



Government of the United States Virgin Islands

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2015

Government of the
United States Virgin Islands

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
OMB Circular A-133
Year Ended September 30, 2015

Government of the United States Virgin Islands

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Independent Auditor's 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*

To the Honorable Governor
of the Government of the United States Virgin Islands

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated June 27, 2016. We expressed a qualified opinion on the financial statements of the governmental activities, general fund, debt service fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report.

Our aforementioned report includes references to other auditors who audited the financial statements of the Virgin Islands Public Finance Authority (VIPFA), Virgin Islands Housing Authority (VIHA), Virgin Islands Public Television System (VIPTS), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), University of the Virgin Islands Research and Technology Park Corporation (RTPark), Magens Bay Authority (MBA), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Housing Finance Authority (VIHFA), Employees' Retirement System of the Government of the Virgin Islands (GERS), and Virgin Islands Lottery (V.I. Lottery) as described in our report on the Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We audited the financial statements of the Virgin Islands Water and Power Authority (WAPA) and the Virgin Islands Port Authority (VIPA). This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for WAPA and VIPA which is reported on separately by us. The financial statements of the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center) were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Government's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control.



Accordingly, we do not express an opinion on the effectiveness of the Government's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in greater detail in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2015-001	Year-End Close Process
2015-002	Tax Revenue and Receivables
2015-003	Grants Management
2015-004	Capital Assets and Related Expenditures
2015-005	Recording of Liabilities
2015-006	Management of the Medicaid Program
2015-007	Unemployment Insurance Trust Fund
2015-008	Workers Compensation Program

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Finding #	Nature of Finding
2015-009	Pension Plan Obligations
2015-010	Bank Accounts
2015-011	Payroll, Related Accruals, and Other Expenditures
2015-012	Information Technology Environment

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as identified below and described in greater detail in the accompanying schedule of findings and questioned costs.

Finding #	Nature of Finding
2015-013	Landfill Consent Decrees
2015-014	Establishment of a Medical Malpractice Trust Fund
2015-015	Collateralizing Deposits

The Government's Responses to Findings

The Government's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. The Government's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 27, 2016

BDO USA, LLP



Independent Auditor's Report on Compliance For Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A 133

To the Honorable Governor
of the Government of the United States Virgin Islands

Report on Compliance for Each Major Federal Program

We have audited the Government of the United States Virgin Island's (the Government) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Government's major Federal programs for the year ended September 30, 2015. The Government's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Government's basic financial statements include the operations of the Virgin Islands Public Finance Authority (VIPFA), Virgin Islands Housing Authority (VIHA), Virgin Islands Public Television System (VIPTS), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), University of the Virgin Islands (UVI), University of the Virgin Islands Research and Technology Park Corporation (RTPark), Magens Bay Authority (MBA), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Housing Finance Authority (VIHFA), Employees' Retirement System of the Government of the Virgin Islands (GERS), and Virgin Islands Lottery (V.I. Lottery). The financial statements of UVI had not been audited, and we were not engaged to audit UVI's financial statements as part of our audit of the Government's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and our audit described below do not include the Federal expenditures of these organizational units. As may be applicable, these organizational units of the Government have a separate independent audit performed in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The accompanying Schedule of Expenditures of Federal Awards and our audit described below also do not include the Federal expenditures of the Virgin Islands Water and Power Authority (WAPA) and the Virgin Islands Port Authority (VIPA). The results of our testing of compliance for WAPA and VIPA is reported on separately by us.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Government's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Government's compliance.

Basis for Adverse Opinion on CFDA 93.558 Temporary Assistance for Needy Families (TANF) Cluster and CFDA 93.778 Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, and as listed below, the Government did not comply with requirements regarding the following for CFDA 93.558 Temporary Assistance for Needy Families (TANF) Cluster and CFDA 93.778 Medicaid Cluster. Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to those programs.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-020	93.558	Temporary Assistance for Needy Families Cluster	Activities Allowed or Unallowed
2015-021	93.558	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles - Payroll Activities
2015-022	93.558	Temporary Assistance for Needy Families Cluster	Cash Management
2015-023	93.558	Temporary Assistance for Needy Families Cluster	Eligibility
2015-024	93.558	Temporary Assistance for Needy Families Cluster	Equipment and Real Property Management
2015-025	93.558	Temporary Assistance for Needy Families Cluster	Reporting
2015-026	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Child Support Non-Cooperation
2015-027	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Penalty for Refusal to Work
2015-028	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Income Eligibility and Verification System
2015-033	93.778	Medicaid Cluster	Activities Allowed or Unallowed
2015-034	93.778	Medicaid Cluster	Cash Management
2015-035	93.778	Medicaid Cluster	Eligibility
2015-036	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2015-037	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-038	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2015-039	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2015-040	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity

Adverse Opinion on CFDA 93.558 Temporary Assistance for Needy Families (TANF) Cluster and CFDA 93.778 Medicaid Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the Government did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.558 Temporary Assistance for Needy Families (TANF) Cluster and CFDA 93.778 Medicaid Cluster for the year ended September 30, 2015.

Basis for Qualified Opinion on CFDA 93.600 Head Start, CFDA 11.419 Coastal Zone Management Administration Awards, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants For Wastewater Treatment Works, and CFDA 10.555 Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, and as listed below, the Government did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-030	93.600	Head Start	Equipment and Real Property Management
2015-032	93.600	Head Start	Special Tests and Provisions - Wage Rate Requirements
2015-042	11.419	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles - Payroll Activities
2015-055	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2015-058	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Wage Rate Requirements
2015-061	66.418	Construction Grants For Wastewater Treatment Works	Special Tests and Provisions - Wage Rate Requirements
2015-072	10.555	Child Nutrition Cluster	Special Tests and Provisions - Accountability for USDA-Donated Foods

Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to those programs.



Qualified Opinion on CFDA 93.600 Head Start, CFDA 11.419 Coastal Zone Management Administration Awards, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants for Wastewater Treatment Works, and CFDA 10.555 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.600 Head Start, CFDA 11.419 Coastal Zone Management Administration Awards, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants for Wastewater Treatment Works, and CFDA 10.555 Child Nutrition Cluster for the year ended September 30, 2015.

Basis for Qualified Opinion on CFDA 17.225 Unemployment Insurance and CFDA 93.767 Children's Health Insurance Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Government with CFDA 17.225 Unemployment Insurance as described in finding 2015-065 and with CFDA 93.767 Children's Health Insurance Program as described in finding 2015-041 for Activities Allowed or Unallowed. Consequently, we were unable to determine whether the Government complied with those requirements applicable to those programs.

Qualified Opinion on CFDA 17.225 Unemployment Insurance and CFDA 93.767 Children's Health Insurance Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 17.225 Unemployment Insurance and CFDA 93.767 Children's Health Insurance Program for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs, and as listed below. Our opinion on each major Federal program is not modified with respect to these matters.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-016	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles - Payroll Activities
2015-017	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-018	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2015-019	10.561	Supplemental Nutrition Assistance Program Cluster	Reporting
2015-029	93.600	Head Start	Cash Management
2015-031	93.600	Head Start	Reporting
2015-043	11.419	Coastal Zone Management Administration Awards	Equipment and Real Property Management
2015-044	11.419	Coastal Zone Management Administration Awards	Matching, Level of Effort, and Earmarking
2015-045	11.419	Coastal Zone Management Administration Awards	Reporting
2015-046	11.482	Coral Reef Conservation Program	Allowable Costs/Cost Principles - Payroll Activities
2015-047	11.482	Coral Reef Conservation Program	Equipment and Real Property Management
2015-048	11.482	Coral Reef Conservation Program	Matching, Level of Effort, and Earmarking
2015-049	93.563	Child Support Enforcement	Cash Management
2015-050	93.563	Child Support Enforcement	Equipment and Real Property Management
2015-051	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2015-052	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, and Earmarking
2015-053	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2015-054	20.205	Highway Planning and Construction Cluster	Cash Management
2015-056	20.205	Highway Planning and Construction Cluster	Procurement, Suspension, and Debarment
2015-057	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Quality Assurance Program
2015-059	66.418	Construction Grants For Wastewater Treatment Works	Cash Management
2015-060	66.418	Construction Grants For Wastewater Treatment Works	Reporting
2015-062	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2015-063	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2015-064	15.875	Economic, Social, and Political Development of the Territories	Procurement, Suspension , and Debarment



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-066	17.225	Unemployment Insurance	Eligibility
2015-067	10.555	Child Nutrition Cluster	Activities Allowed or Unallowed
2015-068	10.555	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2015-069	10.555	Child Nutrition Cluster	Cash Management
2015-070	10.555	Child Nutrition Cluster	Equipment and Real Property Management
2015-071	10.555	Child Nutrition Cluster	Subrecipient Monitoring

The Government's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Government's responses were not subjected to our auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Government's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as listed below, to be material weaknesses:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-016	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles - Payroll Activities
2015-017	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
2015-018	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2015-020	93.558	Temporary Assistance for Needy Families Cluster	Activities Allowed or Unallowed
2015-021	93.558	Temporary Assistance for Needy Families Cluster	Allowable Costs/Cost Principles - Payroll Activities
2015-022	93.558	Temporary Assistance for Needy Families Cluster	Cash Management
2015-023	93.558	Temporary Assistance for Needy Families Cluster	Eligibility
2015-024	93.558	Temporary Assistance for Needy Families Cluster	Equipment and Real Property Management
2015-025	93.558	Temporary Assistance for Needy Families Cluster	Reporting
2015-028	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Income Eligibility and Verification System
2015-029	93.600	Head Start	Cash Management
2015-030	93.600	Head Start	Equipment and Real Property Management
2015-032	93.600	Head Start	Special Tests and Provisions - Wage Rate Requirements
2015-033	93.778	Medicaid Cluster	Activities Allowed or Unallowed
2015-034	93.778	Medicaid Cluster	Cash Management
2015-035	93.778	Medicaid Cluster	Eligibility
2015-036	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2015-037	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility
2015-038	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2015-039	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2015-040	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity
2015-041	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed
2015-042	11.419	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles - Payroll Activities
2015-043	11.419	Coastal Zone Management Administration Awards	Equipment and Real Property Management



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-046	11.482	Coral Reef Conservation Program	Allowable Costs/Cost Principles - Payroll Activities
2015-047	11.482	Coral Reef Conservation Program	Equipment and Real Property Management
2015-050	93.563	Child Support Enforcement	Equipment and Real Property Management
2015-051	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2015-054	20.205	Highway Planning and Construction Cluster	Cash Management
2015-055	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2015-058	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Wage Rate Requirements
2015-059	66.418	Construction Grants For Wastewater Treatment Works	Cash Management
2015-061	66.418	Construction Grants For Wastewater Treatment Works	Special Tests and Provisions - Wage Rate Requirements
2015-062	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2015-063	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2015-065	17.225	Unemployment Insurance	Activities Allowed or Unallowed
2015-066	17.225	Unemployment Insurance	Eligibility
2015-069	10.555	Child Nutrition Cluster	Cash Management
2015-070	10.555	Child Nutrition Cluster	Equipment and Real Property Management
2015-072	10.555	Child Nutrition Cluster	Special Tests and Provisions - Accountability for USDA-Donated Foods

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as listed below, to be significant deficiencies:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-019	10.561	Supplemental Nutrition Assistance Program Cluster	Reporting
2015-026	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Child Support Non-Cooperation
2015-027	93.558	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Penalty for Refusal to Work
2015-031	93.600	Head Start	Reporting



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-044	11.419	Coastal Zone Management Administration Awards	Matching, Level of Effort, and Earmarking
2015-045	11.419	Coastal Zone Management Administration Awards	Reporting
2015-048	11.482	Coral Reef Conservation Program	Matching, Level of Effort, and Earmarking
2015-049	93.563	Child Support Enforcement	Cash Management
2015-052	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, and Earmarking
2015-053	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2015-056	20.205	Highway Planning and Construction Cluster	Procurement, Suspension, and Debarment
2015-057	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Quality Assurance Program
2015-060	66.418	Construction Grants For Wastewater Treatment Works	Reporting
2015-064	15.875	Economic, Social, and Political Development of the Territories	Procurement, Suspension, and Debarment
2015-067	10.555	Child Nutrition Cluster	Activities Allowed or Unallowed
2015-068	10.555	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2015-071	10.555	Child Nutrition Cluster	Subrecipient Monitoring

The Government's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Government's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We issued our report thereon dated June 27, 2016, which expressed a qualified opinion on the financial statements of the governmental activities, general fund, debt service fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.



The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the Schedule of Expenditures of Federal Awards of the circumstances noted above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

September 30, 2016

Schedule of Expenditures
of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Agriculture		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 96,625
Specialty Crop Block Grant Program - Farm Bill	10.170	37,151
Organic Certification Cost Share Programs	10.171	750
<u><i>Child Nutrition Cluster</i></u>		
National School Lunch Program	10.555	8,266,122
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	6,660,091
Child and Adult Care Food Program	10.558	536,126
State Administrative Expenses for Child Nutrition	10.560	433,541
<u><i>SNAP Cluster</i></u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	61,600,764
<u><i>Food Distribution Cluster</i></u>		
Emergency Food Assistance Program (Administrative Costs)	10.568	19,231
Farm to School Grant Program	10.575	21,698
Supplemental Nutrition Assistance Program, Process and Technology Improvement	10.580	932,171
Fresh Fruit and Vegetable Program	10.582	24,846
Cooperative Forestry Assistance	10.664	72,940
Urban and Community Forestry Program	10.675	156,951
Forest Legacy Program	10.676	23,166
Forest Stewardship Program	10.678	21,438
Total U.S. Department of Agriculture		78,903,611

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services		
Special Programs for the Aging-Title VII, Chapter 3		
Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	11,830
Special Programs for the Aging-Title VII, Chapter 2		
Long Term Care Ombudsman Services for Older Individuals	93.042	39,315
Social Services Block Grant - SCA - Home Based Services (HBS)	93.043	511,056
<u>Aging Cluster</u>		
Special Programs for the Aging-Title III, Part B		
Grants for Supportive Services and Senior Centers	93.044	690,911
Special Programs for the Aging-Title III, Part C		
Nutrition Services	93.045	1,128,893
Nutrition Services Incentive Program	93.053	21,976
Total Aging Cluster		<u>1,841,780</u>
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	62,483
National Family Caregiver Support, Title III, Part E	93.052	269,195
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	780,089
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	90,878
Maternal and Child Health Federal Consolidated Programs	93.110	148,425
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	106,317
Emergency Medical Services for Children	93.127	116,775
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	160,569
Projects for Assistance in Transition from Homelessness (PATH)	93.150	284,577

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services (continued)		
Family Planning-Services	93.217	874,885
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	1,283,080
Universal Newborn Hearing Screening	93.251	171,184
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93.259	69,310
Immunization Cooperative Agreements	93.268	1,266,538
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	6,713
Affordable Care Act (ACA) Maternal, Infant, and Early Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	27,181
Behavioral Risk Factor Surveillance System	93.336	2,390
Childhood Home Visiting Program	93.505	450,424
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	8,944
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	190,036
Promoting Safe and Stable Families	93.556	122,670
<u>TANF Cluster</u>		
Temporary Assistance for Needy Families State Programs	93.558	3,193,568
Child Support Enforcement	93.563	3,028,888
Low-Income Home Energy Assistance	93.568	189,179
Community Services Block Grant	93.569	2,149,330
<u>CCDF Cluster</u>		
Child Care and Development Block Grant	93.575	1,894,833

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services (continued)		
Grants to States for Access and Visitation Programs	93.597	30,824
Head Start	93.600	8,656,891
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	93.617	26,471
Developmental Disabilities Basic Support and Advocacy Grants	93.630	125,299
Children's Justice Grants to States	93.643	138,544
Stephanie Tubbs Jones Child Welfare Services Program	93.645	49,946
Social Services Block Grant	93.667	135,854
Child Abuse and Neglect State Grants	93.669	28,036
Shelter and Supportive Services	93.671	48,777
ARRA - Strengthening Communities Fund	93.711	500
Preventive Health and Health Services Block Grant Funded solely (PPHF)	93.758	81,675
Children's Health Insurance Program	93.767	3,839,872
<u>Medicaid Cluster</u>		
Medical Assistance Program	93.778	27,720,573
Health Care and Other Facilities	93.887	17,734
HIV Care Formula Grants	93.917	1,565,177
HIV Prevention Activities-Health Department Based	93.940	609,632
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	98,374
Block Grants for Community Mental Health Services	93.958	165,676
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,007,951
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	167,923
Maternal and Child Health Services Block Grant to the States	93.994	861,697
Total U.S. Department of Health and Human Services		64,729,868

