seminars and trainings during the fiscal year 2007-08:

1. **Basic Total Quality** to 39 newly hired personnel. One hundred percent of our workforce is fully trained.

2. **Statistical Techniques and Root Cause Analysis** to continue improving the processes in the Office.
3. **Lean Six Sigma Green Belt** to know how to apply lean concepts such as 5S, waste reduction, process and value stream mapping.

4. Seminar to improve the skills of our **Process Improvement Team Coordinators**.

5. Seminar on **Leadership** to all our fellow-workers in the Office.

External Seminars

In order to keep abreast on the best practices in international quality management issues, three staff members participated in the 2008 World Conference on Quality and Improvement, sponsored by the American Society for Quality (ASQ). Representatives from different companies and organizations presented their work models designed to "fueling innovation" and obtain high returns and competitiveness in order to satisfy the needs of their clients. The most important focal areas were related to generational diversity, innovation, business excellence and knowledge transfer. In this Conference we were able to compare our progress, accomplishments and challenges for the future with the international members of the quality community.

Improving Processes

We have continued with the commitment to analyze existing processes in our organization, improving them, and identifying the pertaining variables so as to monitor behavior, measure progress, and control the processes. As of June 30, 2008 we had evaluated 97 percent of our processes, 217 of the 224 processes identified in our organization. Also, the Office met 71 of the quality objectives defined for the year.

Efficiency and Quality

Efficiency and quality in some of the processes reviewed as a result of continuous improvement:

Process	Compliance to Specs %	
	Initial Value at June 30, 2007	Value at June 30, 2008
Data Analysis	30%	100%
Internal Qualification (Professional Development)	74%	100%
Maintenance of Computers and Software	74%	93%
External Communication	78%	92%

As shown in this table, the efficiency and quality of the processes depicted continue to be outstanding. These enhancements are the result of the implementation of continuous process improvement methods and our commitment to this endeavor.

Newsletter - "Contraloría con Calidad"

We have published two electronic editions of the quality newsletter, which informs our personnel of our accomplishments and provides updates on the latest TQM techniques and best practices.

ISO (International Organization for Standardization)

ISO (word derives from the Greek *isos*, meaning "equal") is the world's largest developer of standards. ISO is a network of the national standards institutes of 157 countries, on the basis of one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system.

ISO is a non-governmental organization. Its members are not, as is the case in the United Nations system, delegations of national governments. Nevertheless, ISO occupies a special position among the public and private sectors. This is because many of its members institutes are part of the governmental structure of their countries, or are mandated by their government. On the other hand, other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations. Therefore, ISO is able to act as a bridging organization in which a consensus can be reached on solutions that meet both, the requirements of business and the broader needs of society, such as the needs of stakeholder groups like consumers and users.

Although ISO's principal activity is the development of technical standards, ISO standards also have important economic and social repercussions. ISO standards make a positive difference, not just to engineers and manufacturers for whom they solve basic problems in production and distribution, but to society as a whole. The International Standards which ISO develops are very useful. They are useful to industrial and business organizations of all types, to governments and other regulatory bodies, to trade officials, to conformity assessment professionals, to suppliers and customers of products and services in both public and private sectors, and, ultimately, to people in general in their roles as consumers and end users.

Successful companies are those driven by quality, from the way they operate, to the customer service standards they set and the products they deliver. Focusing on quality makes for a leaner, fitter organization, and one that is better equipped to win new opportunities in an increasingly competitive global marketplace. Certifying an organization to ISO 9001, or other standards relating to quality, offers a proof of the commitment to quality and, as a benchmark, allows an entity to measure its progress towards continual improvement of business performance.

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, and Factual Approach to Decision Making.

On April 27, 2006, Bureau Veritas, a widely recognized certification body in the world, certified the Quality Management System (QMS) of the Office against the 9001:2000 international standards. On December 6, 2007, Bureau Veritas performed the required follow up audit and certified, without any non conformances detected, the compliance of our QMS to the standard. Also, the scope of the certification was modified and extended to include the performance of external orientations and training as means of governmental control.

The Corrective Action Plan

The Corrective Action Plan (CAP) is a follow-up mechanism that ensures compliance with the recommendations made by the Office in its audit reports. This program was implemented pursuant to the provisions of Law No. 9, *supra*, 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. An agreement with the Secretary of Justice requires that twice a year, the Department informs the Comptroller on the status of the referred cases.

On June 13, 1998, the Governor issued Administrative Bulletin Number OE-1998-16, superseding Executive Order 5098D. As a result, the Office issued a new Regulation No. 26, effective July 1, 1998. Accordingly, beginning with fiscal year 1998-99, 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 CAP or a previous complementary report. All government entities are encouraged to delegate responsibility for the CAP on the internal audit units.

By June 30, 2008, the Office had received 1,176 and evaluated 1,263 CAPs to ascertain compliance with the recommendations contained in the audit reports. This figure includes initial CAPs and subsequent progress reports. During fiscal year 2006-07 the Office received 970 and evaluated 875 CAPs.

The Administrative Bulletin, *supra*, 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 chief determine that the recommendations of the external auditors cannot be adopted, and such

determination is appropriately documented and sustained, the Comptroller may excuse them from compliance.

The entire operation of the CAP continues to be reviewed, since an 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.

Public Registry on Contracts of Government Agencies and Municipalities

According to Law No. 18 of October 30, 1975, as amended, by Law No. 127 of May 31, 2004, 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 Office 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 June 20, 2008.

The Office 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. 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 Office received 1,768 requests for copies during fiscal year 2006-07, and 2,647 during 2007-08.

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. The Office received 113,911 contracts during fiscal year 2006-07, and 119,471 in 2007-08.

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

The Office instituted a computerized registry system during the period 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, *supra*, during fiscal year 2006-07, the Office received information on 3,969 cases for a loss of $5,860,845; during 2007-08, received information on 3,245 cases for a loss of $6,650,075. 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, area of administration, or duties of their entities to the Governor, 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 Office 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 received funds from the government's general fund had to submit by December 31, 2006, 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 Chief. Such certification should 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 Office and is available online through our website with the title Job Registry under **"Contraloría Digital"**.

Result of Operations

Budget (Update)

The budget assigned to the Office for fiscal year 2007-08 was $43,000,000, which represents the same amount compared to the budget for the previous fiscal year. The Office spent and encumbered $42,235,465, leaving a balance not reserved of $764,535. 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)

However, at the date of the Independent Auditors' Report, the Treasury Department of the Commonwealth of Puerto Rico has not accounted this unreserved fund balance in the PRIFAS System, on behalf of the Office. Normally, the Department accounts the unreserved fund balance at the beginning of September of the next fiscal year.

Reports Issued

During fiscal year 2007-08, the Office issued 220 reports. These reports involved audits that revealed administrative deficiencies, irregularities, or illegal acts in the transactions involving public funds and property. By June 30, 2008, the aforementioned reports had been sent to the Governor, the President of the Senate, and the Speaker of the House of Representatives and published in our website. (Charts 2 and 3)

Human Capital

As of June 30, 2008 the Office had 664 occupied positions or 95 percent out of 697 authorized positions; 448 (67%) were auditors and 216 (33%) were support personnel. Support personnel consist of legal counsels, administrative staff, and other professionals. (Chart 4) During 2007-08, 21 auditors and 14 support personnel resigned or retired, while 2 auditors and 14 support personnel were hired. In addition, the Office hired 25 temporary employees which participated in the Summer Internship Program. A grand total of 1,232,502 hours were dedicated to audits, administrative and office work, training, compensated absences, and other activities. (Chart 5)

Training

The Office 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. In case of the auditors of the Information Technology Audit Division, 20 hours have to be in computer information system.

During 2007-08, 32,450 hours were dedicated to training and education. Seminars and conferences in auditing, TQM, project management, writing and grammar skills, leadership, new performance evaluation system and recent developments in information technology have been a priority.

Financial Information

Internal Controls

The Office 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 Office has an Audit Committee to strengthen the independence, integrity, and trust on the Office's internal auditing activity and the transparency in its fiscal processes and transactions. As per regulation, the members of the Committee are distinguished professionals in the private sector.

Budgetary Controls

The Office 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, the management of the Office continue to meet its responsibility for sound financial administration, following the norms of austerity and modesty.

Independent Audit

Nexia Cardona, Irizarry & Co., PSC, an independent certified public accounting firm, performed the audit of the financial statements of the Office for the fiscal year ending June 30, 2008. The Independent Auditors' Report is included in the Financial Section. The accounting firm performed the audit at the time expected, and the Office received the certified financial statements on September 11, 2008.

Financial Reporting

The Office complies with financial reporting requirements.

We count on your cooperation to improve the oversight function and the administration of public funds and property.

Respectfully submitted,

Manuel Díaz Saldaña

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Principal Officers

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Office of the Comptroller Principal Officers as of June 30, 2008

MANUEL DÍAZ SALDAÑA, CPA, CFE
Comptroller

NATANAEL ARROYO CRUZ, CFE, CICA
Deputy Comptroller

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

VACANT
Assistant Comptroller
Legal Affairs Area

ALINA TORRES MARRERO, CFE
Assistant Comptroller
Anti-Corruption Strategies Area

ELIAZAR E. CRUZ RIVERA, CFE
Executive Aide
Audit Control
and Technology Affairs

EDWIN H. RODRÍGUEZ HERNÁNDEZ
CFE, CBM, CFS, CICA
Executive Aide
Reports Reviewer

YAMIRA PÉREZ ORTIZ,
CPA, CFE, FCPA
Executive Aide Peer Review
and Audit Affairs

MYRIAM J. FLORES SANTIAGO, CFE
Internal Audit Director

LISANDRA RIVERA RIVERA, MAC
Press Officer

AUDIT DIRECTORS

ANTONIO OLMO VÁZQUEZ, CFE
Director, Departments and Agencies
Audit Division "A"

SONIA SÁNCHEZ DE SOLÁ, CFE
Director, Departments and Agencies
Audit Division "B"

MADELINE SANTOS COLÓN, CFE
Director, Departments and Agencies
Audit Division "E"

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

MYRIAM M. RIVERA PÉREZ, CFE
Director, Municipalities
Audit Division

HÉCTOR A. RIVAS ORTIZ, CPA
Director, Public Corporations
Audit Division

CARLOS M. PEÑA MALDONADO
Director, Departments and Agencies
Audit Division "R"

SUPPORT DIRECTORS

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

MARÍA A. BETANCOURT CABRET, MBA
Director, Finance and General Services Division

LILLIAN SÁNCHEZ PÉREZ
Director, Human Capital Division

MARICELI FIGUEROA SAMBOLÍN, MBE
Director, Information

RAFAEL GUSTAVO PÉREZ, MBA, CISSP
Director, Information Systems Division

ABELARDO CASANOVA HERNÁNDEZ, ESQ
Director, Legal Division

SIRIS I. BÁEZ GONZÁLEZ, MEM, CQA
Director, Professional Development
and Special Activities Center