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Transportation		
<u>Highway Planning and Construction Cluster</u>		
Highway Planning and Construction	20.205	15,326,483
National Motor Carrier Safety	20.218	109,552
<u>Federal Transit Cluster</u>		
Federal Transit - Formula Grants	20.507	502,955
<u>Highway Safety Cluster</u>		
State and Community Highway Safety	20.600	807,283
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	31,078
Total U.S. Department of Transportation		16,777,351
U.S. Department of Labor		
Compensation and Working Conditions	17.005	345,218
<u>Employment Service Cluster</u>		
Employment Service/Wagner-Peyser Funded Activities	17.207	1,348,592
Disabled Veterans' Outreach Program (DVOP)	17.801	103,072
<i>Total Employment Service Cluster</i>		<u>1,451,664</u>
Unemployment Insurance	17.225	16,455,676
Senior Community Service Employment Program	17.235	898,102
<u>WIA Cluster</u>		
WIA/WIOA Adult Program	17.258	685,428
WIA/WIOA Youth Activities	17.259	1,169,413
<i>Total WIA Cluster</i>		<u>1,854,841</u>
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	3,271
Occupational Safety and Health-State Program	17.503	181,279
Total U.S. Department of Labor		21,190,051

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Education		
<u><i>Special Education Cluster (IDEA)</i></u>		
Special Education - Grants to States	84.027	9,242,035
Rehabilitation Services - Vocational Rehabilitation		
Grants to States	84.126	1,603,147
Independent Living - State Grants Program	84.169	15,702
Rehabilitation Services - Independent Living Services for		
Older Individuals Who Are Blind	84.177	10,696
Special Education - Grants for Infants and Families	84.181	1,062,407
Safe and Drug-Free Schools and Communities-National Programs	84.184	38,192
Supported Employment Services for Individuals with the		
Most Significant Disabilities	84.187	20,500
Territories and Freely Associated States Education Grant		
Program	84.256	870,666
Advanced Placement Program (Advanced Placement Test		
Fee; Advanced Placement Incentive Program Grants)	84.330	16,745
Striving Readers	84.371	184,134
Statewide Longitudinal Data Systems	84.372	245,716
Consolidated Grant to the Outlying Areas	84.403	18,581,329
Consolidated Block Grant	84.922	3,043
Total U.S. Department of Education		31,894,312
U.S. Department of the Interior		
<u><i>Fish and Wildlife Cluster</i></u>		
Sport Fish Restoration Program	15.605	455,230
Wildlife Restoration and Basic Hunter Education	15.611	147,264
<i>Total Fish and Wildlife Cluster</i>		<u>602,494</u>
Sportfishing and Boating Safety Act	15.622	26,097
Enhanced Hunter Education and Safety Program	15.626	36,505
State Wildlife Grants	15.634	20,468
Economic, Social, and Political Development of the		
Territories	15.875	1,944,119
Historic Preservation Fund Grants-In-Aid	15.904	226,991
Total U.S. Department of the Interior		2,856,674

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Defense		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	4,795,092
U.S. Environmental Protection Agency		
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	41,816
State Clean Diesel Grant Program	66.040	94,579
Construction Grants for Wastewater Treatment Works	66.418	3,423,987
Water Quality Management Planning	66.454	46,383
<u><i>Drinking Water State Revolving Fund Cluster</i></u>		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,329,109
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	1,003
Beach Monitoring and Notification Program Implementation Grants	66.472	161,767
Performance Partnership Grants	66.605	2,104,841
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	67,466
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	24,865
State and Tribal Response Program Grants	66.817	73,434
Total U.S. Environmental Protection Agency		7,369,250

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Homeland Security		
Boating Safety Financial Assistance	97.012	748,048
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,210,672
ARRA - Hazard Mitigation Grant	97.039	204,965
Emergency Management Performance Grants	97.042	956,089
Pre-Disaster Mitigation	97.047	119,041
Homeland Security Grant Program	97.067	758,105
Total U.S. Department of Homeland Security		3,996,920
U.S. Department of Justice		
Sexual Assault Services Formula Program	16.017	33,352
Juvenile Accountability Block Grants	16.523	61,507
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	44,465
State Justice Statistics Program for Statistical Analysis Centers	16.550	162
National Criminal History Improvement Program (NCHIP)	16.554	1,700
Crime Victim Assistance	16.575	216,451
Crime Victim Compensation	16.576	63,941
Violence Against Women Formula Grants	16.588	298,473
Residential Substance Abuse Treatment for State Prisoners	16.593	152,628
Public Safety Partnership and Community Policing Grants	16.710	671,863
Enforcing Underage Drinking Laws Program	16.727	58,906
Edward Byrne Memorial Justice Assistance Grant Program	16.738	549,310
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	54,211
Support for Adam Walsh Act Implementation Grant Program	16.750	205,532
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	516
Total U.S. Department of Justice		2,413,017

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2015

<i>Federal Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Commerce		
<u>Economic Development Cluster</u>		
Economic Adjustment Assistance	11.307	196,630
Coastal Zone Management Administration Awards	11.419	762,024
Marine Fisheries Initiative	11.433	74,169
Cooperative Fishery Statistics	11.434	27,158
Southeast Area Monitoring and Assessment Program	11.435	686,029
Regional Fishery Management Councils	11.441	77
Meteorologic and Hydrologic Modernization Development	11.467	94,917
Coral Reef Conservation Program	11.482	531,961
State and Local Implementation Grant Program	11.549	187,981
Total U.S. Department of Commerce		2,560,946
National Endowment for the Arts		
Promotion of the Arts - Partnership Agreements	45.025	313,600
State Library Program	45.310	90,071
Total National Endowment for the Arts		403,671
U.S. Department of Energy		
State Energy Program	81.041	279,028
Weatherization Assistance for Low-Income Persons	81.042	81,957
Total U.S. Department of Energy		360,985
Corporation for National and Community Service		
Retired and Senior Volunteer Program	94.002	27,040
<u>Foster Grandparent/Senior Companion Cluster</u>		
Foster Grandparent Program	94.011	193,378
Total Corporation for National and Community Service		220,418
Executive Office of the President		
High Intensity Drug Trafficking Areas Program	95.001	87,979
U.S. Department of Housing and Urban Development		
Supporting Housing Program	14.235	32,250
Total Expenditures of Federal Awards		\$ 238,592,395

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all Federal award programs administered by the Government of the United States Virgin Islands (the Government), as defined in a manner consistent with the entity defined in the basic financial statements as of and for the year ended September 30, 2015, except that certain organizational units (as defined previously) are excluded as they contract for separate audits in accordance with Office of Management and Budget (OMB) Circular A-133. Accordingly, the accompanying Schedule presents the Federal financial assistance programs administered by the primary Government for the year ended September 30, 2015.

2. Basis of Presentation

Federal award programs include direct expenditures, monies passed through to nonstate agencies (i.e., payments to subrecipients) and nonmonetary assistance. The Schedule presents total Federal awards expended for each individual Federal program in accordance with OMB Circular A-133 and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.000).

3. Basis of Accounting

The expenditures for each of the Federal award programs are presented in the Schedule on a modified accrual basis, except for nonmonetary programs, which are presented based on the fair value of the food stamps (CFDA No. 10.561 in the amount of \$56,639,034) and the food cost (CFDA No. 10.557 in the amount of \$5,377,556) distributed during the year. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. The Government's accounting system provides the primary information from which the Schedule is prepared.

4. Matching Costs

Matching costs, such as the non-Federal share of certain program costs, are not included in the accompanying Schedule, except Unemployment Insurance (CFDA No. 17.225), as indicated in Note 7.

5. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which are prepared on the basis explained in Note 3.

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

6. Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

During fiscal year 2015, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$824,000 on sales of formula to participants in the WIC program (CFDA No. 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

7. Unemployment Insurance (UI)

The U.S. Department of Labor in consultation with the Office of Management and Budget officials has determined that for the purpose of audits and reporting under OMB Circular A-133, State or Territory Unemployment Insurance (UI) funds as well as Federal funds should be considered Federal awards for determining Type A programs. The State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under CFDA No. 17.225.

Territory UI Benefits (Trust Fund)	\$ 12,856,525
Federal UI Benefits (Administration)	3,599,151
<hr/>	
Total	\$ 16,455,676

8. Research and Development Programs

The Government may receive and expend Federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2015, did not equal an amount that would constitute a major program under the guidelines of OMB Circular A-133.

9. Subrecipients

Of the Federal expenditures presented in the Schedule, the Government provided Federal awards to major program subrecipients as follows.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Construction Grants for Wastewater Treatment Works	66.418	\$ 3,392,602
Consolidated Grant to the Outlying Areas	84.403	\$ 1,790,094
Coral Reef Conservation Program	11.482	\$ 16,015

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Governmental Activities	Qualified
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Qualified
Capital Projects Fund	Unmodified
Federal Grants Fund	Qualified
West Indian Company-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely-Presented Component Units	Qualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported
- Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for
major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.555	Child Nutrition Cluster	Qualified
10.561	Supplemental Nutrition Assistance Program Cluster	Unmodified
11.419	Coastal Zone Management Administration Awards	Qualified
11.482	Coral Reef Conservation Program	Unmodified

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified
15.875	Economic, Social, and Political Development of the Territories	Unmodified
17.225	Unemployment Insurance	Qualified
20.205	Highway Planning and Construction Cluster	Qualified
66.418	Construction Grants for Wastewater Treatment Works	Qualified
84.027	Special Education - Grants to States	Unmodified
84.403	Consolidated Grant to the Outlying Areas	Unmodified
93.558	Temporary Assistance for Needy Families Cluster	Adverse
93.563	Child Support Enforcement	Unmodified
93.600	Head Start	Qualified
93.767	Children's Health Insurance Program	Qualified
93.778	Medicaid Cluster	Adverse

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
10.561	Supplemental Nutrition Assistance Program Cluster
11.419	Coastal Zone Management Administration Awards
11.482	Coral Reef Conservation Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
66.418	Construction Grants for Wastewater Treatment Works
84.027	Special Education - Grants to States
84.403	Consolidated Grant to the Outlying Areas
93.558	Temporary Assistance for Needy Families Cluster
93.563	Child Support Enforcement
93.600	Head Start
93.767	Children's Health Insurance Program
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

 yes X no

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Section II - Financial Statement Findings

Finding 2015-001: Year-End Close Process

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Timeliness and Methodology of Close Process

Finding and Recommendation:

- We noted a significant delay in the year-end closing process and preparation of year-end financial statements. We noted that in many cases, reconciliations were finalized during the audit process, which represents a substantial delay when compared to the Government's fiscal year-end. Therefore, detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Significant post-closing adjustments were provided during the audit process. We further noted that an adjustment to the gross receipts taxes allowance for doubtful accounts is calculated by the use of a formula. The Government misapplied its pre-set formula in calculating the allowance. As a result, an adjustment was required during the audit process. Reconciliation mechanisms should be enhanced in an effort to avoid the recurrence of such errors.
- We noted that post-closing adjustments are not posted in the accounting system but are maintained in a manual excel working trial balance. Considering the volume of post-closing adjustments and the manual process of reversing year-end accruals and/or other adjustments, there is continuous opportunity where items can be missed and may not be accurately and timely captured, and therefore, increasing the potential for prior period adjustments to correct balances.
- The Government's official accounting and recordation system accepts unbalanced journal entries. As a result, the existing set-up requires a periodic monitoring of unbalanced journal entries.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded during the fiscal year. We also recommend the Government devise a process to clear unbalanced journal entries in a timely manner and address system issues to ensure proper recording of accounting transactions.

The year-end closing could proceed more quickly and smoothly by instituting a logical order for closing procedures and assigning responsibility for completing the procedures to specific personnel. Strict adherence to this schedule should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: In an effort to develop reliable and timely interim and year-end financial statements, the Department of Finance will review all accounts, accruals, and reconciliations on a quarterly basis. Any unreconciled differences will be identified and resolved, with any applicable journal entries, recorded in the financial system of the Government.

The Accounting Director, with oversight from the Assistant Commissioner, will adopt a new closing procedure whereby all post-closing and audit adjustments maintained in the manual excel working trial balance are reviewed, ratified, and recorded in the financial management system throughout the audit engagement, such that the general ledger reflects audited balances and the correct opening balances for the upcoming fiscal year.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Assistant Commissioner and the Directors of Accounting, Treasury, and Payroll.

Incorporation of Component Units

Finding and Recommendation:

During our review of the Government's draft financial statements, we noted certain inconsistencies with the incorporation of component units' financial statements as it related to classification and reporting of account balances along with completeness of disclosures in the footnotes to the financial statements. These types of instances resulted in financial reporting adjustments to the Government's draft financial statements.

We recommend the Government consider implementing a standardized reporting format package for all components to facilitate the year-end close process. The reporting package should include the necessary details with respect to the nature of the items being requested and with respect to the classification and treatment of certain account balances and transactions. Schedules may be formulated in Microsoft Excel and furnished to the component units for inclusion in the requested reporting package.

The implementation of certain necessary steps will allow the Government adequate time to reconcile intercompany account balances and perform a thorough and detailed review to ensure consistent financial disclosure of component units' information within its own financial statements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: Concomitant with the annual request for audited financial statements from the separate instrumentalities of the Government (i.e., component units), the Department of Finance will reinforce its request to said instrumentalities to complete a Component Unit Reporting Package (the Reporting Package).

The Reporting Package will be used in the preparation of the financial statements of the Government. The completion of the Reporting Package by component units of the Government will enhance the implementation of closing procedures and thereby allow the Department of Finance adequate time to reconcile intercompany account balances, as well as perform a thorough and detailed review to ensure consistent financial disclosure of component units' information within its own financial statements.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Accounting.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-002: Tax Revenue and Receivables

The Government's Bureau of Internal Revenue (the Bureau) is responsible for administering the internal revenue tax laws of the Virgin Islands. As such, the Bureau manages the processes over the following types of taxes: income, gross receipts, excise, highway user's, hotel room, entertainment, and fuel taxes.

Through the Government's Division of Real Property Tax, all commercial and residential property subject to taxation in the Virgin Islands is assessed, property tax bills are prepared and mailed, and the collection of property taxes is carried out.

Reconciliation of Subsidiary Registers

Finding and Recommendation:

The Government maintains various subsidiary registers as derived from its tax recordation systems, primarily VITAX and CAVU. However, the Government does not reconcile its subsidiary registers to its tax receivable general ledger account balances. A strong control system over receivables includes an accurate accounting system that maintains agreement between the subsidiary ledger and the general ledger. To prevent the need for major adjustments to the impacted tax receivable and revenue accounts at the end of each year, we suggest that the general ledger accounts be reconciled to the detailed records on a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: For purposes of interim financial reporting, the Department of Finance will obtain valid subsidiary ledger reports reflecting the most up-to-date receivable balances emanating from the VITAX and CAVU systems on a quarterly basis from the Bureau of Internal Revenue and the Lieutenant Governor's Office, respectively. Once received, the Department of Finance will update its general ledger to reflect the most accurate tax receivable balances.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: The management team of the Department of Finance, Lieutenant Governor's Office, and Bureau of Internal Revenue; specifically, the Director of Accounting and Tax Assessor and/or the Chief of Staff.

Tax Return Processing Method

Finding and Recommendation:

The Government is utilizing a manual process in that returns received by the Bureau are batched by type of return and by tax year and manually entered into the tax recordation system, VITAX.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

The manual data entry is being reviewed on a random/sample basis and the Bureau is relying on the system's automated edit check to capture any errors. While the system's automated edit check identifies many errors, it does not guarantee the complete accuracy of the entered information. This poses a continued risk of data omissions, typographical errors, entry of information to incorrect fields, as well, as fraudulent data entry.

The flow of transactions into a computer system is a critical aspect of the design and maintenance of a strong system of controls. We recommend the Bureau consider an evaluation of its current review procedures around the tax return processing method in an effort to minimize associated risks.

Views of Responsible Officials and Planned Corrective Actions:

The Bureau of Internal Revenue concurs with the auditor's findings and recommendations.

Action Plan: The Bureau recognizes there are opportunities for training and system enhancements to increase our accuracy in the data entry area and the systems monitoring area. We will re-evaluate and re-establish all formal processing procedures, re-train the staff, and review the policies and procedures of refund processing to increase accuracy and minimize errors.

Implementation Date: Immediately.

Person(s) Responsible: The management team of the Bureau of Internal Revenue; specifically, Assistant Chief of Processing.

Income Taxes

Finding and Recommendation:

We identified the following exceptions during our sampled test procedures. Management should recognize that the potential exists for additional discrepancies.

- During our procedures over income tax receivables, the Government was unable to provide supporting documentation for seven (7) items. Management may consider revising its retention policy for accounts that have outstanding balances.
- We noted one (1) item which contained a data input error.
- The VITAX system does not calculate the complete interest due on a taxpayer's refund amount; this is only calculated at the time of payment when transmitted to the Department of Finance, for which the timing may or may not coincide with the end of the Government's fiscal year.
- During our procedures over income tax refund expenses, the Government was unable to provide supporting documentation for three (3) sampled items.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

- During our procedures over tax refunds payable, the Government was unable to provide supporting documentation for fifteen (15) sampled items.
- During our procedures over gross receipts tax collections, the Government was unable to provide supporting documentation for (1) sampled item.

Views of Responsible Officials and Planned Corrective Actions:

The Bureau of Internal Revenue concurs with the auditor's findings and recommendations.

Action Plan: The Bureau will:

- Conduct training for the Data Entry and Error Resolution staff to properly identify all taxpayers who are entitled to tax exemptions and tax benefits.
- Attempt to locate requested returns. With the current scanning capabilities, this issue should not continue into the future.

Implementation Date: Immediately.

Person(s) Responsible: The management team of the Bureau of Internal Revenue; specifically, Assistant Chief of Processing, Information Technology Director, and Federal Disclosure Officer.

Tax Clearances

Finding and Recommendation:

During our procedures over tax clearances issued during the fiscal year, the Government was unable to provide adequate supporting documentation for thirteen (13) selected items.

The supporting documentation or affidavit would support that the taxpayer was of good standing and did not have any outstanding balances with the Government. We identified the exceptions during our sampled procedures. Management should recognize that the potential exists for additional discrepancies.

Views of Responsible Officials and Planned Corrective Actions:

The Bureau of Internal Revenue concurs with the auditor's findings and recommendations.

Action Plan: The Bureau will maintain all applications and supporting documentation for tax clearance letters, for a three (3) year period.

Implementation Date: Immediately.

Person(s) Responsible: The management team of the Bureau of Internal Revenue; specifically, Chief of Delinquent Accounts & Returns.

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Optimum Usage of the Real Property Tax System

Finding and Recommendation:

It appears that the CAVU system, as currently designed, is not adequately meeting the financial and reporting needs of the Government. There exists an inability to assess account aging and to produce aged outstanding receivable reports, as well as a lack of ability to generate a cut-off balance as of any given point in time. As a result, knowledge of the composition and quality of the Government's receivables is significantly impaired and this has a direct effect on the accuracy of financial reporting and financial decision-making. For instance, the collections used to calculate the modified accrual basis adjustment(s) for financial reporting purposes are not regularly reconciled to ensure accurate and proper cut-off of information has been captured in order to establish 'available cash.'

Management may consider contacting the vendor of the CAVU system to request the development of and/or the capability of producing accurate aged receivable reports as well as a functionality or reporting tool to produce cut-off balances at any given point in time. This would assist the Government in establishing a system that produces timely and accurate financial information.

Views of Responsible Officials and Planned Corrective Actions:

The Office of the Lieutenant Governor concurs with the auditor's findings and recommendations.

Action Plan: The Office of the Lieutenant Governor is currently negotiating with the vendor (CAVU) to develop more detailed reports that can be generated by any specific date requested to begin and/or end the selected report.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Lieutenant Governor's Office; specifically, the Tax Assessor/Tax Collector and/or the Chief of Staff.

Real Property Tax

Finding and Recommendation:

- We noted twenty-one (21) sampled items which did not have the proper approval from the tax credit assessor. Management should recognize that the potential exists for additional discrepancies.
- With respect to delinquent accounts, we noted that the property owners enter into settlement agreements with the Government which includes a fixed amount of penalties and interest. It is noted, however, that the CAVU system, continues to calculate such interest and penalties even after the actual settlement date. This has the effect of potentially inflating the calculated interest in the stand-alone CAVU system.

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Views of Responsible Officials and Planned Corrective Actions:

The Office of the Lieutenant Governor concurs with the auditor's findings and recommendations.

Action Plan: The Office of the Lieutenant Governor is presently negotiating with the vendor (CAVU) for the development of the installment agreement program to be added to the existing system. When completed, there will be no need for manual paper records and spreadsheet updates.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Lieutenant Governor's Office; specifically, the Tax Collector and/or the Chief of Staff.

Real Property Tax - Allowances for Doubtful Accounts

Finding and Recommendation:

Adjustments to the allowances for doubtful accounts are calculated by the use of a formula that was established many years ago. This computation places a high degree of reliance on past experience and can be greatly influenced by specific large write-offs that may occur from time to time. It is difficult to determine whether these historical formulas are properly matching bad-debt expense and tax revenue in the most appropriate manner, but it appears that the total allowances are somewhat overstated. We believe that consideration should be given to re-evaluating the Government's model for establishing the allowances required to include some accounts receivable performance measures. Poor practices in this area have a direct negative impact on the Government because this affects cash flow. An updated analysis will provide management with accurate doubtful-account allowances that matches bad-debt expense with tax revenue.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Lieutenant Governor's Office has already begun working on creating methodologies to establish allowances for receivable balances to be reviewed by the Department of Finance that is relative and timely. Furthermore, the Lieutenant Governor's Office will aggressively pursue properties with liens by including policies and procedures to increase performance measures.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Lieutenant Governor's Office; specifically, the Tax Assessor and/or the Chief of Staff.

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Finding 2015-003: Grants Management

The Government receives grant and contract funds from various funding agencies. These situations necessitate a strong accounting system to record specific grant and contract activities. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Control Systems Over the Schedule of Expenditures of Federal Awards

Finding and Recommendation:

The flow of accounting transactions into the ERP system is a critical aspect of the design and maintenance of a strong system of controls over the Schedule of Expenditures of Federal Awards (SEFA).

As a consequence of following certain practices, expenditures are being charged to incorrect projects, codes, and CFDA numbers and, it becomes critical that SEFA expenditures between the Government's ERP system and individual agency or departmental records, where the respective Federal programs are managed and administered, are reconciled on a more consistent basis. The reconciliations should also facilitate the reporting requirements of each contract and grant. We noted the following:

- There are times when manual adjustments are made at the individual agency or departmental level, outside of the ERP system.
- In certain cases, as a result of errors in recording expenditures at the agency or departmental level, we noted that local expenditures may be included in the SEFA, as produced from the ERP system.
- We noted that there are instances, while an approval for a new grant is imminently pending and the Government is incurring start-up expenditures on said new grant program, all expenditures are coded to an existing (old) project code. Subsequently, upon the grant's approval, the Government does not revert back and reclassify the expenditures to the correct project codes.
- We noted certain block grants may be allocated to two or more grant programs at the agency or departmental level. However, this allocation may not be readily evident in the SEFA, as produced from the ERP system.

These issues also impact the roll-forward schedule for the general ledger account entitled 'Due from Federal government.' The aforementioned methods have resulted in additional analysis and delays in order to ensure accuracy of the SEFA. The following types of adjustments were necessitated during the annual audit process:

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Reclassifications:

- Approximately \$4.8 million had been reflected as expenditures for Catalog of Federal Domestic Assistance (CFDA) Number 93.558, *Temporary Assistance for Needy Families*; however, the majority of these funds had actually been spent for various other Federal programs.
- Approximately \$3.8 million had been reflected as expenditures for CFDA Number 93.778, *Medical Assistance Program*; however, these funds had actually been spent for CFDA Number 93.767, *Children's Health Insurance Program*. This resulted in an adjustment to the number of major programs requiring an audit under the requirements of Office of Management Budget (OMB) Circular A-133.
- Approximately \$463,000 in expenditures had erroneously been recorded to CFDA Number 93.600, *Head Start* but belonged to CFDA Number 10.558, *Child and Adult Care Food Program*.
- Approximately \$46,000 in expenditures had erroneously been recorded to CFDA Number 10.556, *Special Milk Program for Children* but belonged to CFDA Number 10.560, *State Administrative Expenses for Child Nutrition*.

Dual Counting:

- Approximately \$1.0 million in expenditures had erroneously been recorded twice to CFDA Number 20.205, *Highway Planning and Construction*.

Miscalculations:

- Approximately \$1.4 million in expenditures had not been reflected in CFDA Number 10.555, *National School Lunch Program*.
- Approximately \$7.2 million in expenditures had erroneously been recorded to CFDA Number 84.027, *Special Education_Grants to States*.
- Approximately \$6.7 million in expenditures had erroneously been recorded to CFDA Number 84.403, *Consolidated Grant to the Outlying Areas*.
- Approximately \$88,000 in expenditures had erroneously been recorded to CFDA Number 84.184, *Safe and Drug-free Schools and Communities_ National Programs*.
- Approximately \$177,000 in expenditures had erroneously been recorded to CFDA Number 84.256, *Territories and Freely Associated States Education Grant Program*.
- Approximately \$84,000 in expenditures had erroneously been recorded to CFDA Number 84.372, *Statewide Longitudinal Data Systems*.

Communication and reconciliation mechanisms should be enhanced between the centralized Government agency which is responsible for collecting the SEFA information and each individual agency which manages Federal grant programs in an effort to avoid the recurrence of such errors and misclassifications.

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Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Schedule of Expenditures for Federal Awards (SEFA) is prepared by the Department of Finance via a customized report that extracts information from the Enterprise Resource Planning (ERP) system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level. As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies. Therefore, in an effort to enhance the monthly reconciliation function, the Office of Management and Budget will fully implement the Grants Management Module, per the ERP system.

Given that certain financial data related to the SEFA is provided to the Department of Finance by certain third-parties using separate financial systems, the Department of Finance will coordinate with said parties - through the respective department/agency - in order mitigate the prospect of duplicating entries by documenting the roles, responsibilities, and timelines associated with posting financial data onto the central Government's ERP system.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: For the Grants Management Module, the Director, Office of Management and Budget and with respect to the SEFA, the Commissioner, Department of Finance.

Due from Federal Government

Finding and Recommendation:

Based on our review of the schedule of grants and contracts, we noted the Government is not monitoring its outstanding Federal receivables on a regular basis and further, there does not appear to be a process which incorporates a reconciliation of the receivable balances on a per grant/project basis. This leads to difficulty in establishing individual balances of both receivables and deferrals from grants and contracts, may mask items that have been inactive for many years, and can cause confusion regarding the true level of activity. Further, during our sampled procedures over grant collections, we noted that for four (4) items, adequate support for the respective collections was not readily available within the ERP system

We recommend that management investigate and review these balances and take the appropriate action which would encompass an effective review and follow-up on individual accounts on a quarterly basis.

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Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: In an effort to more accurately account for Federal receivables, the Office of Management and Budget will collaboratively work with the Department of Finance to fully implement the Grants Management Module, per the Enterprise Resource Planning (ERP) system.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: The Director, Office of Management and Budget and Director of Accounting.

Uniform Grant Guidance for Federal Awards

Finding and Recommendation:

On December 26, 2013, the United States Office of Management and Budget (OMB) issued an omnibus OMB circular - colloquially referred to as the 'Uniform Circular' - which consolidates a constellation of regulations and seeks to provide consistent guidance for both the recipients and issuers of Federal grants. The Uniform Circular or the Uniform Grant Guidance contains multiple changes and consolidations.

Non-federal entities will need to implement the new administrative requirements and cost principles for all new Federal awards and to additional funding to existing awards (referred to as funding increments) made after December 26, 2014. The audit requirements will be effective for fiscal years beginning on or after December 26, 2014.

With the advent of the Uniform Grant Guidance, grant recipients and administrators must carefully re-evaluate their grant practices to determine what has remained the same, and what has not. We recommend that the Government take proactive measures to analyze the changes that may impact its Federal programs and offer training to all departments and agencies which administer such programs.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Government will partner with a third-party provider to take proactive measures in analyzing the changes that may impact its Federal programs, as well as offer training to all departments and agencies which administer such programs.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Management Team of the Office of Management and Budget; specifically, the Deputy Director and Associate Director.

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Finding 2015-004: Capital Assets and Related Expenditures

Capital assets constitute an investment of substantial amounts, thereby, requiring an excellent system of controls for the maintenance and safeguarding of these assets.

Finding and Recommendation:

We noted the following with respect to the processing and recording of capital assets:

- The Government has a significant number of on-going construction projects. The necessary analysis to identify completed projects was completed during the audit process and it was discovered that for many of these completed projects, the date of completion was unknown. Records had not been maintained which specified the date the project had been completed and placed into service. As such, the first day of the fiscal year was utilized as both the transfer and the placed in service date. We recommend that the Government continue to improve this process and refine its record keeping to ensure that accurate dates are available and utilized.

We also noted several projects which had been completed during the current fiscal year, but were included as part of the on-going projects schedule, instead of being transferred to depreciable capital assets. As a result, capital assets had not been properly classified and depreciation expense had not been properly calculated and recorded.

- The Government does not currently have a set process in place to analyze its capital assets for impairment during a given fiscal year. We recommend that the Government implement a formal process whereby, a periodic impairment assessment is conducted, independent of the external audit.
- The Government does not have a formal process for identifying and recording capital asset disposals and retirements. To ensure that all disposals and retirements are consistently processed, we recommend that formal policies be adopted.
- The Government was unable to provide evidence that a physical inventory had been performed. Additionally, there is no process in place in which the results of the physical inventory are communicated to the Department of Finance so that necessary adjustments can be recorded. We recommend that the results of periodic physical counts be readily available for analysis by external parties and further, the results should be compared to the detailed capital asset subsidiary ledger. This will help improve the tracking of assets for disposal and impairment purposes.

It should also be noted that as a recipient of Federal grant funds, the Government is required to have in place an inventory management system to track items purchased with Federal funds.

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- During our sampled observation procedures over capital assets, we noted the following:
 - The fixed assets register which was provided, lacked adequate detail (i.e. asset numbers; descriptions) to completely facilitate confirming the respective assets' existence.
 - One (1) item had been disposed of but had not been removed from the listings and related ledgers.
 - Three (3) items could not be located.
 - One (1) item was noted as having an acquisition cost of \$5,800. While the asset was located, it was determined that the asset had been erroneously entered into the system with an acquisition cost of \$58,000. We noted that the acquisition cost was corrected; however, the system continued to depreciate the asset on the incorrect, higher value.
- During our sampled procedures over capital asset additions, we noted the following:
 - It was noted the capital asset recognition process was determined based on payment date, rather than on delivery date or when services were provided in terms of on-going construction projects.
 - The Government was unable to provide sufficient supporting documentation for thirty (30) additions related to on-going projects.
 - Two (2) additions were identified in the completed projects listing for which the Government had capitalized interest, rather than expensing it in accordance with its stated accounting policy.
 - One (1) addition was recorded in the current year, but was actually an addition for the subsequent fiscal year.

These instances resulted in significant financial reporting adjustments. While we noted the Government has taken certain preliminary steps, we recommend continued diligence with respect to the monitoring and review of capital assets and in ensuring the reconciliation of supporting registers to the primary register. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing capital assets.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department of Property & Procurement will spearhead the monitoring and review of the Government's capital assets and ensure reconciliation of supporting registers to its primary register. As the lead agency for managing the property of the Government, the Department of Property & Procurement will coordinate and communicate amongst all Government departments and/or agencies that are responsible for handling and managing capital assets.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Commissioner, Department of Property & Procurement.

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Finding 2015-005: Recording of Liabilities

A fundamental element of a sound system of internal controls is an effective liability calculation process. Such a process helps ensure that all liability transactions are properly recorded, appropriately supported, and subjected to supervisory review.

Poor practice in this area allows for situations to occur in which accounts payable and other liabilities accrue without regard to the ability to repay the debt until they reach near crisis proportions. This kind of situation is most detrimental because it directly affects cash flow.

In recent times, the Government's financial statements have grown in complexity. The Government should consider performing a liabilities close process on a quarterly schedule in order to detect and correct on a timely basis, while at the same time, enhancing the Government's knowledge over its financial condition.

Retroactive Pay Liability

Finding and Recommendation:

The Government's lack of control over its retroactive pay liability has affected the auditor's ability to opine on certain affected opinion units.