AURORA BARALT DE JIMÉNEZ, VRC
Director, Personnel Support Program

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Organizational Charts

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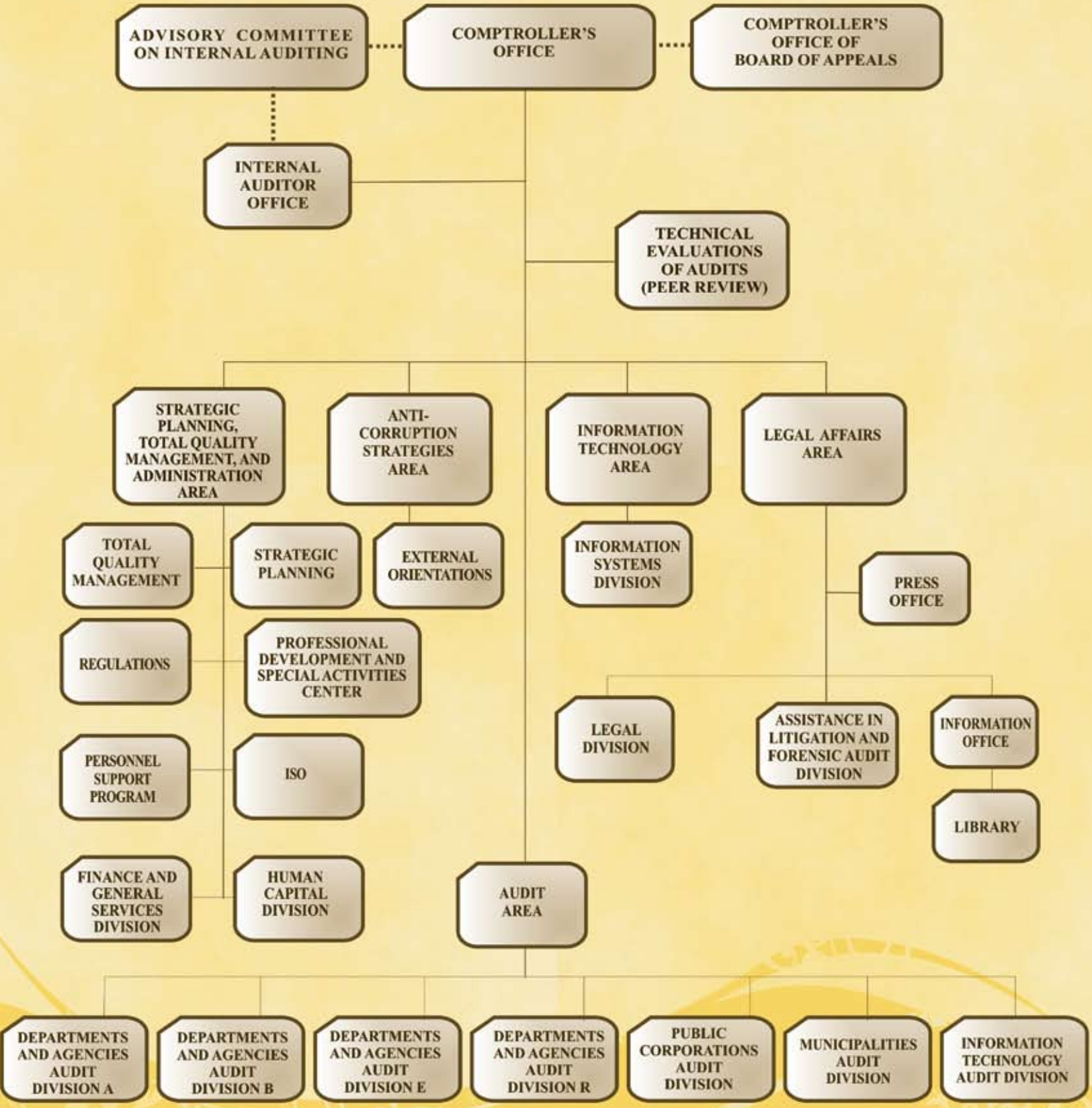
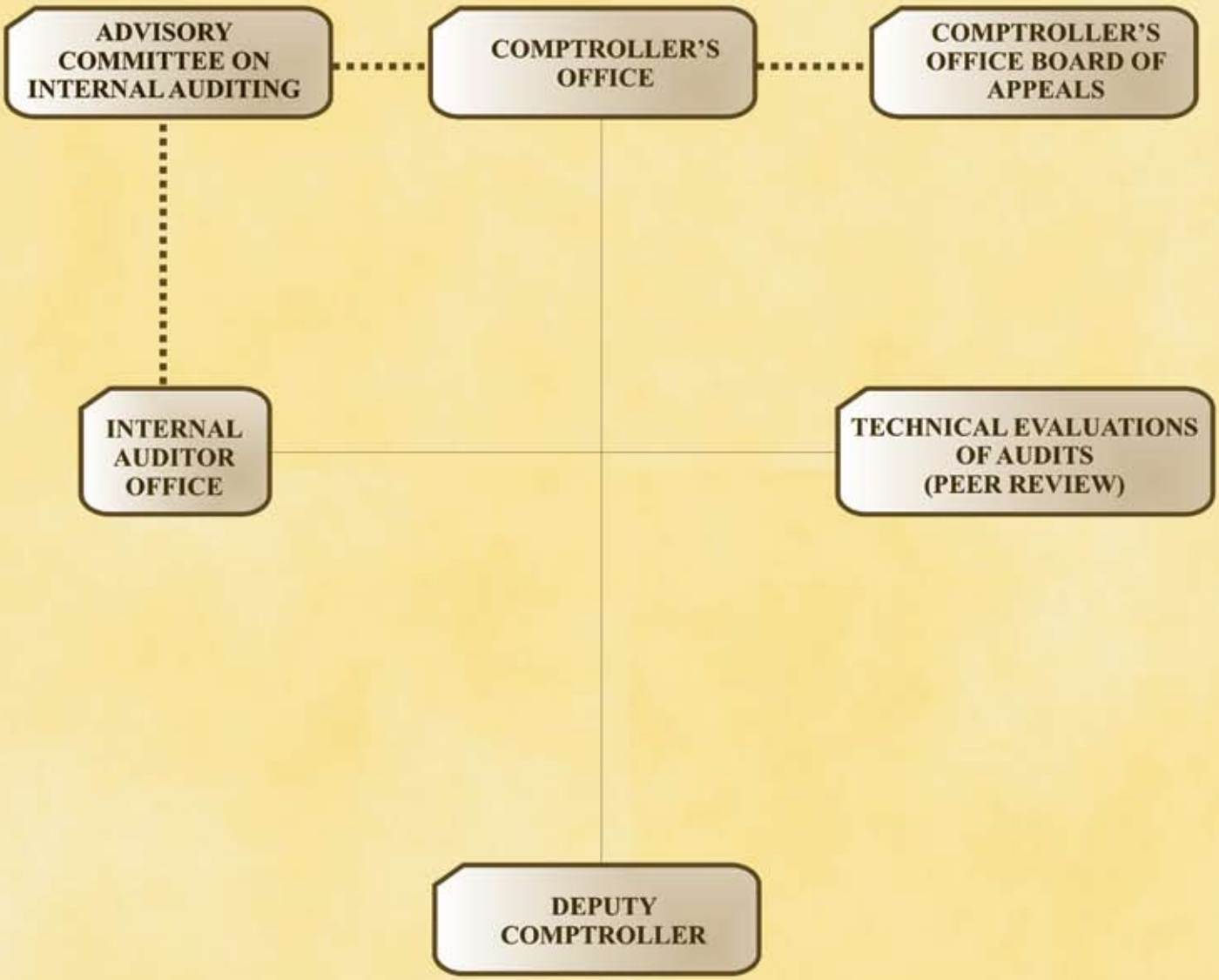
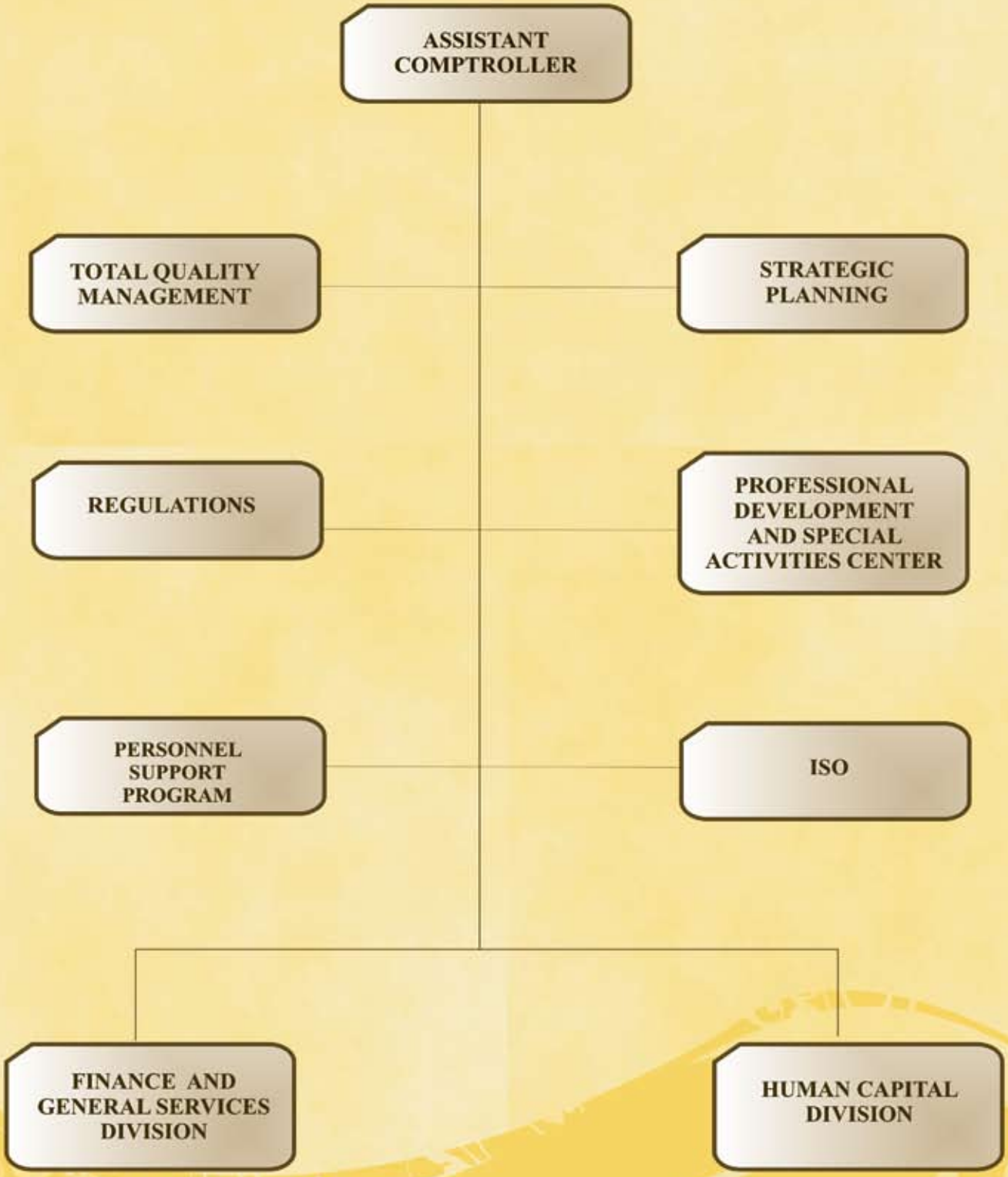
Organizational Chart