- We noted that currently there is a \$195 million retroactive pay liability reflected on the books and records; however, the supporting schedules can only confirm \$184 million which, in turn, is based on an analysis of collective bargaining agreements (CBAs) from the initial retroactive pay wage Commission findings.
- Approximately 70% of the Government's employees are paid varying rates, based on different CBAs. We noted that there are several CBAs that have not been evaluated, implemented, ratified, and accrued for. We recommend that management set up a master file that summarizes the pay rate from each CBA and related factors that influence the rate. Management should then periodically review the master file and compare pay rates to the authorized rates contained in personnel files to determine that the current and effective rates in usage are appropriate.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) and the Office of Management and Budget (OMB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/ Records Management staff, along with senior budget analysts from OMB to first develop a firm number with regard to the Government's retroactive obligation. This process has already started.

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Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and OMB. OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Division of Personnel; specifically, the Information Technology Manager, Personnel Records Supervisor, OMB Director, Senior Budget Analysts.

Medical Malpractice Liability

Finding and Recommendation:

It is noted that *Reciprocal Insurance Fund* includes disbursements pertaining to payments of medical malpractice claims. However, we further noted that the Government has not completed the necessary analysis in order to determine the quantifiable recordation of a corresponding and estimated liability for medical malpractice claims, in accordance with generally accepted accounting principles.

Due to a lack of controls around the Government's claims data process, it has been unable to gather and generate the proper information which is needed for an actuary to compile an estimated liability at year-end. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficiently to determine the extent by which the Business-Type Activities and the Aggregate Remaining Fund Information may have been impacted, as of and for the year ended September 30, 2015, thereby effecting the auditor's ability to opine on said opinion units. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be provided to an actuarial service provider as it facilitates the Government in calculating the year-end liability.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department of Health will allocate the requisite resources to properly evaluate the necessary information, which can then be provided to an actuarial service provider for purposes of facilitating the Government in calculating the year-end medical malpractice liability.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Commissioner, Department of Health.

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Accounts Payable

Finding and Recommendation:

At present, the Government's general ledger control account for accounts payable does not agree with the subsidiary ledger balances during the entire fiscal year. This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which is based solely on subsequent events when performing the yearly financial statement close process. This practice, in turn, is based on a system functionality wherein, the accounting system does not allow for recording or accrual of invoices when the obligation is incurred, but rather when the corresponding allotment has been approved by the Office of Management and Budget (OMB).

This routine also impacts the accuracy in recordation of capital assets in that any accruals for goods and services received is not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods.

Overall, this generates significant adjustments during the yearly financial statement close process and a manual scrub exercise with respect to capital expenditures. Moreover, supervisory review of the accounts payable reconciliation process and estimation of accrued liabilities may not be timely and/or effective in all instances. Management may consider utilizing its ERP Accounts Payable module more regularly in order to reduce the existing manual efforts through which accounts payable are currently established.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: At present, the ERP system does not allow departments/agencies to enter vendor invoices unless a sufficient allotment is approved by OMB. As a result of this system functionality, certain vendor invoices are set-aside, rather than entered (or accrued for immediately), until OMB provides for a periodic allotment - which may occur several months after year-end. Therefore, given that the OMB allotment process is the underlying controlling mechanism for entering vendor invoices, the Department of Finance must perform a manually intensive review of year-end transactions that are posted in a subsequent year.

The Department of Finance will proactively collaborate with the software vendor supporting its ERP Accounts Payable module to ascertain whether a reduction in the existing manual efforts can be achieved.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Accounting.

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Income Tax Refunds Payable

Finding and Recommendation:

We noted that the Government establishes its year-end liability for income tax refunds through a manually intensive process, which is based on consolidating two sets of reports that includes the following information (1) tax returns from various refund batches which exist, but have not been processed or paid as of year-end and, (2) tax returns that were processed and paid subsequent to year-end. Based on our review of the schedules, we noted that there were several tax returns that were included in both reports.

During the audit process, the Government revisited its database and a significant adjustment was required in order to establish the income tax refunds payable at year-end.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Bureau of Internal Revenue will revise its methodology in establishing the year-end liability.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Director, Bureau of Internal Revenue.

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Finding 2015-006: Management of the Medicaid Program

Each State or Territory establishes systems for administering and providing Medicaid benefits. The Medicaid program is jointly funded by the Federal and the respective local government. The Virgin Islands Department of Human Services (the Department) is the primary agency responsible for administering the Government's Medicaid program.

Management of Third-Party Vendor Relationship(s)

Finding and Recommendation:

The Department uses the Medicaid Management Information System (MMIS) to process Medicaid claims, and pays a fee to a third-party service provider to provide maintenance and operational services. By using a third-party service provider, the Government assumes the risk of incomplete or inaccurate data processing, or worse, the risk of fraud.

We recommend that management should require and review an annual Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report (which superseded the SAS 70 audit standard) to review relevant information regarding the service provider's internal control design and operating effectiveness in which the Government's Medicaid claims reside. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review including performing periodic on-site visits or distributing an internal control questionnaire to the service provider to assist in evaluating the control consciousness of the service provider.

The Government's records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside. As such, we are unable to determine how the Governmental Activities and the General Fund information may have been impacted, as of and for the year ended September 30, 2015, thereby effecting the auditor's ability to opine on said opinion units.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: In order to review relevant information regarding the service provider's internal control design and operating effectiveness, the Department of Human Services will contract with an independent auditor to conduct the Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report, on an annual basis.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: The Commissioner, Department of Human Services and Chief Financial Officer.

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Cost Report Audits

Finding and Recommendation:

Two Government owned and operated hospitals, the Governor Juan F. Luis Hospital & Medical Center and the Roy Lester Schneider Hospital, provide Medicaid services to eligible Territory residents. Both hospitals function on a non-DRG platform, meaning that they charge through daily per diem rates based upon the amount of patients serviced.

The costs incurred by the hospitals, long-term care facilities and/or Federally Qualified Health Centers (FQHC) participating in the Medicaid program are to be summarized in a cost report which, in turn, is to be submitted to the Department.

The cost reports are then required to be audited per the Government's Medicaid State Plan. Based on audits of the cost reports, a receivable or a payable should be recorded for the difference between costs submitted for reimbursement and the costs actually reimbursed.

We noted that the Department has not audited cost reports for the fiscal year. We recommend that management evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow the Government to reduce the time between Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department is in the process of obtaining an independent auditor for the purpose of conducting an audit on the Cost Reports for these facilities. With the third quarter of Fiscal Year 2016, the vendor should be selected and the reports will be subsequently reviewed.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Commissioner, Department of Human Services and Chief Financial Officer.

Utilization Control and Medicaid Fraud Control Unit

Finding and Recommendation:

A State or Territory Medicaid plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. Further, States or Territories are required as part of their Medicaid State Plans to maintain a Medicaid Fraud Control Unit (MFCU), unless the United States Secretary of Health and Human Services determines that certain safeguards are met regarding fraud and abuse, and waives the requirement.

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We noted that the Department does not have a MFCU in place nor does it have the necessary controls or procedures to safeguard against unnecessary utilization of care and services and to identify, investigate, and refer suspected fraud cases.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department is in the process of obtaining additional analytics training for performing post payment reviews. Information learned in this training will be used to identify possible patterns of billing and utilization concern which could be referred to the Department Fraud Unit for further investigation.

The Department hired a dedicated Fraud Worker and also sent Fraud staff to the National Association for Program Information and Performance Management (NAPIPM) training on MAP Fraud and Quality Control; conducted MAP Fraud and QC training for MAP fraud workers on March 19-20, 2014; conducted meetings in establishing methods or criteria for identifying suspected fraud cases; and drafted a Memorandum of Understanding (MOU) for establishing an agreement with the Attorney General's Office (Virgin Islands Department of Justice) on investigation and prosecution of fraud. Presently, MAP is in the process of identifying a work area for the MAP Fraud Control and Quality Control Unit in the Family Assistance Building in Fredriksted, to ensure that safeguards are met regarding fraud and abuse.

It should be noted that the five Territories have not established MFCUs, although Puerto Rico has recently expressed interest in doing so. Unlike Medicaid funding for the 50 states and the District of Columbia, Medicaid funding to the Territories is capped, and the Territories routinely use the full amount of that funding to pay for Medicaid services and to pay for essential administrative functions. Although a MFCU might eventually pay for itself through savings, in the short term a Territory would need to fund its MFCU using monies that would otherwise have gone to pay for Medicaid benefits.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: Program Administrator, Department of Human Services.

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Finding 2015-007: Unemployment Insurance Trust Fund

Account Reconciliation Process

Finding and Recommendation:

We noted that the majority of the account reconciliations were not available during the audit process. Others contained incomplete information and/or were not in accordance with required accounting practices. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficient to determine the extent by which the Business Type Activities and Unemployment Insurance Trust Fund may have been impacted, as of and for the year ended September 30, 2015, thereby affecting the auditor's ability to opine on said opinion unit.

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports. Timely preparation of complete and accurate reconciliations is also key to maintaining adequate control over both cash receipts and disbursements.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be used to reflect the Fund's activity at each fiscal year-end.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Virgin Islands Department of Labor (VIDOL) recognizes the need to properly report the activities of the Unemployment Insurance Trust Fund. VIDOL has requested and received approval from the Virgin Islands Office of Management and Budget for the hiring of accountants, whose responsibilities will be to record the activities of the Fund in accordance with generally accepted accounting practices. In addition, as part of the year-end financial reporting process related to the Government's financial statement preparation, VIDOL will work with the Department of Finance to ensure that it receives the Unemployment Insurance Trust Fund information timely.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: Commissioner, Virgin Islands Department of Labor.

Government of the United States Virgin Islands

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Finding 2015-008: Workers Compensation Program

The workers compensation program provides for medical costs, death benefits, and lost wages arising from work-related accidents. The program is administered by the Division of Workers' Compensation within the Government's Department of Labor.

Accuracy of the Program Loss Reserves

Finding and Recommendation:

The preferred actuarial approach to determine loss and loss expense reserves is to employ a variety of reserving methods to estimate ultimate losses by accident year. Each method has advantages and disadvantages dependent on such items as the claims environment, the age of the accident year, and stability of the method. From within this range of indicated ultimate losses, a selection is made based on a review of the various methods and actuarial judgment.

We noted that the data underlying the Government's analysis is as of September 30, 2013. A delay in claims payments during the 24 months beginning October 1, 2013 and ending September 30, 2015, resulted in significantly lower paid amounts in the data valued as of September 30, 2014 and 2015, compared with the prior period evaluation. As such, the Government's actuary concluded that there is no predictive value in the data as of September 30, 2015. Since loss development factors are determined based on the assumption that a percentage of the total reported losses are paid at any given point in time, the application of the paid patterns underlying the Government's loss triangles to the paid losses valued as of September 30, 2015, would have resulted in understating the ultimate values.

Based on hindsight comparisons and other calculations derived from claim counts, we were able to conclude that the actuary's ultimate loss projections are within a range of reasonable estimates. However, actuarial estimates improve as more information becomes available at each maturity. As such, we recommend that the Government consider the following:

- Initiate the development of a formal document describing the processes used in computing and reporting these liabilities in the financial statements. The Government and its actuary should consider incorporating open claims and severity models in their projections.
- Provide a clear reasoning as to how the Government establishes any subjective assumptions.
- Include explicit explanations for any changes made to methodologies or programs made in the current period that were not present in the prior period valuation.
- For completeness, we suggest constructing a formal Risk Control Matrix and a visual flow chart relating to the valuation processes.

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Views of Responsible Officials and Planned Corrective Actions:

The Department of Labor (DOL) and the Workers Compensation Administration (WCA) concur with the auditor's findings and recommendations.

Action Plan: Workers Compensation claims are handled manually; therefore, assumptions of existing claim losses are unpredictable as it takes on claim (severe injury) to change future claims costs and/or payouts as healthcare rates vary and based on the availability of funds. Projection is made based on previous year's history. The DOL/WCA purchased the ERIC System Risk Management software. Utilization of the Risk Management software will enable WCA to prepare realistic medical and indemnity reserves for all claims, which will result in providing the Department of Finance (DOF) with end of fiscal year realistic subjective assumptions based on actual claims history. Implementation of the ERIC System will allow the DOL/WCA and the DOF to generate various risk management reports and have access to claims records.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: The management team of the Department of Labor and Department of Finance; specifically, the WCA Director, and DOL IT personnel.

Government Insurance Fund

Finding and Recommendation:

We noted a financial strain (from claims) due to a mismatch from the Government's employers' premium contributions into the *Government Insurance Fund*. For the years ended September 30, 2015 and 2014, the ratio of expenditures to income has been 152% and 157%, respectively. It appears that losses since the financial crisis of 2008 have easily exceeded the premiums collected sans the impact of operational costs to run the Workers Compensation portion of the Fund. In order to maintain continued solvency, we recommend that management consider an evaluation of the claims adjudication and related processes (as an attempt to lower the costs) in lieu of making any increases to the likely mandated employer contribution formulas. Management may also consider embarking on an advisory path to consider some alternatives that could minimize the severity of any losses.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Executive and Legislative branches of Government will collaborate to implement various recommendations of its actuary in an effort to provide for the long-term financial viability of the Fund.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Governor, President, V.I. Legislature and Commissioner, and Department of Finance.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-009: Pension Plan Obligations

The Government of the Virgin Islands Employees' Retirement System (GERS or the Retirement System) is a single employer, defined benefit pension plan established by the Government to provide retirement, death, and disability benefits for its employees. The Government also provides other post-employment benefits (OPEB) for healthcare, prescriptions, dental, and life insurance coverage.

Retirement System Minimum Funding

Finding and Recommendation:

We noted that the Government has not funded the minimum annual required contributions (ARC) for the Retirement System for a number of years. For fiscal year 2015, the Government funded 36% of the minimum ARC. The most recent GERS actuarial valuation report as of October 1, 2014, disclosed a net pension liability of \$3.1 billion which represents an obligation the Government has to fund a commitment of benefits to its employees. We also noted that this overall lack of funding has placed various operating restrictions on the pension plan. We recommend that the Government consider allocating resources to conduct comprehensive studies to revise benefits and establish funding policies to ensure the minimum ARC obligations are met each year. Management may also consider embarking on an advisory path to consider other alternatives.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: In prior fiscal years, the Government allocated the relevant resources to conduct comprehensive studies and recommend revisions to benefits as well as establish funding policies to ensure the minimum ARC obligations are met each year. Much of the efforts put forth are now being deliberated by the Legislature for approval and submission to the Governor.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Office of the Governor, Office of Management and Budget, Department of Finance, and Government Employees' Retirement System.

Other Post-Employment Benefits

Finding and Recommendation:

We noted the following during our audit process:

- As of September 30, 2015, the actuarial accrued liability and funding status shows an unfunded accrued obligation of \$1.015 billion. We recommend that the Government consider establishing an OPEB Trust Fund which would accumulate assets in order to meet the required obligations.

Government of the United States Virgin Islands

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- For the year ended September 30, 2015, the annual required contribution (ARC) was \$68.3 million and the actual employer (Government) contribution was \$29.5 million.
- As a result of the accumulated underfunded ARC over a number of years, the Government has amassed a net OPEB obligation of \$357 million as reflected on the books and records at year-end. We recommend that the Government consider allocating resources to conduct comprehensive studies to identify and establish funding policies and sources to ensure the minimum ARC obligations are made each year. Management may also consider embarking on an advisory path to consider other alternatives.
- In order to complete this most recent actuarial analysis of the plan, we noted that the census data submitted to the actuary required significant adjustments and assumptions before it could be utilized to complete the necessary calculations. The census data submitted was missing employee group codes, missing service years, missing accumulated leave conversion amounts, and contained duplicate records.
- In June 2015, Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued. This standard will affect the Government's fiscal year 2018 financial statements and will require that a liability be recorded for the unfunded actuarial accrued obligation.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: In prior fiscal years, the Government allocated the relevant resources to conduct comprehensive studies and recommend revisions to benefits as well as establish funding policies to ensure the minimum ARC obligations are met each year. Much of the efforts put forth will be deliberated by the Executive Branch for approval and submission to the Governor.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Office of the Governor, Office of Management and Budget, and Department of Finance.

Quality of Census Data

Finding and Recommendation:

Maintaining current and accurate records and statistics is an important control for participant data, not to mention other compliance with employment laws and regulations. We noted that the Government's census data, submitted to various actuarial service providers, currently requires significant adjustments and assumptions before it can be utilized to complete the necessary calculations.

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This introduces a greater level of uncertainty than might ordinarily apply to such calculations. Internal controls should ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis. We recommend adequate resources be allocated to properly evaluate all census information provided to the various actuarial service providers as they facilitate the Government in calculating the related liabilities. The employee data in the census information should be accurate or it could have a material effect on the Government's financial statements and the auditor's ability to opine on said financial statements.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: For the past three (3) years, since the implementation of the new Benefits system (V3), GERS has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries. Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.

The Division of Personnel will coordinate with the GERS Administrator to discuss how both agencies can collaborate to effectively improve the quality of the census data. It is anticipated that the GERS and the Division of Personnel will do an annual comparative analysis of the employee and retiree related data held by both entities. During this process, data will be reconciled in both databases. After the initial reconciliation is completed, an annual review will be done to ensure that relevant information is synchronized within both systems. Information Technology and Records Management personnel from both agencies will be intimately involved in these meetings.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Government Employees Retirement System and Division of Personnel; specifically, Administrator, Director, Member Services, and Director of Information Technology.

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Finding 2015-010: Bank Accounts

Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. When bank reconciliations are not performed consistently and in a timely manner, there is an increased risk of unauthorized transactions or bank errors going undetected. Further, timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

Strengthen Controls Over Bank Reconciliations

Finding and Recommendation:

- While we noted an improvement in fiscal year 2015, we continue to recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. An indication of proper review and approval of bank reconciliations, by a responsible official, should also be evident. Ideally, these reconciliations and reviews should take place on a monthly basis.
- We noted a significant amount of outstanding checks, some issued as far back as 1998, which are still being carried on the reconciliations. Outstanding checks and other uncleared reconciling items that are over one year old should be investigated and removed from the bank reconciliations and the original transactions should be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month and from year to year. As an auxiliary step, consideration should also be given to the Territory's unclaimed property laws.
- In several instances, we noted deposits at year-end which had not been credited to the respective bank accounts until several weeks later. As a result, cash is not available for expenditures or investment. We recommend that deposits be made on a daily basis both to improve cash flow and to reduce the risk of loss. The Government might consider the use of a lockbox system, whereby payments are sent to a post office box and collected by the bank each day.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Treasury Director, with oversight from the Assistant Commissioner, will be provided with additional human capital to ensure that bank reconciliations are prepared by the requisite staff and reviewed and signed-off for accuracy and completeness on a bi-monthly basis by the Treasury Director. This process will also include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year. Upon identifying negotiable instruments that exceed the one year threshold, the Treasury Director will develop an annual procedure to further research and validate the status of the reconciling items in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

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Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Treasury.

Unclaimed Property Account

Finding and Recommendation:

Unclaimed property transactions are handled by the Government's Lieutenant Governor's Office. We noted that the corresponding cash account for this activity had not been reflected in the Government's agency fund financial statements, thereby, requiring an adjustment during the audit process.

We recommend the Government review all bank accounts including those accounts managed by other departments or agencies to ensure the financial statements accurately capture all financial resources and liabilities.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Treasury Director, will review all bank accounts including those accounts managed by other departments or agencies and transmit this information to the Director of Accounting to ensure the financial statements accurately capture all financial resources and liabilities.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Directors of Treasury and Accounting.

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Finding 2015-011: Payroll, Related Accruals, and Other Expenditures

A strong and efficient system of controls over purchasing and expenditures is critically important. A strong internal control system can generally be implemented to cover potential threats of error and misappropriation with a reasonable effort. These include proper supervision, review, and separation of like-minded duties or functions.

Payroll Expenditures

Finding and Recommendation:

We identified the following exceptions during our sampled procedures over payroll expenditures. Management should recognize that the potential exists for additional discrepancies.

- One (1) employee was paid subsequent to termination.
- Three (3) terminated employees still appeared on the compensated absences schedule. Although no associated compensation liability was noted, management should ensure that terminated employees are processed accurately and removed from the respective payroll records.

We also noted that the compensated absences schedule includes some redundant data and we recommend that the Government examine the contents and eliminate such information. For instance, there are employees that should not be on the schedule that have accrued balances, negative balances, or zero balances.

Furthermore, we noted that the Government's payroll registers contained various Hospital employees. It is noted that several years ago, the payroll process for Hospital employees was performed simultaneously with that of the Government's and hence, the combined registers. The Hospital now has its own payroll management process. As a result, the Government's payroll registers now contain extra employees that have zero balances when a pay-check run is performed, thereby muddling the reports unnecessarily. We recommend that management consider the need for retaining only the necessary information.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: We will enhance monitoring of deactivating employees from the system and we will closely review reports for appropriate and accurate information.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Division of Personnel and Department of Finance; specifically, Director of Payroll.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Transactions with Personnel

Finding and Recommendation:

The Government has policies with respect to executive and/or other employee expense reimbursements indicating that each business expense incurred either by credit cards or advance payments must be substantiated with adequate documentation, such as statement of expense, purchase order, approved Government Travel Request, travel voucher, and receipts, which, in combination, are sufficient to establish each element of the expenditure. We noted two (2) instances where sufficient supporting documentation was not available to substantiate reimbursement. It is important to produce certain detailed records at specific time periods, and to maintain these records for possible analysis by users. The Government may consider instituting a stricter monitoring process to ensure compliance with stated policies.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department of Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Office of the Governor and Department of Finance.

Supporting Documentation for Expenditures

Finding and Recommendation:

The Government's policies dictate that all expenditure items must have adequate support and resulting approvals, as maintained within its ERP system. During our sampled procedures, we identified four (4) items for which proper support for the expenditures was not readily available within the ERP system, yet the expenditures had been approved. While the supporting information was subsequently provided, in order to strengthen internal controls over disbursements, it is recommended that the Government adhere to its stated policies.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: We will enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The Executive Assistant Commissioner and Director of Accounting.

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Finding 2015-012: Information Technology Environment

We reviewed various applications and systems which are utilized for the Government's day-to-day processing needs.

Finding and Recommendation:

We noted the following during our procedures over program change management:

- At the present time, the program change process is informal in nature, including business user approvals to migrate the requested changes into production for the following applications:
 - VIDOLA\$
 - Timeforce
 - CARIBS
 - VITAX
 - ScanOptics
 - RawData
 - CAMA
 - Property Information System
- Data and program code integrity surrounding the VIDOLA\$, VITAX, and ScanOptics applications is not fully maintained during the migration process. We noted that the Oracle programmer(s) and/or IT consultants have administrative access which results in an ability to migrate program changes into the production environment resulting in a segregation of duty conflict.

We noted the following during our procedures over user access:

- Access to additional system privileges to the Red Hat operating system (which supports the VIDOLA\$ application) is provided via a root account. We noted that the Oracle programmer(s) have root access to the operating system.
- Direct access to the SQL database management system which supports the ScanOptics and RawData applications is provided to IT Consultants and internal IT employees via a shared login account and password.
- There are no formal recertifications of user access security rights performed for the following Windows domains and applications:

Windows Domain:

- Department of Finance
- Bureau of Internal Revenue
- Department of Labor
- Department of Human Services
- Lieutenant Governor's Office

Applications:

- Timeforce
- MUNIS
- VIDOLA\$
- VITAX
- ScanOptics
- RawData
- CAVU
- CAMA
- Property Information System
- CARIBS

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We noted the following with respect to segregation of duty conflicts:

- For VITAX and ScanOptics, application level administrative access is provided to non-IT personnel as well as IT consultants.
- Administrative access rights to the Windows domain at the Bureau of Internal Revenue is provided to non-IT personnel as well as IT consultants.
- For CAMA, application level administrative access is provided to non-IT personnel including the Tax Assessor, Deputy Tax Assessor, and Assistant Tax Assessor.
- For Timeforce, application level administrative access is provided to non-IT personnel including the Physical Education Teacher.

We noted the following with respect to operating system security:

- The password and account lockout configurations have not been implemented to enforce strong passwords on the following operating systems and applications:

Operating Systems:

- | | |
|------------------------------|---|
| ○ Department of Finance | ○ Department of Labor (including Red Hat) |
| ○ Bureau of Internal Revenue | ○ Department of Human Services |

Applications:

- | | |
|-------------|-------------------------------|
| ○ Timeforce | ○ Property Information System |
| ○ CAMA | ○ VIMS |
| ○ CAVU | ○ VIDOLA\$ |

- Backup power options are insufficient to deal with prolonged electrical power loss for servers supporting the VITAX, ScanOptics, and RawData applications.

Inappropriate system modifications to applications can cause incorrect calculations and compromise functionality. The Government may consider evaluating its documentation process to mitigate the risk of any potential change being implemented without the appropriate approval(s). Further, inappropriate or excessive access may result in unauthorized data changes or transactions. The Government may consider evaluating its user access and administration (user addition, modification, removal) controls in order to ensure that appropriate access is granted.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan 1: The Bureau of Internal Revenue (the Bureau) acknowledges that there are issues surrounding the IT area that must be addressed to ensure the integrity and protection of the systems. The Bureau will establish change management policies and procedures that would require formal notice of approval of changes, followed by accepted processes for the migration of changes into production.

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The Bureau will research the ability to change system applications from universal administrative credentials to a user specific/rule specific credential model and establish and implement policies to prevent segregation of duties conflicts.

Action Plan II: The Virgin Islands Department of Labor (VIDOL) will adapt standards prescribed by the National Institute of Standards and Technology that directly relate to change and configuration management. As this endeavor seeks to retrain the thought process of technical and program staff to work in harmony, a project plan will be need to be created and implemented.

The change management plan will provide the timeline, milestones, resources, and framework to identify needed tasks and produce required outcomes. Data and program code integrity as well as segregation of duties are critical to the reduction of risk for the VIDOLA\$ application.

VIDOL will focus on mitigating risks of fraud by ensuring that no single individual has the authority to execute program changes without checks and balances. VIDOL will implement structured program change procedures in accordance with best practices and established industry standards. Segregation of duties guidelines and policies will be included in the change management process.

VIDOL is working to create a functional test environment for the VIDOLA\$ application. VIDOL is working in conjunction with the Bureau of Information Technology (BIT) to obtain the needed hardware to upgrade the production application server and leverage the same hardware to implement a test server. The project is moving forward as both agencies are working out details on hardware and related software licensing. Partnering with BIT will provide VIDOL with the ability to utilize the latest in virtualization technology to maximize all aspects of test environment snapshots, deployment procedures, cloning, and performance analysis.

Policies and guidelines will be created to govern the security of information systems related to administrative access to systems. Described in these policies will be the least level of access needed for individuals to complete needed tasks. Additionally the root level access to the operating system will be terminated for programmers. Audit, authorization, and accountability logs will be maintained for review, action, and accountability.

Action Plan III: Policies and guidelines will be created to govern the security of information systems related to administrative users. Described in these policies will be a list of persons who should have administrative control and authority over the system. Additionally any person with administrative access who is not entitled to, it will be removed immediately. Audit, authorization, and accountability logs will be maintained for review, action, and accountability.

Action Plan IV: Policies and guidelines will be created to govern the use of developing stronger passwords combinations.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Bureau of Internal Revenue (including the Director of Processing and IT), Lieutenant Governor's Office, Department of Labor, specifically, the IT Director, the management team of Division of Family Assistance of the Department of Human Services, and the Department of Finance.

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Finding 2015-013: Landfill Consent Decrees

Finding and Recommendation:

Closure and post-closure directives related to landfills are regulated by various Federal laws, including requirements by the United States Environmental Protection Agency (EPA).

As such, the Government is required to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure.

During our procedures, we noted that there are a number of noncompliance matters with respect to EPA decrees concerning the Anguilla and Bovoni landfills. These matters are comprised of various health and safety risks, lack of submission of various required reports, and a non-completion of the groundwater monitoring system for the Anguilla landfill perimeter. We also noted that penalties associated with these noncompliance matters will continue to accrue at a rate of \$9,500 per day.

We recommend that the Government consider budgeting funds to pay penalties already accrued. In addition, the Government should take the measures necessary to address immediate noncompliance with the consent decree time tables to avoid future penalties.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: Office of the Governor, Chief of Staff and the Waste Management Authority Management Team.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-014: Establishment of a Medical Malpractice Trust Fund

Finding and Recommendation:

In lieu of the procurement of a group insurance policy as set forth in subsection (a) of Virgin Islands Code Section 27, the Commissioner of Health is authorized to self-insure health care providers against claims arising out of the rendering of, or failure to render, medical care or services, or against claims for injury or death to patients arising out of the activities of health care providers, upon compliance with the following condition (amongst others):

- Establishment of a Medical Malpractice Risk Management Trust Fund to provide coverage against professional medical malpractice liability, which Fund shall be managed by a licensed broker or brokerage firm. The investment plan of such firm shall be subject to the approval of the Medical Malpractice Action Review Committee; a maximum of one percent (1%) of the proceeds of such Fund may be used by the Territorial Office of Risk Management as defined within the Code, for administrative purposes. Interest accruing on such Fund shall be retained or redeposited into such Fund.

We noted that the Government has not set up a separate trust fund. We recommend that the Government continue to monitor the applicable requirements related to professional medical malpractice, to ensure the Government remains in compliance.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Department of Health will continue to closely monitor the applicable laws related to professional medical malpractice by setting up a separate trust fund to be managed by a licensed broker or brokerage firm and to set up an investment plan approved by the Medical Malpractice Action Review Committee.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: Commissioner, Department of Health and Medical Malpractice Action Review Committee.

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Finding 2015-015: Collateralizing Deposits

Finding and Recommendation:

Public entities should establish and implement collateralization procedures, including procedures to monitor their collateral. The value of pledged collateral should generally be marked to market monthly. Some statutes dictate a minimum margin level for collateral based on deposit levels. However, it is recommended that margin levels should be at least 102%, depending on the liquidity and volatility of the collateral pledged.

During our procedures, we noted non-compliance with the aforementioned provision as follows:

- Two (2) instances where the monthly collateral held by one of the Government's investment custodians was less than 102% of the value of the particular deposits for that month.

We recommend that Government personnel continue to closely monitor the collateral held by custodians, to ensure the Government remains in compliance with the requirements.

Views of Responsible Officials and Planned Corrective Actions:

The Government concurs with the auditor's findings and recommendations.

Action Plan: The Division of Treasury will continue to closely monitor the collateral held by custodians, by evidencing their review (e.g., signature, initial, date, etc.) on the periodic reports submitted by custodians, to ensure the Government remains in compliance with the collateral requirements.

Implementation Date: Fiscal Year 2016

Person(s) Responsible: The management team of the Department of Finance; specifically, the Director of Treasury.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Section III - Federal Award Findings and Questioned Costs

Finding 2015-016: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

Award Year: 10/01/2014 - 09/30/2015,

10/01/2014 - 9/30/2016

Criteria - OMB Circular A-87 requires that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Alternatively, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition - We sampled and selected 25 employees and noted the following:

- Time and effort certifications for 3 employees had not been signed and approved in a timely manner by a supervisory official.
- Time and effort certification for 1 employee was not available.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2015 was \$3,344,854.

Effect - DHS is not in compliance with the provisions of OMB Circular A-87. Failure to properly review and support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with time and effort certification principles.

Recommendation - Where employees work solely on a single Federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents in accordance with OMB Circular A-87. Such information should also be monitored and approved by a responsible official of DHS in a timely manner.

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View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: Effective immediately, DHS will ensure timely processing of the time certification forms. These forms will be sent out to all Units to ensure the timely processing and compliance of the time certification principles.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS and Administrator Division of Family Assistance - DHS.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-017: Cash Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

Award Year: 10/01/2014 - 09/30/2015,
10/01/2014 - 9/30/2016

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 9 out of 24 drawdowns made during fiscal year 2015, totaling \$3,177,262, and noted the following:

- 8 out of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.
- 1 out of the 9 sampled drawdowns had been requested prior to the incurrence of actual expenditures.

We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2015 drawdown requests were \$5,136,721.

Effect - DHS is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Additionally, the use of personal or non-government issued electronic mail addresses can result in a limitation of DHS' records with respect to significant correspondence or transactions that may have occurred. Further, certain sensitive and protected information can be more vulnerable to security risks.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Cause - DHS did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations. Additionally, DHS is not following Government guidelines regarding the use of personal electronic mail while conducting Government business.