Comptroller's Office

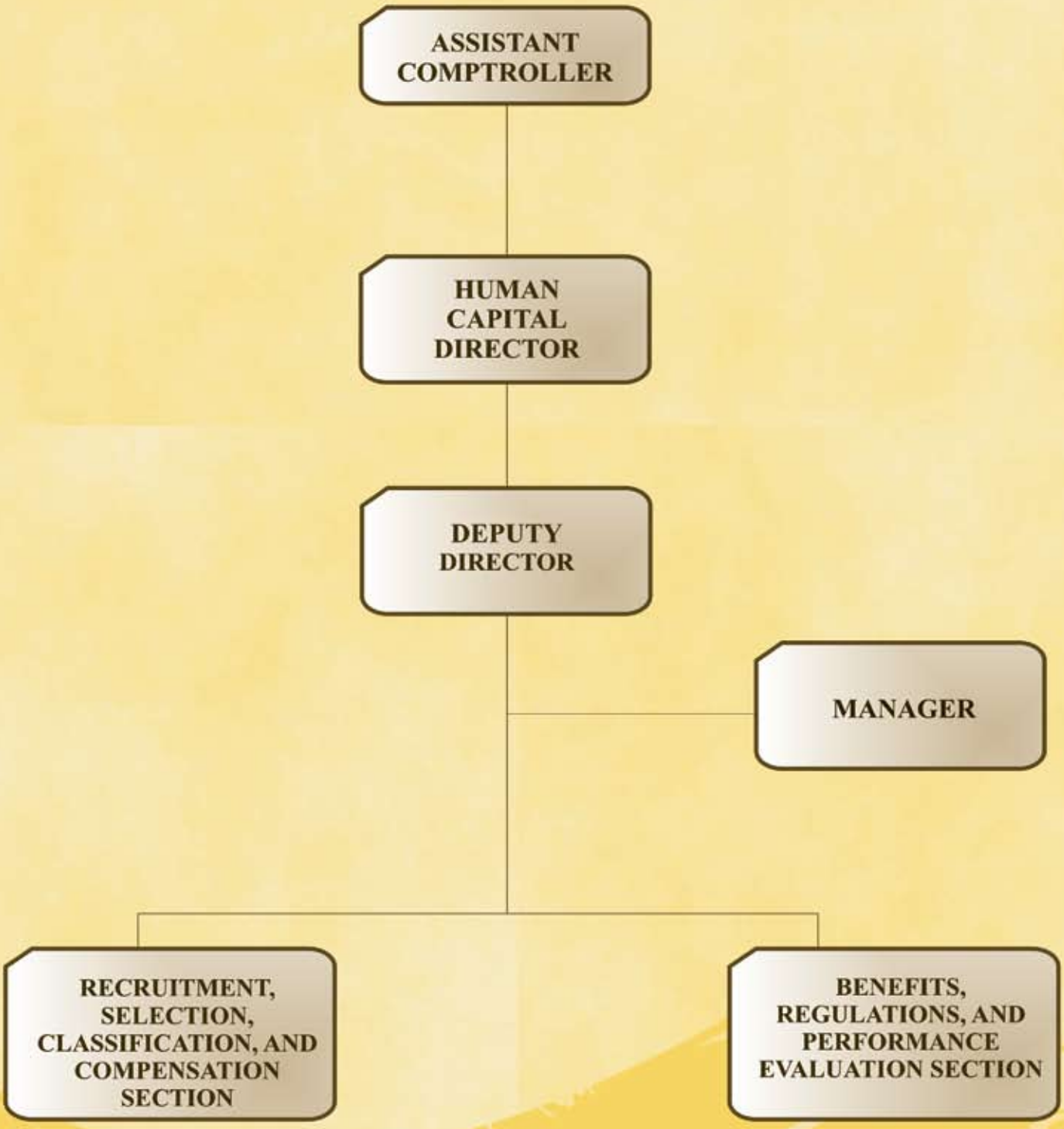


Strategic Planning, Total Quality Management, and Administration Area



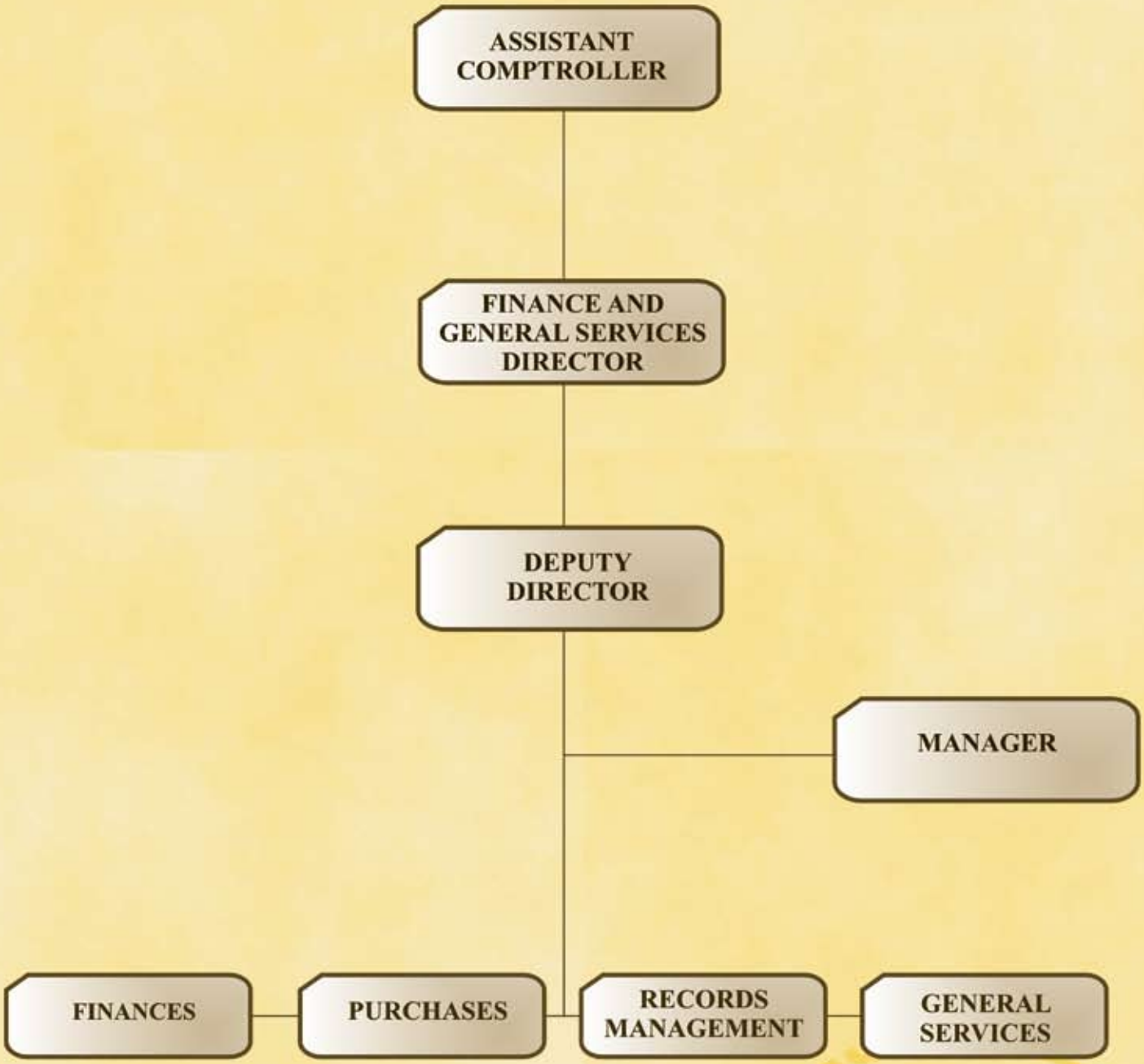
Strategic Planning, Total Quality Management, and Administration Area