Recommendation - We recommend that DHS comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations. Like every organization, the Government provides electronic mail addresses to every employee upon hiring. These should be utilized when conducting Government business, both within and outside the organization.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS has implemented new internal changes since it currently receives check registers from the Department of Finance for the purpose of drawing down Federal funds within the 4 day allowable period as it relates to the CMIA agreement. DHS also extracts the payroll expenditures from the Enterprise Resource Planning (ERP) system when posted and it draws funds in line with the 0 days allowance. DHS currently draws funds based on a validated ID assigned by FNS. A password is generated and changes are made accordingly. DHS is in the process of verifying this to include making any necessary changes, if and when detected.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-018: Equipment and Real Property Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

Award Year: 10/01/2014 - 09/30/2015,
10/01/2014 - 9/30/2016

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Further, we selected 5 equipment items for inspection and noted the following:

- 2 instances where the equipment's location per the DPP equipment register did not match the actual location upon inspection;
- 2 instances where the items could not be located.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS is currently in the process of reconciling the asset listing received from DPP. This reconciliation process consists of identifying and cross checking through the use of transfer of property; new purchases of asset form; survey of property form; and including the physical tracking of the assets as noted on the asset listing. DHS will work closely with the staff of DPP and the other divisions within DHS during this process. Internal trainings will continue to be provided to staff directly involved in this process, in order to strengthen the departmental tracking. DHS is currently in the process of requesting additional staff for the inventory unit within the Fiscal Office.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Chief Financial Officer - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-019: Reporting

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

Award Year: 10/01/2014 - 09/30/2015,

10/01/2014 - 9/30/2016

Criteria - In accordance with the OMB Circular A-133 Compliance Supplement for this program, each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We reviewed 8 out of 21 reports, due for existing projects, as submitted by DHS in fiscal year 2015, and noted the following:

- 3 reports submitted did not have the necessary evidence of review and approval prior to submission.
- All reports submitted failed to meet the respective due dates.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - DHS is in violation of the stated compliance requirements and inaccurate information may have been reported to the Federal government.

Cause - It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation - We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: The Program Administrator will check thoroughly for completeness of all reports with authorized signatures before submittal. An electronic mail will be transmitted and a meeting will be coordinated with the Chief Financial Officer to ensure that reports are properly signed and submitted timely.

Implementation Date: September 30, 2016

Person(s) Responsible: Program Administrator - DHS and Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-020: Activities Allowed or Unallowed

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - Attachment A, OMB Circular No. 87 Section C (1)(j), states that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be allocable for Federal awards under provisions of the Circular.

Condition - We noted that the grant award issued to the Government includes funds for TANF (CFDA 93.558) and the Family Support Payments to States-Assistance Payments, Adult Programs in the Territories (CFDA 93.560). Upon further procedures, we noted that TANF expenditures in fiscal year 2015, included certain costs which fell under the scope of the Family Support Payment program.

Questioned Costs - \$348,349

Context - This is a condition identified per review of DHS' compliance with specified requirements. Family Support Payment program expenditures, aggregating to \$1,369,433 had been reflected as TANF public assistance expenditures. However, the allowable funded amount for the Family Support Payment program for grant year 2015 was only \$1,021,084. Therefore, TANF funding, aggregating to \$348,349, had been utilized for the Family Support Payment program.

Effect - DHS is not in compliance with stated requirements and program directives governing the grant and controls over the proper monitoring of program expenditures do not appear to be functioning as intended.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles, including appropriate identification of expenditures between different funded awards.

Recommendation - We recommend that DHS strengthen its processes with respect to setting up and charging expenditures between various grant awards and ensuring that the accounting system reflects the appropriate funded value by grant (CFDA #). We also recommend that DHS enhance its review process to properly determine the activities of each grant and reflect them accordingly.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DHS will implement the following:

1. DHS will strengthen the program and fiscal monitoring by establishing separate accounts in the Government's Enterprise Resource Planning (ERP) system based on the CFDA numbers as noted on the TANF grant awards received quarterly.
2. DHS will submit to ACF quarterly statistical data to support services provided to participants in order to monitor program activities and expenditures and make any necessary adjustments timely.
3. Fiscally, the program will be monitored to ensure that the funding shall not exceed funding under each CFDA number.
4. DHS will ensure that procedures are implemented to gather monthly expenditure reports from the business office in order to monitor program spending in fiscal year 2016.
5. The agency will review and revise current state plans to reflect updated determination procedures designed to enable the effective utilization of funding under TANF.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS and Administrator Division of Family Assistance - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-021: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - OMB Circular A-87 requires that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Alternatively, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition - We sampled and selected 25 employees and noted that the related time and effort certifications were not available for 3 employees.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2015 was \$491,847.

Effect - DHS is not in compliance with the provisions of OMB Circular A-87. Failure to properly review and support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable time and effort certifications.

Recommendation - Where employees work solely on a single Federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents in accordance with OMB Circular A-87. Such information should also be monitored and approved by a responsible official of DHS in a timely manner.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: Effective immediately, DHS will ensure timely processing of the time certification forms. These forms will be sent out to all Units to ensure the timely processing and compliance of the time certification principles.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS and Administrator Division of Family Assistance - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-022: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. These techniques require DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 9 out of 30 drawdowns made during fiscal year 2015, totaling \$2,812,422, and noted that 3 of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2015 drawdown requests were \$3,224,068.

Effect - DHS is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Additionally, the use of personal or non-government issued electronic mail addresses can result in a limitation of DHS' records with respect to significant correspondence or transactions that may have occurred. Further, certain sensitive and protected information can be more vulnerable to security risks.

Cause - DHS did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations. Additionally, DHS is not following Government guidelines regarding the use of personal electronic mail while conducting Government business.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Recommendation - We recommend that DHS comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations. Like every organization, the Government provides electronic mail addresses to every employee upon hiring. These should be utilized when conducting Government business, both within and outside the organization.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS has implemented new internal changes since it currently receives check registers from the Department of Finance for the purpose of drawing down Federal funds within the 4 day allowable period as it relates to the CMIA agreement. The discrepancy of non-government issued electronic mail addresses when completing drawdowns was corrected on March 18, 2016.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-023: Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - The Government's overall plan provides the specifics for its definition of financially needy which it uses in determining beneficiary eligibility. Plan and eligibility requirements must also comply with various Federal requirements.

OMB Circular A-133 Subpart C Section .300 (b) states, "the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition - DHS is responsible for determining participant eligibility for the TANF program. DHS is utilizing the CARIBS system to maintain participant information, as well as to evaluate eligibility of applicants for the program. During our understanding of the eligibility process, we noted that DHS did not have consistent monitoring processes in place to review eligibility determinations made by the in-take caseworkers. Currently, DHS is performing a random review of the caseworkers' determinations of eligible participants.

In our review of 60 participant case files, we identified the following:

- DHS was unable to provide 1 participant case file for our review.
- For 2 participants, there was no documentation in the case files supporting the requirement of financial need.
- For 9 participants, there was no documentation in the case files supporting the requirement of the participant's child being enrolled in school.
- For 2 participants, there was no documentation in the case file to support the necessary citizenship requirements.
- For 2 participants, there was no documentation in the case files to support the necessary residency requirements and for an additional 29 cases, there were no evidence that DHS performed a residency search in its EDRS system.
- For 17 participants, there was no documentation in the case files to support cooperation in an effort to establish and enforce child support requirements.
- 7 participants were receiving benefits while not in compliance with the job participation requirements.
- For 8 participants, DHS was unable to provide documentation supporting eligibility and job participation requirements.

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- There was a participant that who had not reported employment and therefore, was receiving TANF benefits while being employed. This was eventually discovered during the recertification process.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its participant case files.

Recommendation - We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness and confirming that only eligible participants are receiving the entitled benefits. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the eligibility process.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: An Administrative memo will be prepared and distributed to case workers outlining their responsibilities of ensuring that all interfaces are checked, case notes written, and pertinent documentation reviewed and placed into the case file prior to, and during case approval. This action will be reviewed at month-end meetings and other required sessions.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS and Program Administrator - DHS.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-024: Equipment and Real Property Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Further, we selected 5 equipment items for inspection and 3 of the 5 sampled items were not at the specified location(s) as noted on the DPP equipment register and could not be located.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS is currently in the process of reconciling the asset listing received from DPP. This reconciliation process consists of identifying and cross checking through the use of transfer of property; new purchases of asset form; survey of property form; and including the physical tracking of the assets as noted on the asset listing. DHS will work closely with the staff of DPP and the other divisions within DHS during this process. Internal trainings will continue to be provided to staff directly involved in this process, in order to strengthen the departmental tracking. DHS is currently in the process of requesting additional staff for the inventory unit within the Fiscal Office.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Chief Financial Officer - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

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Finding 2015-025: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with the OMB Circular A-133 Compliance Supplement for this program, each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - During our review of the ACF-199, *TANF Data Report*, we did not note evidence that the information submitted for the required TANF disaggregated data on families receiving TANF had been reviewed and approved prior to submission to the Federal agency. In addition, during our sampled procedures over 60 participant cases reviewed, 2 files were noted to contain inconsistent information when comparing the case file documents and the data included in the *TANF Data Report*.

We also reviewed the annual report (ACF-204) and noted that the financial information did not agree with the supporting documents, there was no evidence of the report being reviewed by the program administrator, and we were unable to determine the date when the report was submitted to the Federal agency.

We reviewed 8 out of the 12 quarterly reports (ACF-196-TR) due for existing projects, as submitted by DHS in fiscal year 2015, and in 2 instances, we were unable to ascertain timely submission of the reports to the Federal agency.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - DHS is in violation of stated compliance requirements and inaccurate information may have been reported to the Federal government.

Cause - It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, DHS does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation - We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, and consistent.

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DHS should also review its records retention policies to ensure that complete documentation is maintained to support information included in the various required reports.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The Program Administrator will check thoroughly for completeness of all reports with authorized signatures before submittal. An electronic mail reminder will be transmitted and a meeting will be coordinated with the Chief Financial Officer to ensure that reports are properly signed and submitted timely.

Implementation Date: September 2016

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-026: Special Tests and Provisions - Child Support Non-Cooperation

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - If the State or Territory agency responsible for administering the overall plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State or Territory in establishing paternity, or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and reports that information to the State or Territory agency responsible for TANF, the State or Territory agency must:

(1) Deduct an amount equal to not less than 25% from the TANF assistance that would otherwise be provided to the family of the individual, and

(2) May deny the family any TANF assistance. The U.S. Department of Health and Human Services may penalize a State or Territory for up to 5% of the State Family Assistance Grant (SFAG) for failure to substantially comply with this required child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

Condition - From a review of 60 participant case files, we noted 17 instances where DHS was unable to provide supporting documentation to evidence the cooperation of the TANF participant in establishing paternity or in establishing, modifying, or enforcing a support order with respect to a child of the participant.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - We were unable to determine if DHS properly reduced or terminated the participant's TANF assistance as required under the program. Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation and file maintenance over participant case files.

Recommendation - We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS will impress upon all workers the importance of placing the IV-D information in the file. Staff will be issued a memorandum of the importance of this and will be expected to adhere to this memo. A meeting will be held with all eligibility supervisors to inform them of the items noted and the urgency to enforce compliance. Supervisors will be expected to pull sample files to ensure that the IV-D Determination forms are in the case records. Additionally, the division is in the beginning phases of scanning documents from the case files.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Director of Operations - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-027: Special Tests and Provisions - Penalty for Refusal to Work

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - A State or Territory agency must reduce or terminate the assistance payable to a family if an individual in the family receiving assistance refuses to work, subject to any good cause or other exemptions established by the State or Territory. The U.S. Department of Health and Human Services may penalize the State or Territory by an amount not less than 1% and not more than 5% of the State Family Assistance Grant (SFAG) for violation of this provision (42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54).

Condition - From a review of 60 participant case files, we noted 7 instances where DHS was unable to provide support that the participant receiving benefit assistance was not working and/or refused to work without the appropriate exemption.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - We were unable to determine if DHS properly reduced or terminated the participant's TANF assistance as required under the program. Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation and file maintenance over participant case files.

Recommendation - We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: Meetings will be held with Staff and Supervisors to share the information noted. Sample files will be pulled regularly by the supervisors to ensure accuracy and completeness of the files.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Program Director - DHS and Supervisors - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-028: Special Tests and Provisions - Income Eligibility and Verification System

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

Award Year: 10/01/2014 - 09/30/2015

Criteria - Each State or Territory shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the overall plan, the State or Territory is required to coordinate data exchanges with other Federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State or Territory is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR section 205.55):

- a. Wage information from the State Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis.
- b. Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first 3 months in which the individual is receiving aid. This information should also be obtained in each of the first 3 months following any recipient-reported loss of employment. If an individual is found to be receiving UC, the information should be requested until benefits are exhausted.
- c. All available information from the Social Security Administration (SSA) for all applicants at the first opportunity.
- d. Information from the U.S. Citizenship and Immigration Services and any other information from other agencies in the State or Territory or in other States that might provide income or other useful information.
- e. Unearned income from the Internal Revenue Service (IRS).

Condition - We noted that DHS did not have the necessary policies and procedures in place for establishing and implementing the required IEVS system for data matching and the timely verification and use of such data.

- We noted that reports generated from the automated system between DHS and the Virgin Island Department of Labor (VIDOL) are approximately 6 months behind each quarter.
- The VIDOL reports for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015 were not available for our review.
- From a review of 60 participant case files, we noted 57 instances where the participant received income within the quarterly period tested; however, the IEVS data reported in the VIDOL system was not considered in determining the amount of TANF benefits awarded to the participant.

Questioned Costs - Not determinable.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive under the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation and file maintenance over participant case files.

Recommendation - We recommend that DHS improve internal controls to ensure adherence to Federal regulations related to IEVS. There should be timely coordination and communication amongst all Government departments and/or agencies to coordinate data exchanges with respect to other Federally assisted benefit programs and to request and use income and benefit information when making the necessary determinations.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The 6-month behind issue was beyond DHS or VIDOL's control. VIDOL transmits the latest records it has in the system. The availability of data will depend on when the employer submits the QW to VIDOL. One option is to establish an interface with the Bureau of Internal Revenue (BIR) to get wage information. DHS will put a procedure in place and subsequently automate some processes to make sure it takes action when a match record is received from VIDOL. Presently, DHS is in the process of building a joint eligibility System. Attempts are being made to address the BIR interface in our new IEVS Integrated and Eligibility System.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Director of Operations - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-029: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02; 02CH3011/03

Award Year: 07/01/2013 - 6/30/2018

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 9 out of 49 drawdowns made during fiscal year 2015, totaling \$2,396,329, and noted that 6 of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2015 drawdown requests were \$8,862,915.

Effect - DHS is not in compliance with stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Additionally, the use of personal or non-government issued electronic mail addresses can result in a limitation of DHS' records with respect to significant correspondence or transactions that may have occurred. Further, certain sensitive and protected information can be more vulnerable to security risks.

Cause - DHS did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations. Additionally, DHS is not following Government guidelines regarding the use of personal electronic mail while conducting Government business.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Recommendation - We recommend that DHS comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations. Like every organization, the Government provides electronic mail addresses to every employee upon hiring. These should be utilized when conducting Government business, both within and outside the organization.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS has implemented new internal changes since it currently receives check registers from the Department of Finance for the purpose of drawing down Federal funds within the 4 day allowable period as it relates to the CMIA agreement. DHS also extracts the payroll expenditures from the Enterprise Resource Planning (ERP) system when posted and it draws funds in line with the 0 days allowance. The discrepancy of non-government issued electronic mail addresses when completing drawdowns was corrected on March 18, 2016.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-030: Equipment and Real Property Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02; 02CH3011/03

Award Year: 07/01/2013 - 6/30/2018

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

- We selected a current year equipment addition, from the general ledger, and noted that it was not included on the equipment register as provided and maintained by DPP.
- We selected a sample of 5 equipment items for inspection; 3 of the 5 sampled items were not at the specified location(s) as noted on the DPP equipment register.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS is currently in the process of reconciling the asset listing received from DPP. This reconciliation process consists of identifying and cross checking through the use of transfer of property; new purchases of asset form; survey of property form; and including the physical tracking of the assets as noted on the asset listing. DHS will work closely with the staff of DPP and the other divisions within DHS during this process. Internal trainings will continue to be provided to staff directly involved in this process, in order to strengthen the departmental tracking. DHS is currently in the process of requesting additional staff for the inventory unit within the Fiscal Office.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Chief Financial Officer - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-031: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02; 02CH3011/03

Award Year: 07/01/2013 - 6/30/2018

Criteria - In accordance with the OMB Circular A-133 Compliance Supplement for this program, each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We reviewed all 4 Federal financial reports (SF-425) due for the existing projects, as submitted by DHS in fiscal year 2015, and noted the reports submitted had failed to meet the respective due dates (including granted extensions).

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - DHS is in violation of the stated compliance requirements.

Cause - DHS did not appear to exercise due diligence in monitoring the due dates of its reporting requirements.