Human Capital Division

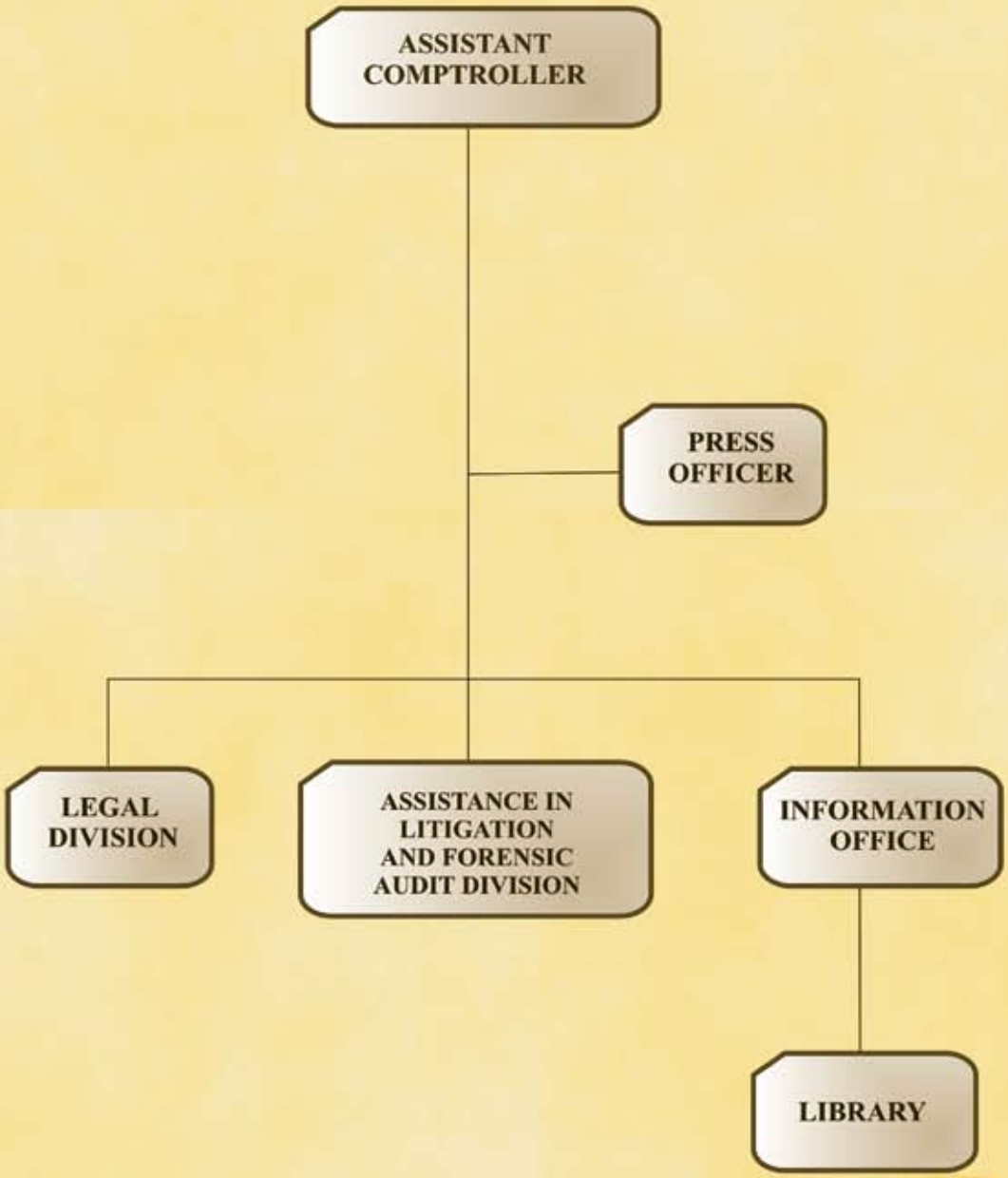


Strategic Planning, Total Quality Management, and Administration Area

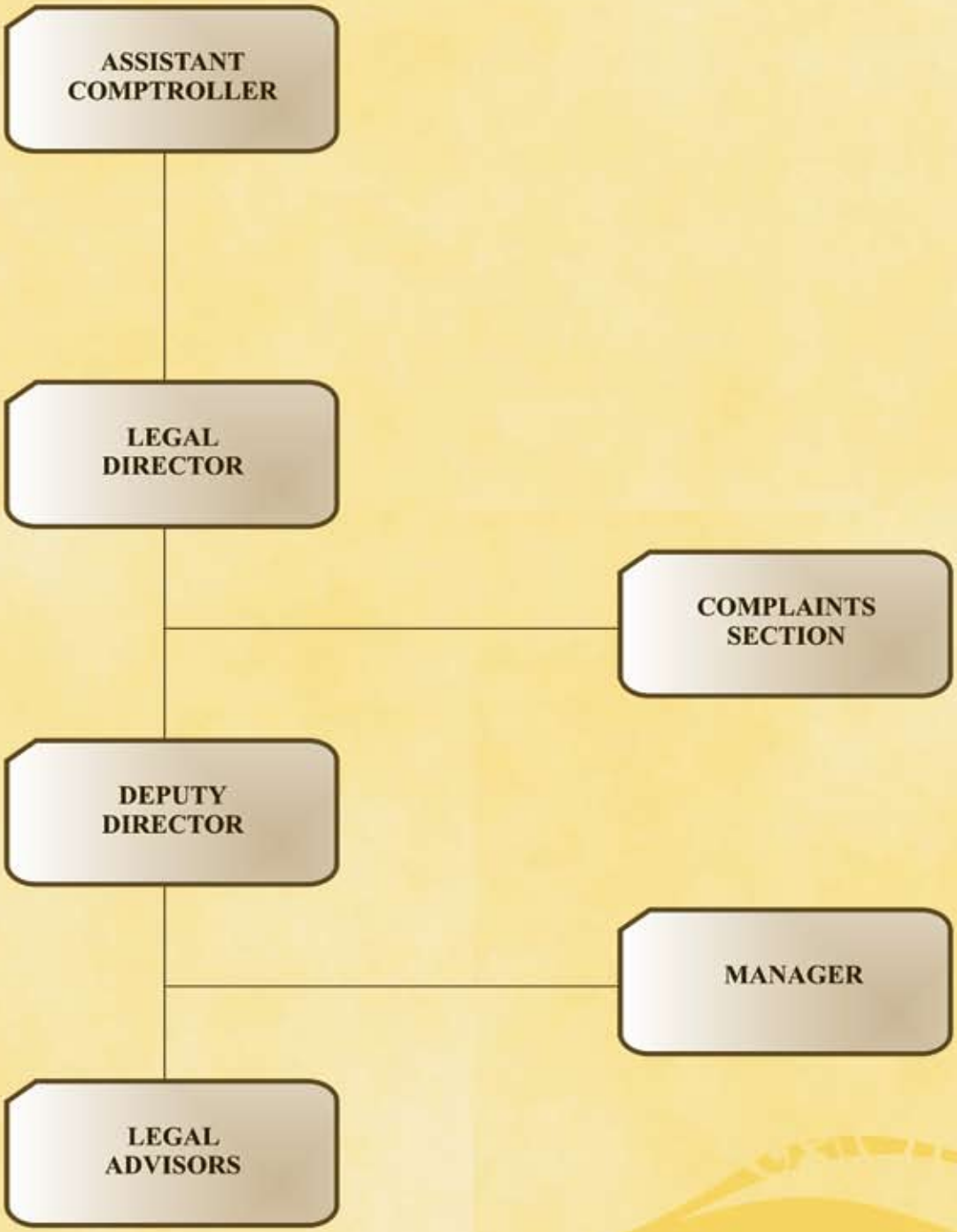
Finance and General Services Division



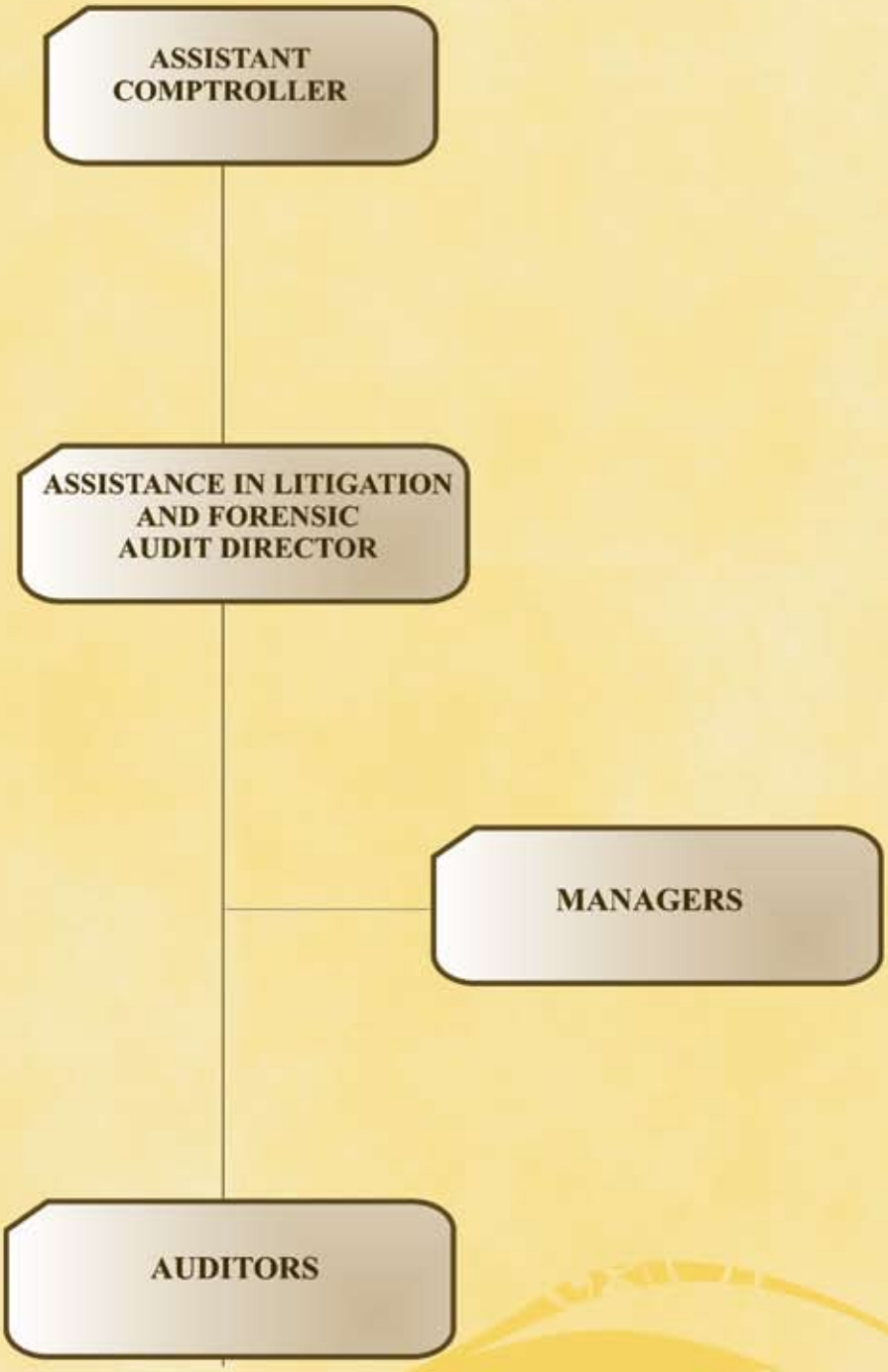
Legal Affairs Area



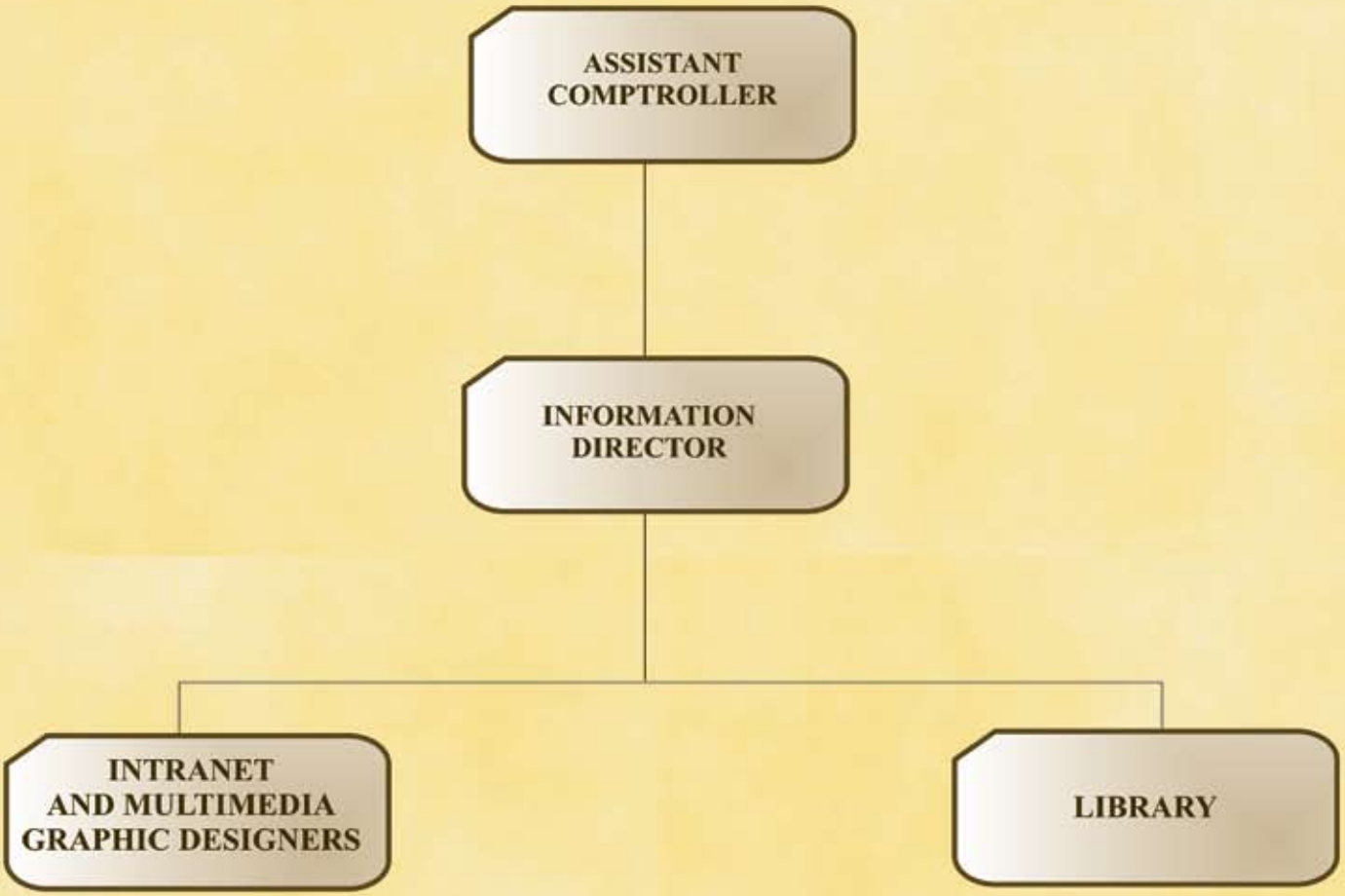
Legal Affairs Area
Legal Division



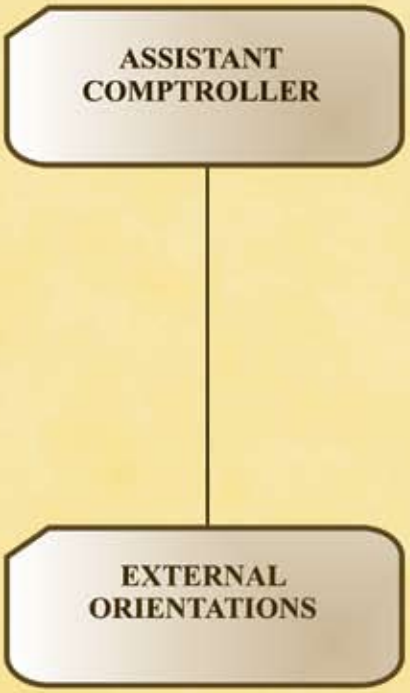
Legal Affairs Area
Assistant in Litigation and Forensic Audit Division



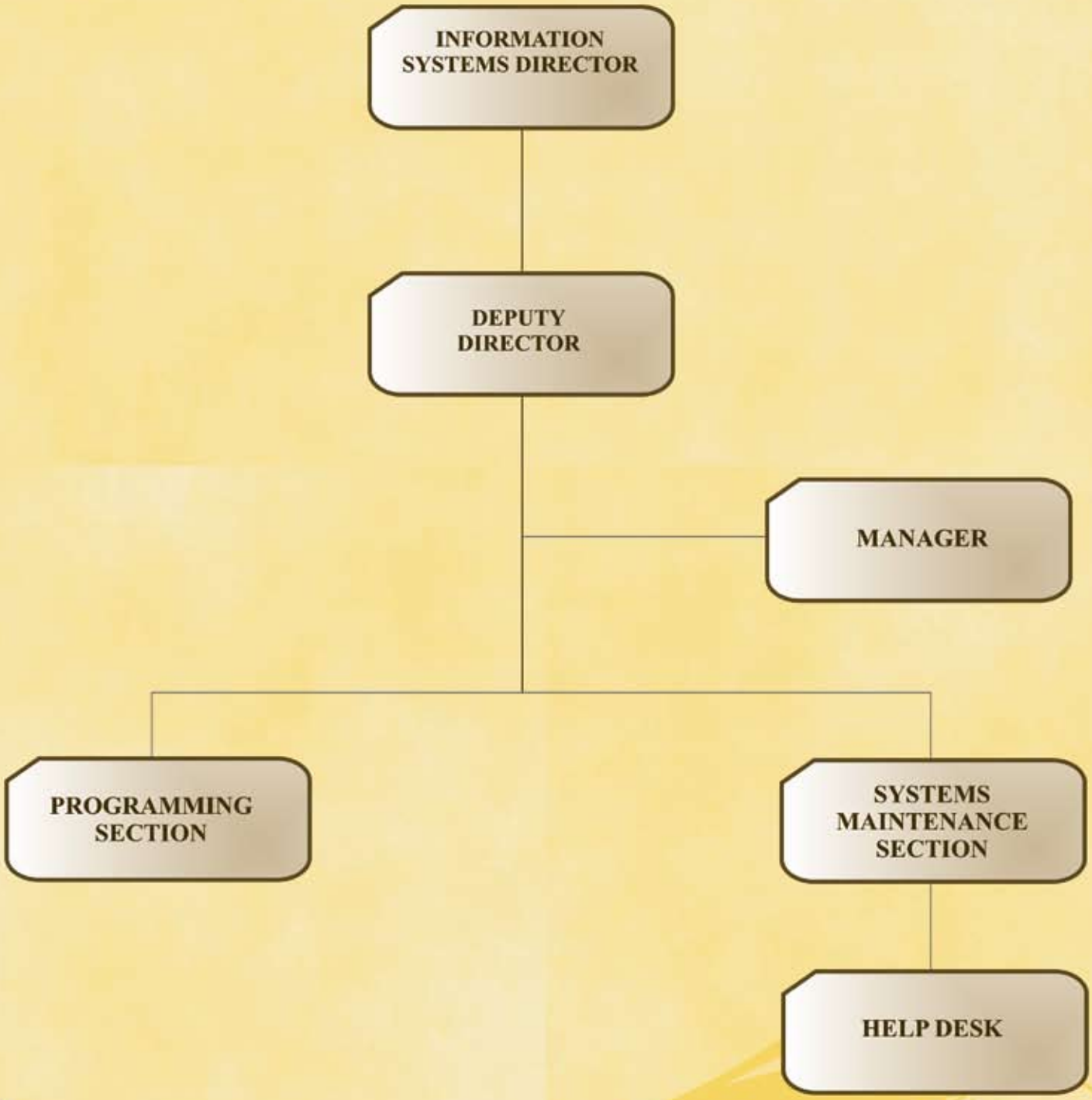
Legal Affairs Area
Information Office



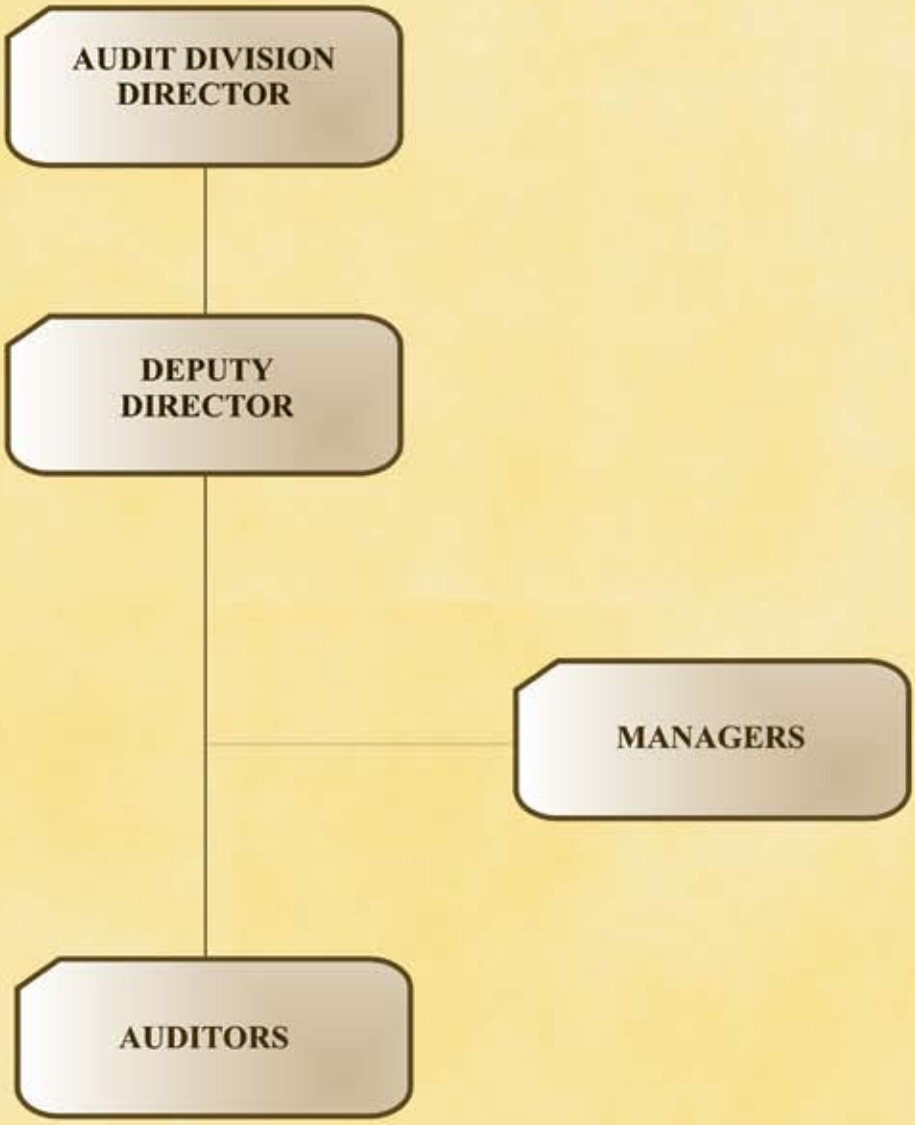
Anti-Corruption Strategies Area



Information Technology Area
Information Systems Division



Audit Area
Audit Divisions



Financial Section

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Certified Public Accountants & Consultants
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COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008

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COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

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June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Manuel Díaz Saldaña
Comptroller
Commonwealth of Puerto Rico
Office of the Comptroller

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, 2008, 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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Office is for financial reporting purposes a part of the Commonwealth of Puerto Rico. The accompanying financial statements present only the Office of the Comptroller's financial data and are not intended to present the financial position of the Commonwealth of Puerto Rico and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

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, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2008, on our consideration of the Office of the Comptroller's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 important for assessing the results of our audit.

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Río Piedras, PR 00926

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Honorable Manuel Díaz Saldaña
Commonwealth of Puerto Rico
Office of the Comptroller

Page 2

The Management's Discussion and Analysis and the Statement of Revenue, Expenditures and Changes in Fund Balances – Budgetary Basis on pages 3 through 10 and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Nexia C. Irizarry & Co., Psc.
NEXIA CARDONA, IRIZARRY & CO., PSC

San Juan, Puerto Rico
September 11, 2008

NEXIA CARDONA IRIZARRY & CO., PSC
PUERTO RICO
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CERTIFIED PUBLIC ACCOUNTANTS

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis

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, 2008.

Financial Highlights

- The total liabilities of the Office at the close of the fiscal year ended June 30, 2008, amounted to **$11,419,292** comprised of the accrual required under GASB No. 34 for vacations and sick leave in the amount of **$10,106,579** and **$1,312,713** due to creditors. The liabilities exceeded its assets by **$6,173,841** (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 decreased by **$1,089,032**. This decrease is mostly attributable to the cash balance at the end of year which decreased by **$1,049,552** during the fiscal year ended June 30, 2008.

- In addition, the cash with the fiscal agent at June 30, 2008 amounted to **$3,083,688** which represented a 25**%** lower amount than the balance as of June 30, 2007.

- The final Budget of the Office for the fiscal year 2007-2008 was **$43,000,000**.

  The Office achieved an economy of **$764,535** in its management of the general fund budget for the fiscal year 2007-2008.

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 comprises three components: 1) Government-Wide Financial Statements on all of the Activities of the Office, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

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 (net deficit). Over time, increases or decreases in net assets or net 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.

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 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, Section 22, of the Constitution of the Commonwealth of Puerto Rico and 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 11 to 12 of this report.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)

Overview of the Financial Statements (continued)

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, governmental 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 funds is 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 Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental facilities activities.

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 178 to 26 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.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)

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 assets decrease by **$1,358,428** over the course of this fiscal year's operations. The Office's Net Assets include investment in property and equipment for **$2,133,206** and a deficit of **$8,307,047**. The following is a condense statement of net deficit for fiscal years ended June 30, 2008 and 2007:

Condensed Statement of Net Deficit

	2008	2007	Change
Current assets	$ 3,112,245	$ 4,163,490	$ (1,051,245)
Capital assets, net	2,133,206	2,170,993	(37,787)
Total assets	5,245,451	6,334,483	(1,089,032)
Current liabilities	1,864,901	1,991,928	(127,027)
Long-term liabilities	9,554,391	9,157,968	396,423
Total liabilities	11,419,292	11,149,896	269,396
Net Deficit			
Invested in capital assets	2,133,206	2,170,993	(37,787)
Deficit	(8,307,047)	(6,986,406)	(1,320,641)
Total Net Deficit	$ (6,173,841)	$ (4,815,413)	$ (1,358,428)

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (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, 2008, amounted to **$2,133,206**. The total invested in the Office of the Comptroller's capital assets for the fiscal year was approximately five **(5%)** percent of the assigned budget.

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

- The acquisition of several electronic equipments at a cost of **$446,175**.

Changes in Net Deficit

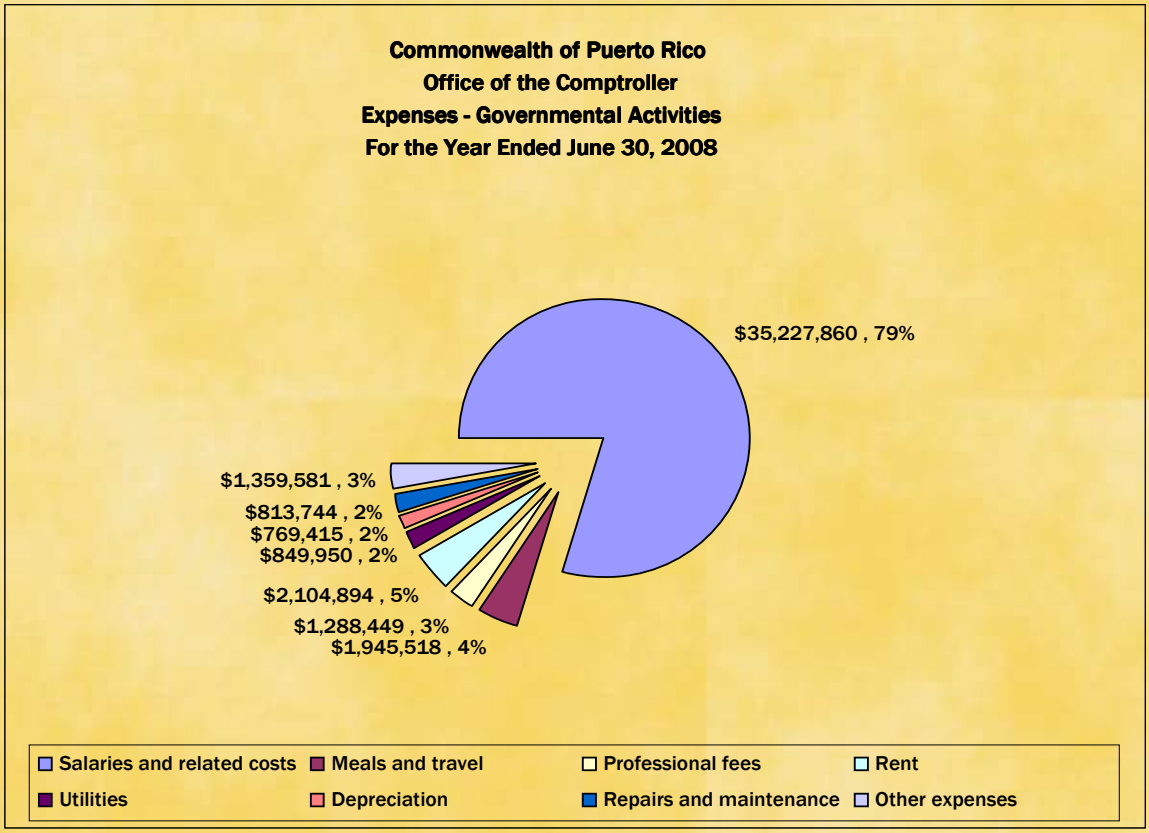
The following condensed Statement of Activities reflects how the Office's Net Deficit change during the fiscal year ended June 30, 2008.

	2008	2007	Change	%
Revenue:				
State appropriation	$ 43,000,000	$ 43,000,000	$ -	-
Expenses	(44,358,428)	(43,379,670)	(978,758)	2.2%
Change in Net Deficit	$ (1,358,428)	$ (379,670)	$ (978,758)	72.1%

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)

The following chart presents the expenses incurred by the Office during the fiscal year ended June 30, 2008:



The Office's major expense is related to salaries, benefits and payroll taxes which represent **79.4%** of total expenses incurred during fiscal year ended June 30, 2008.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

The 2007-2008 General Fund Budget was **$43,000,000** and actual expending was **$42,235,465**. Total expenditures represented **98.2%** of total budget availability for the fiscal year. The Office's expenditure rate presents a similar rate when compared to prior year performance **(97.5%)**.