Recommendation - We recommend that DHS reevaluate its policies and procedures to ensure submission of Federal reports within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: Although extensions were granted, there were several issues that caused the late reporting. DHS will implement an internal schedule that delineates proper procedures in order to prevent this from occurring in the future.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-032: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02; 02CH3011/03

Award Year: 07/01/2013 - 6/30/2018

Criteria - All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (DOL). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Further, non-Federal entities shall include in their construction contracts, a requirement that the contractor or subcontractor comply with the wage rate requirements and DOL regulations.

Condition - We reviewed a construction contract with Federal awards expended during the fiscal year. We noted that DHS had not included the required provision and/or the prevailing wage rate clauses in the contract. In addition, DHS did not have a process in place to obtain copies of the respective payroll and statement of compliance (certified payroll) for contract work performed in order to conduct its requisite review on a timely basis.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - DHS is in violation of the stated compliance requirements. There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by DOL.

Cause - DHS did not strictly implement the terms of the construction contracts and wage rate requirements when monitoring its contractors or subcontractors.

Recommendation - We recommend that DHS re-evaluate its policies and procedures and implement the necessary changes to ensure that required provisions are properly followed. DHS should establish a monitoring process to ensure that responsible project management personnel obtain and review, on a timely basis, the required certified payroll reports for each week in which a contractor or subcontractor's work is performed. In addition, DHS should review all construction contracts in order to ensure the required clauses are included and provisions are communicated timely.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DHS has requested that a process be put in place by the Department of Property and Procurement (DPP), to ensure that all construction contracts are in compliant with the wage rate requirements. DHS Contract Administration Office will work with DPP to ensure that all the required information is included in all future contracts. This process will also require all contractors to submit invoices and payroll certification information to the Program & Fiscal Officers for verification prior to invoices being paid. No invoices will be processed unless the contractors are in compliance with this regulation.

Implementation Date: September 2016

Person(s) Responsible: Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-033: Activities Allowed or Unallowed

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - In accordance with OMB Circular A-102, "Grants and Cooperative Agreements with States and Local Governments," a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its subrecipients.

Condition - We noted that various disbursement transactions are processed through the Medicaid Management Information System (MMIS) and DHS pays a fee to a third-party service provider to provide maintenance and operational services. DHS was unable to provide supporting documentation to evidence a review of the relevant information regarding the service provider's internal control design and operating effectiveness related to the MMIS system.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

Cause - DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the disbursements/claims reside.

Recommendation - We recommend that management should require and review an annual Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report (which superseded the SAS 70 audit standard) to review relevant information regarding the service provider's internal control design and operating effectiveness in which disbursements/claims reside. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review including performing periodic on-site visits or distributing an internal control questionnaire to the service provider to assist in evaluating the control consciousness of the service provider.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: In order to review relevant information regarding the service provider's internal control design and operating effectiveness, DHS will contract with an independent auditor to conduct the Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report, on an annual basis.

Implementation Date: Fiscal Year 2017

Person(s) Responsible: The Commissioner - DHS and Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-034: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 16 out of 71 drawdowns made during fiscal year 2015, totaling \$18,463,466, and noted that 13 of the 16 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2015 drawdown requests were \$27,970,384.

Effect - DHS is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Additionally, the use of personal or non-government issued electronic mail addresses can result in a limitation of DHS' records with respect to significant correspondence or transactions that may have occurred. Further, certain sensitive and protected information can be more vulnerable to security risks.

Cause - DHS did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations. Additionally, DHS is not following Government guidelines regarding the use of personal electronic mail while conducting Government business.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Recommendation - We recommend that DHS comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations. Like every organization, the Government provides electronic mail addresses to every employee upon hiring. These should be utilized when conducting Government business, both within and outside the organization.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS has implemented new internal changes since it currently receives check registers from the Department of Finance for the purpose of drawing down Federal funds within the 4 day allowable period as it relates to the CMIA agreement. DHS also extracts the payroll expenditures from the Enterprise Resource Planning (ERP) system when posted, and it draws funds in line with the 0 days allowance. The discrepancy of non-government issued electronic mail addresses when completing drawdowns was corrected on March 18, 2016.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-035: Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - Plan and eligibility requirements must comply with various Federal requirements.

Further, OMB Circular A-133 Subpart C Section .300 (b) states, "the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition - DHS is responsible for determining participant eligibility. During our understanding of the eligibility process, we noted that DHS did not have consistent monitoring processes in place to review eligibility determinations made.

In our review of 60 participant case files, we identified the following:

- DHS was unable to provide 6 participant case files for our review.
- For 8 participants, there was no evidence of approval of the respective eligibility assessments.
- For 2 participants, there was no documentation in the case files supporting the verification of income requirements.
- For 2 participants, there was no documentation in the case files supporting verification of the citizenship or immigration status requirements.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its participant case files.

Recommendation - We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness and confirming that only eligible participants are receiving the entitled benefits. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the eligibility process.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: An Administrative memo will be prepared and distributed to case workers outlining their responsibilities of ensuring that all interfaces are checked, case notes written, and pertinent documentation reviewed and placed into the case file prior to, and during case approval. This action will be reviewed at month-end meetings and other required sessions.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Chief Financial Officer - DHS and Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-036: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - The State or Territory Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State or Territory Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State or Territory Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State or Territory Plan (42 CFR section 447.253).

Condition - DHS provides Medicaid services to eligible Territory residents through inpatient hospitals and long-term care facilities. These hospitals and facilities include various Territory agencies and third-party service providers. The costs incurred by these facilities are summarized in a cost report that is submitted to DHS. We noted that DHS had not audited cost reports for fiscal year 2015.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - Without timely audits of the cost reports, DHS has no assurance that the costs incurred by the medical facilities are actual costs incurred. Further, the difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than Federal, dollars to fund Medicaid expenditures.

Cause - DHS does not have a process in place to obtain and audit the cost reports.

Recommendation - We recommend that DHS evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow DHS to reduce the time between the Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS has submitted a Request for Proposal (RFP) to CMS for review in April 2015, relative to the procurement of a contractor to provide Medicaid consultation services, assistance in Medicaid rate setting and rate reconciliation, and performing Medicaid audits of annual Medicare Cost Reports and other supporting information for both hospitals in the U.S. Virgin Islands, both Federally Qualified Health Centers (FQHC), and the nursing facility. CMS reviewed the RFP and it provided comments sometime thereafter. In the interim, during a reconciliation process that was completed by DHS, CMS and Mercer consulting group in September 2014, reconciliations were performed and claims adjustments submitted for both hospitals and both FQHCs through fiscal year 2012, based upon the cost reports and other supporting information provided by those facilities. In addition, rate adjustments were computed for both hospitals and implemented by DHS.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-037: Special Tests and Provisions - Provider Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - In order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program.

Condition - From a review of 29 providers, we identified the following:

- For 13 providers, DHS was unable to provide eligibility determination letters for our review.
- For 3 providers, DHS was unable to provide current licenses for our review.
- 1 institution was not accredited during the fiscal year.
- For 1 provider, DHS was unable to provide documentation supporting a review of the health and safety inspection analysis and the certificate of transmittal.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and ineligible providers could be participating in the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation and file maintenance.

Recommendation - We recommend that DHS perform regular reviews of the data in its files to ensure accuracy and completeness. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DHS will ensure that each provider of medical services is licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program. This item appeared to be an oversight of accurately obtaining and filing supporting documentation. DHS has implemented scanning processes to index supporting documents to each provider enrolled.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-038: Special Tests and Provisions - Medicaid Fraud Control Unit

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - States or Territories are required as part of their Medicaid State plans to maintain a Medicaid Fraud Control Unit (MFCU), unless the Secretary of HHS determines that certain safeguards are met regarding fraud and abuse and waives the requirement.

Condition - The DHS Medical Assistance Program does not have in place a Medicaid Fraud Control Unit. Further, we were not provided with a list of violations of Medicaid laws and regulations.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - There may be prolonged, ongoing cases of fraud which may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately, with no methodology of properly identifying or tracking the amounts.

Cause - DHS does not have an effective system in place to address the program's requirements.

Recommendation - A Medicaid Fraud Control Unit needs to be implemented immediately, as it is a program requirement.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DHS hired a dedicated Fraud Worker and also sent Fraud staff to the National Association for Program Information and Performance Management (NAPIPM) training on MAP Fraud and Quality Control; conducted MAP Fraud and QC training for MAP fraud workers on March 19-20, 2014; conducted meetings in establishing methods or criteria for identifying suspected fraud cases; and drafted a Memorandum of Understanding (MOU) for establishing an agreement with the Attorney General's Office (Virgin Islands Department of Justice) on investigation and prosecution of fraud. Presently, MAP is in the process of identifying a work area for the MAP Fraud Control and Quality Control Unit in the Family Assistance Building in Frederiksted, to ensure that safeguards are met regarding fraud and abuse.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-039: Special Tests and Provisions - ADP Risk Analysis and System Security Review

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - State or Territory agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State or Territory agencies must perform risk analyses whenever significant system changes occur. State or Territory agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures and personnel practices. The State or Territory agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition - DHS uses the Medicaid Management Information System (MMIS) to process Medicaid claims. DHS was unable to provide supporting documentation to evidence the performance of the required ADP Risk Analysis and System Security Review.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

Cause - DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Medicaid claims reside.

Recommendation - We recommend that management should require and review an annual Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report (which superseded the SAS 70 audit standard) to review relevant information regarding the service provider's internal control design and operating effectiveness in which Medicaid claims reside. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review including performing periodic on-site visits or distributing an internal control questionnaire to the service provider to assist in evaluating the control consciousness of the service provider.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: In order to review relevant information regarding the service provider's internal control design and operating effectiveness, DHS will contract with an independent auditor to conduct the Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report, on an annual basis.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-040: Special Tests and Provisions - Utilization Control & Program Integrity

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2016

Criteria - The State or Territory plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State or Territory must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Suspected fraud should be referred to the State or Territory Medicaid Fraud Control Unit (42 CFR part 1007).

The State or Territory Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services. The State or Territory Medicaid agency may conduct this review directly or may contract with a quality improvement organization (QIO).

Condition - DHS does not have the necessary controls or procedures to safeguard against unnecessary utilization of care and services and to identify, investigate, and refer suspected fraud cases.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - There may be prolonged, ongoing cases of unnecessary utilization and fraud which may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately, with no methodology of properly identifying or tracking the amounts.

Cause - DHS does not have an effective system in place to address the program's requirements.

Recommendation - DHS should reconsider whether it would like to be directly responsible for Utilization Control & Program Integrity, or if the use of a QIO would better suit current needs. Once this is decided, DHS should take the necessary steps to ensure compliance with this requirement. The written procedures should reflect the actual actions to be taken. In the event a QIO is used, DHS should be involved throughout, so that it is aware of the program's vulnerabilities and has the opportunity to make the necessary changes for improvement in a timely manner.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: Additional analytics training for performing post payment reviews was held from February 23, 2015 through February 27, 2015. Information learned in this training will be used to identify possible patterns of billing and utilization concern which could be referred to the DHS Fraud Unit for further investigation. The Fraud Unit Personnel participated in the training. DHS plans to re-establish the coordination with the Virgin Islands Department of Justice to further investigate suspected fraud and to prosecute proven fraud offenders. Additionally, the Virgin Islands Medicaid Program conducts clinical review of all inpatient stays over ten days, as well as onsite visits to the nursing home, including a clinical review of the Patient Care Plans.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-041: Activities Allowed or Unallowed

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Children's Health Insurance Program

CFDA #: 93.767

Award #: Various

Award Year: 10/01/2014 - 09/30/2016

Criteria - In accordance with OMB Circular A-102, "Grants and Cooperative Agreements with States and Local Governments," a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its subrecipients.

Condition - We noted that various disbursement transactions are processed through the Medicaid Management Information System (MMIS) and DHS pays a fee to a third-party service provider to provide maintenance and operational services. DHS was unable to provide supporting documentation to evidence a review of the relevant information regarding the service provider's internal control design and operating effectiveness related to the MMIS system.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements.

Effect - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

Cause - DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the disbursements/claims reside.

Recommendation - We recommend that management should require and review an annual Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report (which superseded the SAS 70 audit standard) to review relevant information regarding the service provider's internal control design and operating effectiveness in which disbursements/claims reside. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review including performing periodic on-site visits or distributing an internal control questionnaire to the service provider to assist in evaluating the control consciousness of the service provider.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: In order to review relevant information regarding the service provider's internal control design and operating effectiveness, DHS will contract with an independent auditor to conduct the Statement on Standards for Attestation Engagements (SSAE) No. 16 Type 2 report, on an annual basis.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Program Administrator - DHS.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-042: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Commerce

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with OMB Circular A-102, "Grants and Cooperative Agreements with States and Local Governments," a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its subrecipients.

Condition - DPNR was unable to provide reconciled accounting information relating to the payroll expenditures charged to the program. As such, we were unable to conclude on the fiscal and administrative requirements with respect to expending and accounting for payroll expenditures, along with the required time and effort certifications.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements. The total amount of payroll expenditures for the program, as reflected in the schedule of expenditures of Federal awards, in fiscal year 2015, was \$573,329.

Effect - DPNR is not in compliance with the stated provisions. Failure to properly review and support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles and to ensure a consistent and systematic review of documentation.

Recommendation - We recommend that DPNR improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. In order to prevent significant errors in the financial records as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DPNR continues to adhere to Department of Finance's (DOF) Memorandum Number 17-2015, which relates to the timely completion of payroll adjusting entries, to ensure that the Government's Enterprise Resource Planning (ERP) system provides accurate payroll expenditure support against the respective programs worked on by employees. Internal policies and procedures require that each employee prepares a time distribution sheet allocating time to the programs worked on a bi-weekly basis. This sheet is signed by both the employee and the supervisor.

As a means of strengthening this process, the accountant will now play an integral role in the reconciliation of the ERP postings to the individual time distribution sheet on a bi-weekly basis. If necessary, contact will be made with DOF's payroll division regarding additional abnormalities outside of the Agency's control.

DPNR maintains that all costs under this award were necessary and reasonable for proper and efficient performance and administration of Federal awards and allocable under required provisions.

Implementation Date: October 1, 2015 and ongoing

Person(s) Responsible: Director - DBAS and Grants Manager and Accountant - DPNR.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-043: Equipment and Real Property Management

Program:

U.S. Department of Commerce

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

Award Year: 10/01/2014 - 09/30/2015

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DPNR. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DPNR and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DPNR continues to work in conjunction with DPP to reconcile equipment purchases made to include all A-102 Common Rule requirements regarding property records maintained by DPP. In addition, in-house property listings will be updated to include all aspects of the requirements.

Implementation Date: October 1, 2015 and ongoing

Person(s) Responsible: Director - DBAS, Director - CZM, and Property Manager - DPNR.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-044: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Commerce

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with the Coastal Zone Management Program Regulations (16 USC §1455) and CFR Title 15, Part 923.110, a recipient is required to contribute matching funds at a ratio of 1:1 of the cost of the program through cash, in-kind contributions, and/or other non-cash support.

Condition - DPNR was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements.

Effect - DPNR is in violation of the stated compliance requirement.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement.

Recommendation - We recommend that DPNR deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the match requirement throughout the fiscal year.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DPNR will reach out to the Federal agency to discuss the possibilities of addressing the match to include a waiver option.

Implementation Date: November 2016

Person(s) Responsible: Director - CZM.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-045: Reporting

Program:

U.S. Department of Commerce

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with the OMB Circular A-133 Compliance Supplement for this program, each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We reviewed 4 out of 5 reports, due for existing projects, as submitted by DPNR in fiscal year 2015, and noted 2 reports submitted had failed to meet the respective due dates.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements.

Effect - DPNR is in violation of the stated compliance requirements.

Cause - DPNR did not appear to exercise due diligence in monitoring the due dates of its reporting requirements.

Recommendation - We recommend that DPNR reevaluate its policies and procedures to ensure submission of Federal reports within the required timeframe.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: In isolated cases, such as this, DPNR will communicate with the grantor agency for workable solutions in the event the electronic system for reporting encounters accessibility issues.

Implementation Date: October 1, 2016

Person(s) Responsible: Director - DBAS, Program Director - CZM, Grant Manager - DPNR.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-046: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

Award Year: 10/01/2014 - 09/30/2015

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Criteria - OMB Circular A-87 requires that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Alternatively, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition - We sampled and selected 4 employees and noted that the related time and effort certifications were not available.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2015 was \$215,762.

Effect - DPNR is not in compliance with the provisions of OMB Circular A-87. Failure to properly review and support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure compliance with time and effort certification principles.