The following table summarizes the budget, expenditures and unexpended balance for the fiscal years ended June 30, 2008 and 2007

Budget and Expenditures Comparison

	2008	2007
Revenue		
Estate appropriation	$ 43,000,000	$ 43,000,000
Expenditures	$ 42,235,465	$ 41,908,685
Unexpended balance	$ 764,535	$ 1,091,315
Expenditure rate	98.2%	97.5%

The operational results of the last two years, presents a savings on the assigned budget amounting to **$764,535** and **$1,091,315**.

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 2008 – 2009 fiscal year budget on July 1, 2008. The legislative appropriations for the fiscal year 2009 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. Questions 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
June 30, 2008

	Governmental Activities
ASSETS	
Current assets:	
Cash held with fiscal agent (Note 1)	$ 3,083,688
Accounts receivable	28,557
Total current assets	3,112,245
Non current assets:	
Capital assets, (Notes 1 and 2)	2,133,206
Total assets	$ 5,245,451
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	$ 1,312,713
Accrued compensated absences, current (Note 1)	552,188
Total current liabilities	1,864,901
Non current liabilities:	
Accrued compensated absences (Note 1)	9,554,391
Total liabilities	11,419,292
NET DEFICIT	
Invested in capital assets (Notes 1 and 2)	$ 2,133,206
Deficit	(8,307,047)
Total net deficit	(6,173,841)
Total liabilities and net deficit	$ 5,245,451

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

Expenses: (Notes 1, 2, 3, 4 and 7)		
Salaries and other payroll related costs	$	35,226,877
Meals and travel		1,945,518
Professional services		1,288,449
Insurance		46,117
Rent		2,104,894
Utilities		849,950
Non-capitalizable equipment		148,185
Depreciation		769,415
Materials and supplies		173,487
Repairs and maintenance		813,744
Trainings and continuing professional education		242,030
Subscriptions and memberships		136,998
Security services		243,764
Printing services		54,681
Postage		40,745
Miscellaneous		218,017
Loss on disposal of assets		55,557
		44,358,428
Revenue (notes 1 and 5):		
State appropriation		43,000,000
Change in net deficit		(1,358,428)
Net deficit at beginning of year		(4,815 ,413)
Net deficit at end of year	$	(6,173,841)

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2008

ASSETS	
Cash held with fiscal agent (Note 1)	**$ 3,083,688**
Accounts receivable	**28,557**
Total assets	**3,112,245**
LIABILITIES	
Accounts payable and accrued liabilities	**1,312,713**
FUND BALANCE	
Reserved for encumbrances	**423,869**
Unreserved	**1,375,663**
Total fund balance (Note 1)	**1,799,532**
Total liabilities and fund balance	**$ 3,112,245**

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

RECONCILIATION OF THE BALANCE SHEET --
GOVERNMENTAL FUND TO THE STATEMENT OF NET DEFICIT
June 30, 2008

Total fund balance per balance sheet-governmental fund	**$ 1,799,532**
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	**2,133,206**
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	**(10,106,579)**
	(7,973,373)
Total net deficit per statement of net deficit	**$ (6,173,841)**

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND
For the year ended June 30, 2008

Revenue (Notes 1 and 5):	
State appropriation	$ 43,000,000
Expenditures (Notes 1, 2, 3 and 4):	
Salaries and payroll related costs	34,806,663
Meals and travel	1,945,518
Professional services	1,288,449
Insurance	46,117
Rent	2,104,894
Utilities	849,950
Non-capitalizable equipment	148,185
Capital outlays	787,186
Materials and supplies	173,487
Repairs and maintenance	813,744
Training and continued professional education	242,030
Subscriptions and memberships	136,998
Security services	243,764
Printing services	54,681
Postage	40,745
Miscellaneous	218,017
Total Expenditures	43,900,428
Excess of expenditures over revenues	(900,428)
Fund balance at beginning of year	2,699,960
Fund balance at end of year	$ 1,799,532

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUND
For the year ended June 30, 2008

Excess of expenditures over revenues	**$ (900,428)**
Amounts reported in the statement of activities are different because:	
Governmental funds 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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.	**(37,787)**
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.	**(420,213)**
	(458,000)
Change in net deficit	**$ (1,358,428)**

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTORICO
OFFICE OF THE COMPTROLER

STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL NON GAAP BUDGETARY BASIS
For the year ended June 30, 2008

	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	33,618,000	34,459,095	34,270,387	188,708
Facilities and payments of public services	636,000	1,009,111	853,474	155,637
Purchased services	2,376,000	3,019,216	2,921,149	98,067
Transportation expenditures	2,800,000	1,728,503	1,712,834	15,669
Awards, subsidies and distributions	80,000	-	-	-
Professional services	1,860,000	1,609,644	1,363,807	245,837
Announcements and media publications required by Law	125,000	21,315	17,201	4,114
Materials and supplies	373,000	421,931	383,303	38,628
Other expenditures	1,132,000	731,185	713,310	17,875
	43,000,000	43,000,000	42,235,465	764,535
Net Change in fund balance	$ -	$ -	$ 764,535	$ 764,535

See accompanying notes to financial statements.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

---

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 for a term of ten years and until his successor has been appointed and qualifies.

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, 2008

1. Organization and Summary of Significant Accounting Policies (continued)

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, 2008

1. Organization and Summary of Significant Accounting Policies (continued)

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 as assets which have an initial individual cost of **$500** or more at the date of acquisition, and have a useful live in excess of five 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 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:

	Years
Equipment	5-10
Electronic equipment for data processing	5
Furniture	10
Vehicles	10

Vacation and Sick Leave

The employees of the Office are granted 30 days of vacation and 18 days of sick leave annually. Vacation and sick leave may be accumulated in excess of the maximum permitted of 60 and 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 right to compensation except for those employees with ten 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, 2008

1. Organization and Summary of Significant Accounting Policies (continued)

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, consisted of a Legislative Appropriation, by resolution, for the year ended June 30, 2008 for operational appropriations of **$43,000,000**.

The primary differences between the budgetary basis and the GAAP basis are the encumbrances, which 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 Revenue, Expenditures and Changes in Fund Balance-Budget and Actual	**$ 42,235,465**
Plus prior year encumbrances recorded as expenditures during current year under the GAAP basis	**1,894,928**
Less current year encumbrances not recorded as expenditures under the modified accrual basis	**(229,965)**
Expenditures according to the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance	**$ 43,900,428**

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

1. Organization and Summary of Significant Accounting Policies (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 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, 2008, are composed of the following:

Fiscal Year	Obligated Funds	Non-Obligated
2005 – 2006	**$ 167,024**	**$ 132,922**
2006 – 2007	**26,880**	**478,206**
2007 – 2008	**229,965**	**764,535**
	$ 423,869	**$ 1,375,663**

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

2. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Government activities				
Capital assets, being depreciated:				
Equipment	$ 1,377,286	$ 85,456	$ (66,596)	$ 1,396,146
Electronic equipment	3,695,282	446,176	(293,362)	3,848,096
Furniture	1,309,236	255,553	(326,635)	1,238,154
Vehicles	300,508	-	-	300,508
Total capital assets being depreciated	6,682,312	787,185	(686,593)	6,782,904
Less accumulated depreciation for:				
Equipment	(945,129)	(84,610)	60,679	(969,060)
Electronic equipment	(2,449,208)	(571,678)	255,735	(2,765,151)
Furniture	(966,131)	(81,352)	314,622	(732,861)
Vehicles	(150,851)	(31,775)	-	(182,626)
Total accumulated depreciation	(4,511,319)	(769,415)	631,036	(4,649,698)
Total capital assets, being depreciated, net	$ 2,170,993	$ 17,770	$ (55,557)	$ 2,133,206

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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3. 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, 2008 amounted to approximately **$2,336,194**.

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, 2008, total covered payroll was approximately **$25,189,868**. Covered payroll refers to all compensation paid by the Office to employees covered by the ERS on which contributions to the pension are based.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

3. Pension Plan (continued)

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 percent **(1.50%)** 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, 2008, 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.

4. 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, 2008 amounted to **$2,104,894**. Future minimum lease payments as of June 30 are as follows:

2009	**$ 1,925,300**
2010	**1,531,345**
2011	**825,027**
2012	**49,000**
2013	**26,542**
	$ 4,357,214

5. 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.

6. 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.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

6. Contingencies (continued)

Accordingly, the Office does not recognize any accrual for any unfavorable outcome in the accompanying financial statements.

7. Compensated Absences

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance 07/01/07	Accumulated Balance	Used Balance	Ending Balance 06/30/08	Due within one year	Long-term Portion
Compensated Absences	**$ 9,686,365**	**$ 4,670,653**	**$ 4,250,439**	**$ 10,106,579**	**$ 552,188**	**$ 9,554,391**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hon. Manuel Díaz Saldaña
Comptroller of the Commonwealth of Puerto Rico

We have audited the 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, 2008 and have issued our report thereon dated September 11, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Office's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Office's financial statements that is more than inconsequential will not be prevented or detected by the Office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Office's internal control.

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COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMPTROLLER

Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessary identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Office, in a separate letter dated September 11, 2008.

This report is intended solely for the information and use of the Audit Committee, the Comptroller, the Legislature and the people of the Commonwealth Puerto Rico and should not be used by anyone other than these specified parties.

Nexia C[illegible] & Co, PSC
NEXIA CARDONA, IRIZARRY & CO., PSC

September 11, 2008
San Juan, Puerto Rico

NEXIA CARDONA IRIZARRY & CO., PSC
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CERTIFIED PUBLIC ACCOUNTANTS

Statistical Section

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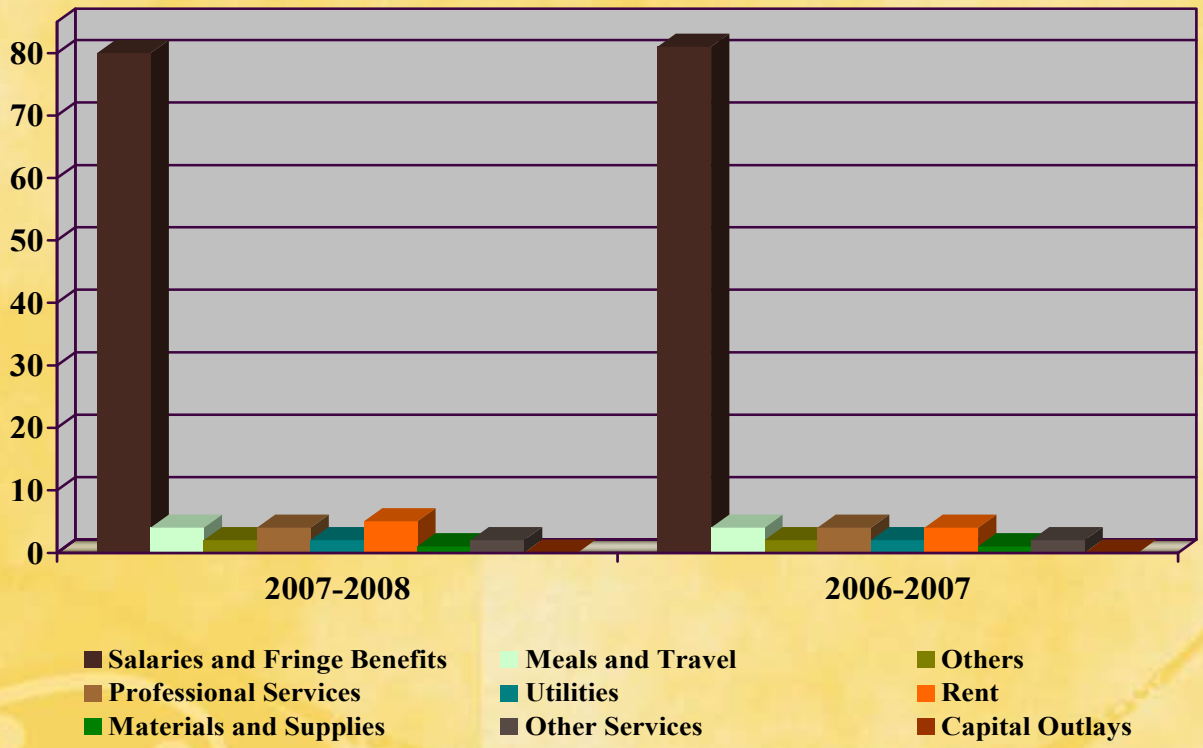
REPORT AND OPERATIONS

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, 2006-07 and 2007-08.

Chart 1 - Budget

	2007-2008		2006-2007	
Description	**Appropriation**	**Percent**	**Appropriation**	**Percent**
Salaries and Fringe Benefits	$34,459,095	80	$34,748,693	81
Meals and Travel	1,728,503	4	1,736,682	4
Others	752,500	2	702,288	2
Professional Services	1,609,644	4	1,627,353	4
Utilities	1,009,111	2	891,068	2
Rent	2,104,894	5	1,810,145	4
Materials and Supplies	421,931	1	545,880	1
Other Services	914,322	2	811,859	2
Capital Outlays	0	0	126,032	0
Total	**$43,000,000**	**100**	**$43,000,000**	**100**

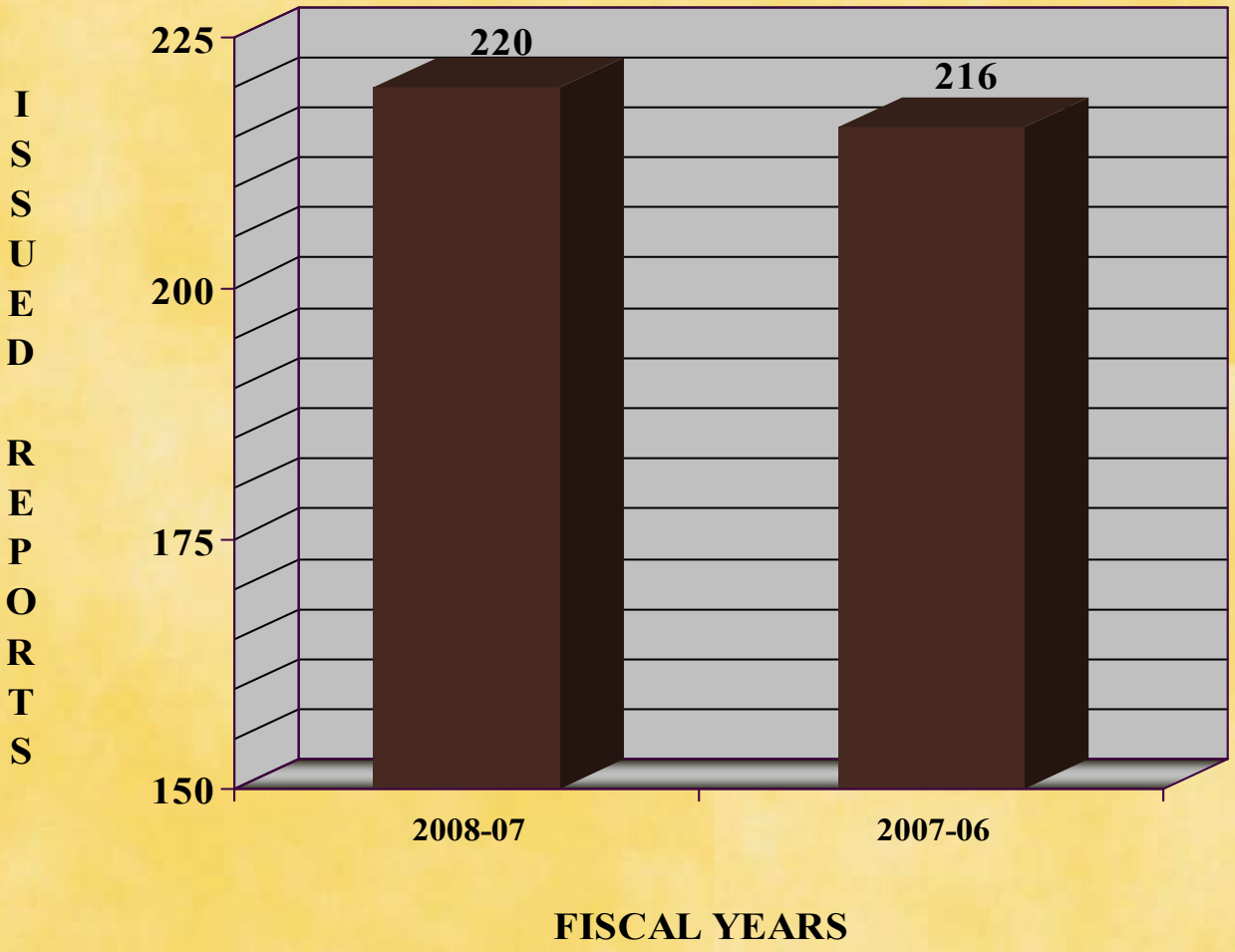


ISSUED REPORTS

During fiscal year 2007-08, this Office issued 220 reports. These reports involved audits which revealed administrative deficiencies, irregularities, or illegal acts in the operation of audited units. By the end of each fiscal year, the reports had been sent to the Governor, the President of the Senate, and the Speaker of the House of Representatives, and had been published in our website.

Chart 2 shows the number of Issued Reports for fiscal years 2007-08 and 2006-07.

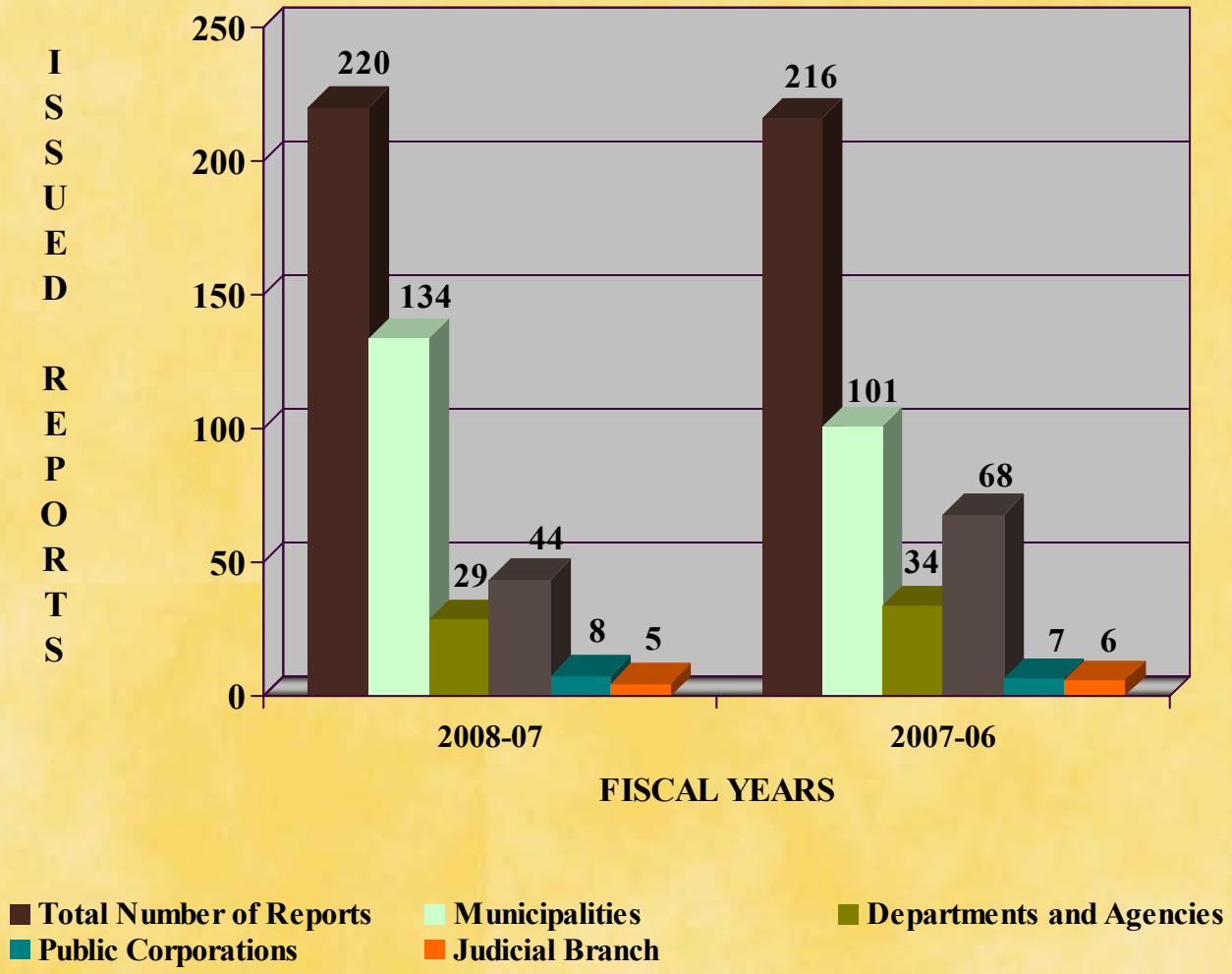
Chart 2 – Issued Reports



ISSUED REPORTS BY TYPE OF GOVERNMENT ENTITY

This chart shows the number of Issued Reports by type of governmental entity for fiscal years 2007-08 and 2006-07.

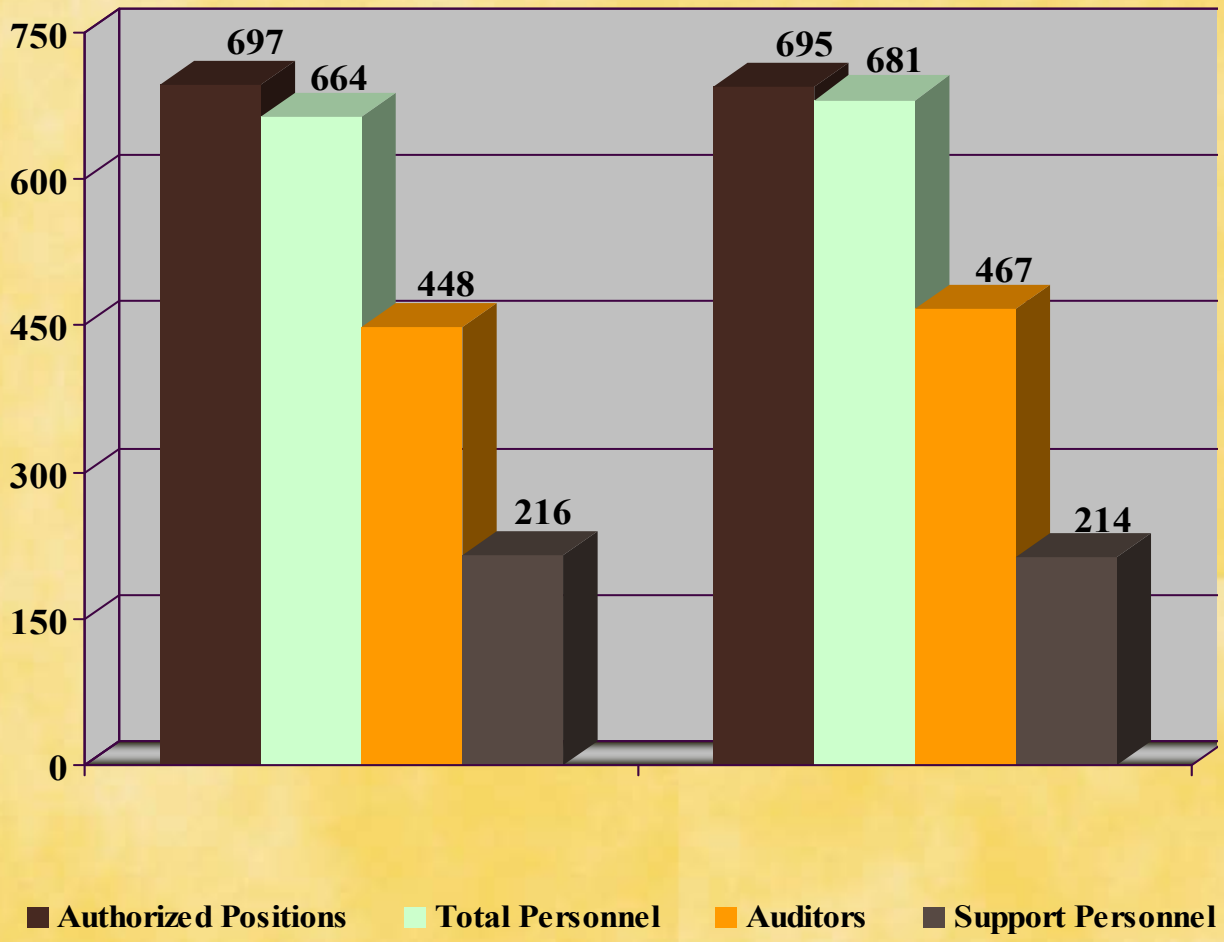
Chart 3 - Issued Reports by Entity



HUMAN CAPITAL

This chart shows the breakdown of audit and support personnel for fiscal years 2007-08 and 2006-07.

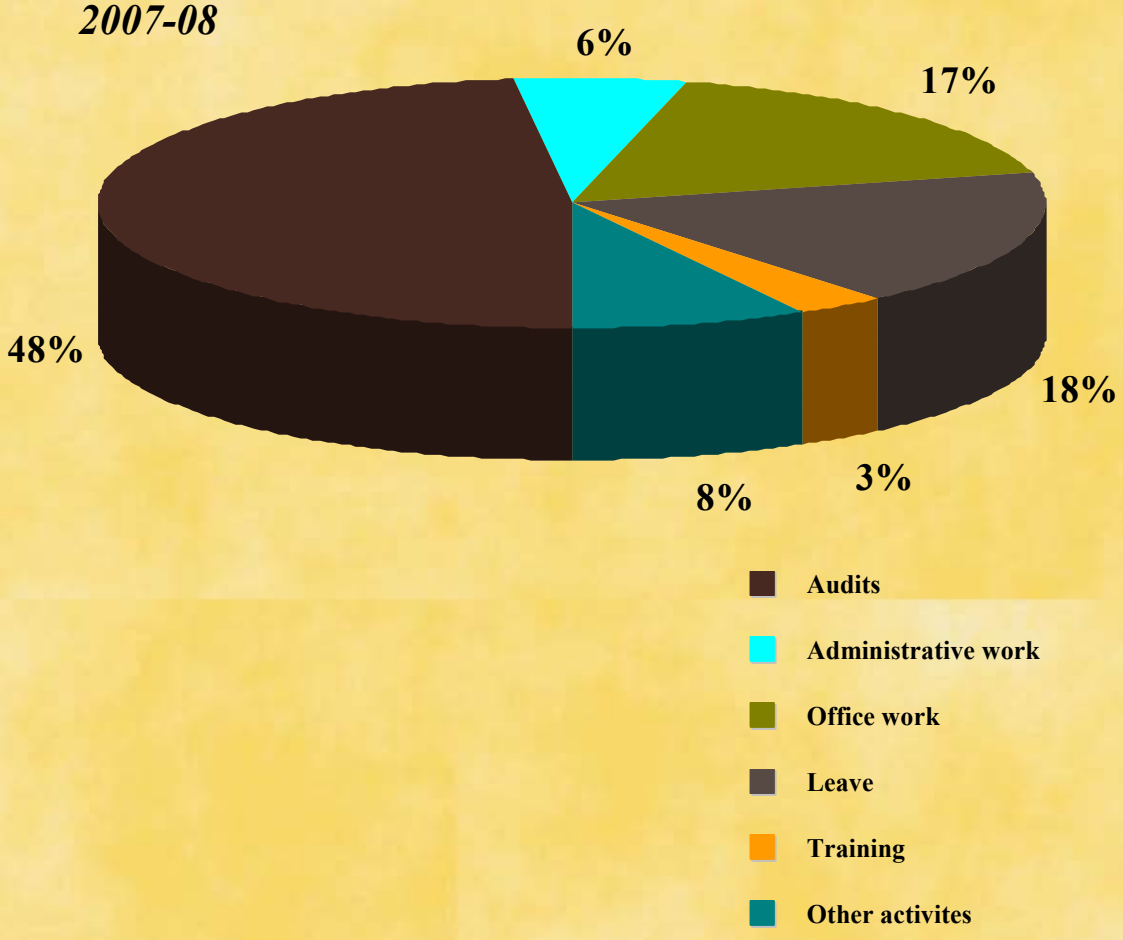
Chart 4 – Distribution of Human Capital by Auditor and Support Personnel



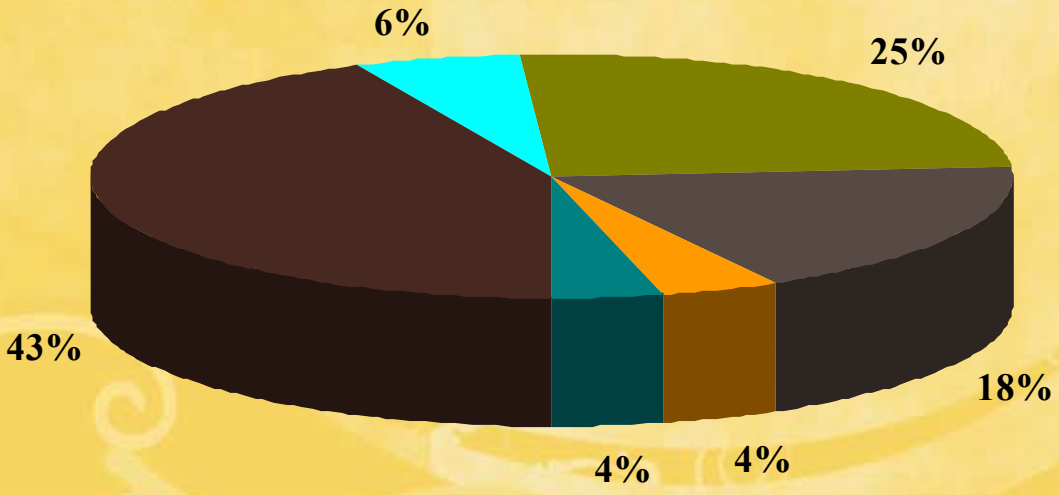
TIME DISTRIBUTION

Chart 5 – Time Description Activity During 2007-08 and 2006-07

2007-08



2006-07



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SENSIBILITY·JUSTICE·EXCELLENCE

Other Information

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Internal Anticorruption Policy (Summary)

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 Plan (ZTC 2000) 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 or 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 controls 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:

- Advisory Committee on Internal Audits shall be able to make 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 (OGE) - both the Comptroller and designated personnel thereby, file financial statements to OGE.

NOTIFICATION OF ACTIONS THAT CONSTITUTE CORRUPTION

Direct communication to the Ethics 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

CONFIDENTIALITY

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

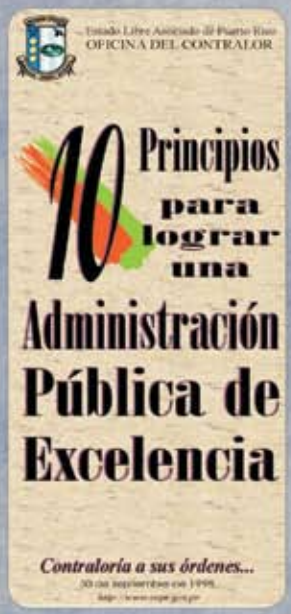
CONTINUOUS EDUCATION

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.

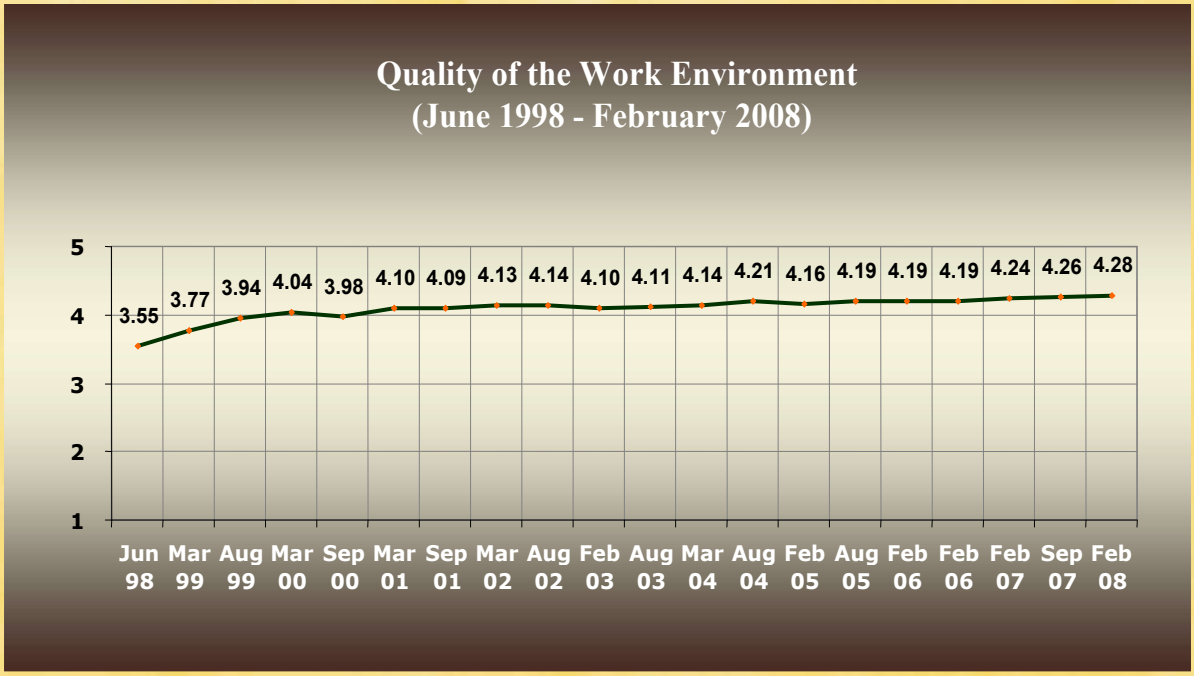
Revised on March 8, 2003.

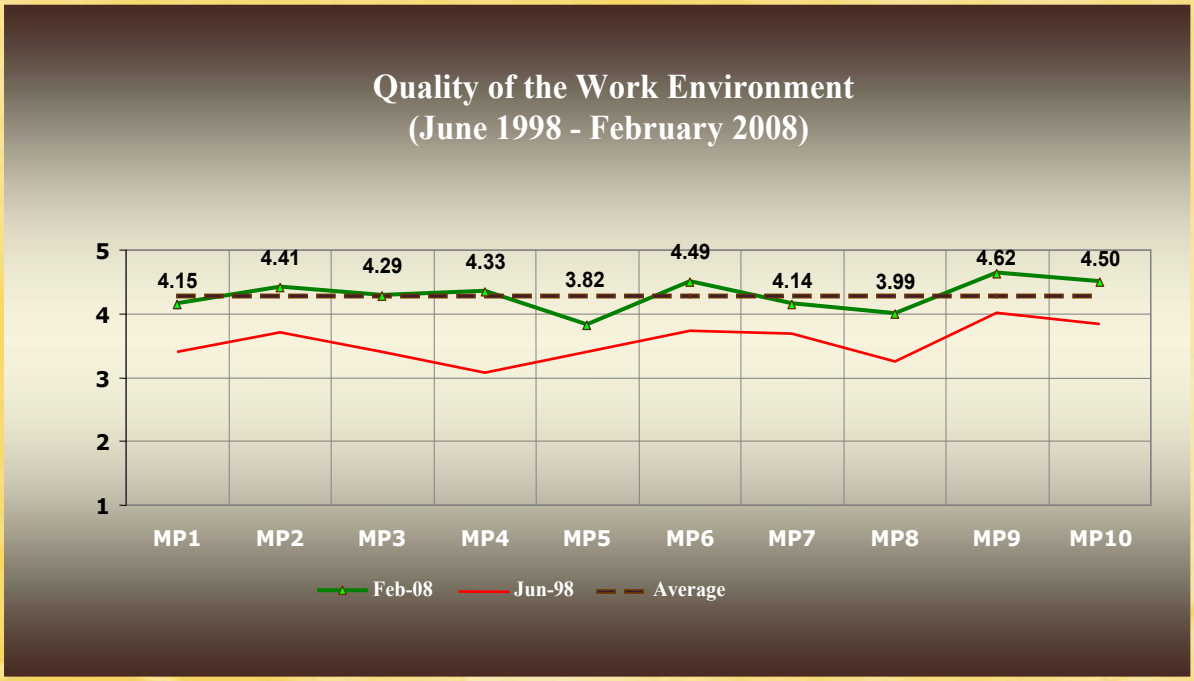
(Sgd) Manuel Díaz Saldaña
Comptroller of Puerto Rico

Reference Guides Published



Measurement of the Quality of the Work Environment





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We count on your cooperation to improve the oversight function and administration of public funds and property

CAFR

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