Recommendation - Where employees work solely on a single Federal program, charges for their salaries and wages should be supported by periodic certifications in accordance with OMB Circular A-87. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents in accordance with OMB Circular A-87. Such information should also be monitored and approved by a responsible official of DPNR in a timely manner.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DPNR intends to prepare, monitor, and approve time and effort certifications for employees paid solely from the Federal award to support payroll expenses charged to the Federal program.

Implementation Date: October 1, 2016 and ongoing

Person(s) Responsible: Director - DBAS and Director CZM - DPNR.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-047: Equipment and Real Property Management

Program:

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

Award Year: 10/01/2014 - 09/30/2015

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DPNR. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DPNR and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DPNR continues to work in conjunction with DPP to reconcile equipment purchases made to include all A-102 Common Rule requirements regarding property records maintained by DPP. In addition, in-house property listings will be updated to include all aspects of the requirements.

Implementation Date: October 1, 2015 and ongoing

Person(s) Responsible: Director - DBAS, Director - CZM, and Property Manager - DPNR.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-048: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

Award Year: 10/01/2014 - 09/30/2015

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Criteria - In accordance with and depending on the individual grant agreements, DPNR is required to contribute matching funds up to at least 30% of the cost of the program through cash, in-kind contributions, and/or other non-cash support.

Condition - DPNR was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPNR's compliance with specified requirements.

Effect - DPNR is in violation of the stated compliance requirement.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement.

Recommendation - We recommend that DPNR deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the match requirement throughout the fiscal year.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DPNR will reach out to the Federal agency to discuss the possibilities of addressing the match to include a waiver option.

Implementation Date: November 2016

Person(s) Responsible: Director - CZM.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-049: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES

Award Year: 10/01/2014 - 09/30/2015

Criteria - Effective control and accountability must be maintained for all grant awards to ensure funds are requested and used solely for authorized purposes.

Condition - We reviewed 7 out of 63 drawdowns made during fiscal year 2015, totaling \$412,193, and noted that all 7 sampled drawdowns did not contain evidence of review and approval.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOJ's compliance with specified requirements. Total fiscal year 2015 drawdown requests were \$2,868,046.

Effect - DOJ is not in compliance with the stated provisions.

Cause - It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation - We recommend that DOJ reevaluate its policies and procedures to ensure proper monitoring and review of the required transactions by an appropriate official who would ensure the information submitted is complete, accurate, and consistent.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The Director of Paternity and Child Support Division (PCSD) will review, initial, and date the supporting documents before a request for payment is made.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Financial Officer and Director of PCSD - DOJ.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-050: Equipment and Real Property Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES

Award Year: 10/01/2014 - 09/30/2015

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DOJ. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule. Further, we selected 5 equipment items for inspection and 3 of the 5 sampled items were not at the specified location(s) as noted on the DPP equipment register and could not be located.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOJ's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DOJ and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DOJ will improve communications with DPP to ensure adherence to Federal regulations in regards to equipment and maintenance.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: MIS Manager - DOJ.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-051: Cash Management

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance

(O&M) Projects

CFDA #: 12.401

Award #: W9127P-14-2-1000

Award Year: 10/01/2014 - 09/30/2015

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. These techniques require OTAG to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 8 out of the 72 drawdowns made during fiscal year 2015, totaling \$2,390,291, and noted that all 8 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with the provisions of the CMIA agreement. Total fiscal year 2015 drawdown requests were \$5,296,850.

Effect - OTAG is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - OTAG did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that OTAG comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program. Alternatively, if OTAG cannot meet the stated requirements due to the nature of its award agreement, measures should be taken to amend the stated requirements.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: Based upon the provisions of the CMIA agreement stipulation, the Treasury State Agreement requires that "funding for payments to vendors and other costs require the use of an average clearance funding technique and a clearance pattern of 4 days".

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

OTAG is not required to commit to a 4 day turnaround and therefore cannot meet this requirement hence the reason why OTAG's Federal funds are governed by the Master Cooperative Agreement (MCA) and its appendices and not the CMIA agreement.

However, in collaboration with the Department of Finance and the Virgin Islands Office of Management and Budget, the process has already begun to address this issue to exclude and eliminate OTAG from the CMIA Agreement stipulation and future Treasury State Agreements.

Implementation Date: First Quarter of Fiscal Year 2017

Person(s) Responsible: Department of Finance, Office of Management and Budget, and OTAG.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-052: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance

(O&M) Projects

CFDA #: 12.401

Award #: W9127P-14-2-1000

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with and depending on the individual grant agreements for different programs, OTAG is required to contribute matching funds through cash, in-kind contributions, and/ or other non-cash support.

Condition - OTAG was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with specified requirements.

Effect - OTAG is in violation of the stated compliance requirement.

Cause - OTAG does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement.

Recommendation - We recommend that OTAG deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the match requirement throughout the fiscal year.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: As stated in the Master Cooperative Agreement (MCA) Section 107d, the National Guard Bureau (NGB) shall contribute 100%, 75% or 50. The Facilities Program manager must submit a written request to decrease or increase Federal funds and apply a ratio based on the circumstances involved. OTAG will develop processes and reports to provide sufficient evidence to substantiate the changes noted above and to evidence OTAG's compliance with the local match requirements during the year.

Implementation Date: September 2016

Person(s) Responsible: OTAG's Budget Office, and Director of Administration & Business Management.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-053: Reporting

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance

(O&M) Projects

CFDA #: 12.401

Award #: W9127P-14-2-1000

Award Year: 10/01/2014 - 09/30/2015

Criteria - Effective control and accountability must be maintained for all grant awards to ensure funds are used solely for authorized purposes. A fundamental concept in effective control and accountability is the concept of segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition - During our review of the SF-270 reports, we noted no documented evidence that the information submitted to the Federal agency had been reviewed and approved by an individual other than the original preparer of the report.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with specified requirements.

Effect - Failure of adequate segregation of duties could lead to internal controls that are not designed reasonably to ensure compliance with Federal laws, regulations, and program requirements.

Cause - Due to the limited number of people, certain duties may be combined.

Recommendation - To the extent possible, duties should be segregated to serve as a check and balance in order to maintain the best control system possible and we suggest certain steps should be taken to separate incompatible duties.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The Director of the Program is the only individual working in St. Thomas and the remaining staff works in St. Croix. OTAG employees are all under the umbrella of one office. All control and accountability for OTAG's Federal programs are managed by the various Program Managers of the Virgin Islands National Guard. Each Program manager has an office where invoices for the goods and services procured are entered into the Enterprises Resource Planning (ERP) System of the Government.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Upon payment of the goods and services, the check details are obtained, and the SF-270s are prepared. With the absence of a Financial Analyst, the SF-270s will be prepared by the Director of Administration and will be forwarded to the Program Managers for review, approval, and certification. Upon approval by the Program Managers, the SF-270s with the supporting documents will be forwarded to the United States Property and Fiscal Office for further review.

The Director will ensure in the future that all reviews, approvals, and certifications are clearly documented on the transmittal document prior to the submission of the report. The transmittal document will be attached to a copy of the submission.

Implementation Date: June 2016

Person(s) Responsible: OTAG's Budget Office and Director of Administration & Business Management.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-054: Cash Management

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2014 - 9/30/2015

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DPW to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 60 out of 443 drawdowns made during fiscal year 2015, totaling \$1,573,467, and noted that 8 of the 60 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with the provisions of the CMIA agreement. Total fiscal year 2015 drawdown requests were \$12,539,270.

Effect - DPW is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - DPW did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that DPW comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program. Alternatively, if DPW cannot meet the stated requirements due to the nature of its award agreement, measures should be taken to amend the stated requirements.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: In collaboration with the Virgin Islands Office of Management and Budget and the Department of Finance, steps have already begun to address the issue with the Federal Government through the Treasury State Agreement (TSA) to remove DPW from the CMIA agreement, since Highway Planning and Construction (HPC) is a manually reimbursable program which makes it difficult to meet the time threshold as stipulated in the TSA.

Implementation Date: October 1, 2016

Person(s) Responsible: Acting Director of Administration - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-055: Equipment and Real Property Management

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2014 - 9/30/2015

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DPW. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the Government's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DPW and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: DPW, in conjunction with DPP will ensure that all equipment purchased with Federal funds is properly registered and tagged, including date of acquisition, and all disposals are tracked and recorded accordingly.

Implementation Date: December 31, 2016

Person(s) Responsible: Acting Director of Administration - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-056: Procurement, Suspension, and Debarment

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2014 - 9/30/2015

Criteria - OMB Circulars A-133 and A-102 common rule, require that recipients of Federal awards have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborates compliance with these requirements.

Condition - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions, including activities pertaining to Federal contracts. In our review of 8 procurement transactions meeting the test threshold, we noted the following:

- 2 procurement files were not available for review.
- 3 procurement files did not have available supporting documentation to validate the procurement decisions made.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements. We reviewed 8 procurement files with expenditures totaling \$3,442,932, for fiscal year 2015.

Effect - DPW could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause - The Government does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation - We recommend that DPW and DPP improve internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DPW will coordinate with DPP to ensure that all supporting documents are included in the files, and are properly maintained for future reference.

Implementation Date: October 1, 2016

Person(s) Responsible: Highway Program Manager - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-057: Special Tests and Provisions - Quality Assurance Program

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2014 - 9/30/2015

Criteria - A State or Territory's Department of Transportation/Public Works must have an approved quality assurance (QA) program, for construction projects to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State or Territory, or by its designated agent.

Condition - We reviewed 4 out of 6 quality assurance reports submitted during fiscal year 2015, and noted that 2 out of 4 reports sampled did not have evidence of DPW review and approval.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements.

Effect - Materials and workmanship may not conform to the approved plans and specifications of the contract.

Cause - It appears that policies and procedures, including review over quality assurance reports were not functioning as intended.

Recommendation - We recommend that DPW reevaluate its policies and procedures to ensure proper monitoring and review of the quality assurances reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and in conformance with the approved plans and contract specifications.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The Office of Highway Engineering will ensure that the Project Managers complete the necessary documentation for the quality assurance files.

Implementation Date: Immediately

Person(s) Responsible: Highway Program Manager - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-058: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2014 - 9/30/2015

Criteria - All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (DOL). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Further, non-Federal entities shall include in their construction contracts, a requirement that the contractor or subcontractor comply with the wage rate requirements and DOL regulations.

Condition - We reviewed 4 construction contracts with Federal awards expended during the fiscal year. We noted that DPW had not included the required provision and/or the prevailing wage rate clauses in the contracts. In addition, DPW did not have a process in place to obtain copies of the respective payroll and statement of compliance (certified payroll) for contract work performed in order to conduct its requisite review on a timely basis.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements.

Effect - DPW is in violation of the stated compliance requirements. There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by DOL.

Cause - DPW did not strictly implement the terms of the construction contracts and wage rate requirements when monitoring its contractors or subcontractors.

Recommendation - We recommend that DPW re-evaluate its policies and procedures and implement the necessary changes to ensure that required provisions are properly followed. DPW should establish a monitoring process to ensure that responsible project management personnel obtain and review, on a timely basis, the required certified payroll reports for each week in which a contractor or subcontractor's work is performed. In addition, DPW should review all construction contracts in order to ensure the required clauses are included and provisions are communicated timely.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The Office of Highway Engineering will ensure that the Project Managers complete the necessary documentation for review of the certified payrolls.

Implementation Date: Immediately

Person(s) Responsible: Highway Program Manager - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-059: Cash Management

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003501/78003201

Award Year: 10/01/2014 - 9/30/2015

Criteria - Pursuant to A-102 Common Rule and 31 Code of Federal Regulations (CFR) Part 205, a State or Territory must minimize the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to a State or Territory's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. In addition, cash drawdown requests for Federal funds must be supported and proper documentation maintained.

Condition - We sampled 10 out of 90 drawdowns made during fiscal year 2015, totaling \$265,006, for which DPW was unable to provide adequate supporting documentation.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements. Total fiscal year 2015 drawdown requests were \$2,032,831.

Effect - Because of the absence of appropriate documentation, we were unable to verify that DPW complied with the required provisions.

Cause - DPW does not appear to follow its policies and procedures which ensure a consistent and systematic review of documentation and file maintenance.

Recommendation - We recommend that DPW perform regular reviews of the data in its files to ensure accuracy and completeness. DPW should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DPW is working with the Department of Finance in an effort to resolve the discrepancies with respect to reconciling drawn down amounts with its records.

Implementation Date: November 30, 2016

Person(s) Responsible: Acting Director of Administration - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-060: Reporting

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003501/78003201

Award Year: 10/01/2014 - 9/30/2015

Criteria - In accordance with the grant agreement, DPW must submit EPA Form 5700-52A, *MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements*. DPW is also required to submit quarterly performance reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We noted the following:

- Form 5700-52A had not been submitted.
- 1 quarterly performance report submitted failed to meet the respective due date.
- 2 quarterly performance reports did not have the necessary evidence of review and approval prior to submission.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements.

Effect - DPW is in violation of the stated compliance requirement and inaccurate information may have been reported to the Federal government.

Cause - It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation - We recommend that DPW reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: In compliance with the grant agreement, DPW will make sure that the requested reports listed above are reviewed for appropriate signatures and completeness prior to submission. DPW will strive to submit these reports timely.

Implementation Date: October 1, 2016

Person(s) Responsible: Fiscal Specialist - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-061: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003501/78003201

Award Year: 10/01/2014 - 9/30/2015

Criteria - All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (DOL). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Further, non-Federal entities shall include in their construction contracts, a requirement that the contractor or subcontractor comply with the wage rate requirements and DOL regulations.

Condition - We reviewed 3 construction contracts with Federal awards expended during the fiscal year. We noted that DPW had not included the required provision and/or the prevailing wage rate clauses in the contracts. In addition, DPW did not have a process in place to obtain copies of the respective payroll and statement of compliance (certified payroll) for contract work performed in order to conduct its requisite review on a timely basis.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements.

Effect - DPW is in violation of the stated compliance requirements. There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by DOL.

Cause - DPW did not strictly implement the terms of the construction contracts and wage rate requirements when monitoring its contractors or subcontractors.

Recommendation - We recommend that DPW re-evaluate its policies and procedures and implement the necessary changes to ensure that required provisions are properly followed. DPW should establish a monitoring process to ensure that responsible project management personnel obtain and review, on a timely basis, the required certified payroll reports for each week in which a contractor or subcontractor's work is performed. In addition, DPW should review all construction contracts in order to ensure the required clauses are included and provisions are communicated timely.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: Each Project Engineer assigned to a project will be responsible to collect on a weekly basis, the certify payroll from each contractor and verify that they are in compliance with the prevailing wage rates from the U.S. Department of Labor. Once verified and approved, the certified payroll will be attached to each contractor's respective service period invoice.

Implementation Date: October 1, 2016

Person(s) Responsible: Project Engineer - DPW.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-062: Cash Management

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development
of the Territories

CFDA #: 15.875

Award #: Various

Award Year: Various

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds.

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require the Government to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 9 out of 28 drawdowns made during fiscal year 2015, totaling \$796,750, and noted that 3 of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the Government's compliance with the provisions of the CMIA agreement. Total fiscal year 2015 drawdown requests were \$1,651,455.

Effect - The Government is in not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - The Government did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that the Government comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: The Government will exercise due diligence in requesting Federal funds as specified under the CMIA agreement with respect to reimbursable funding for expenditures incurred.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Associate Director of Auditing and Reporting - Office of Management and Budget.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-063: Equipment and Real Property Management

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development
of the Territories

CFDA #: 15.875

Award #: Various

Award Year: Various

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the Government's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: The Government will implement the following:

1. DPP maintains the Government's detailed property records in *SAGE Fixed Assets* software per almost all "A-102 Common Rules" listed, except a breakdown of funding sources if they were multiple sourced. As for detailing the percentage of Federal participation, DPP's current *SAGE Fixed Assets* software does not allow this breakdown. But, the Department of Finance's new *MUNIS Fixed Assets Module* will allow funding participation to be detailed - if shared between Government and Federal sources. By November 30th, it is anticipated that all current Government fixed assets inventory will have been migrated to the *MUNIS Fixed Assets Module*, and maintained there going forward.
2. DPP plans to regularly conduct a semi-annual inventory count going forward.
3. The Virgin Islands Office of Management and Budget will identify all the departments and agencies which fall under this CFDA program, and provide a listing to DPP.
4. DPP will request that the Department of Finance add a user field in the Enterprise Resource Planning (ERP) system - *MUNIS Fixed Assets Module*, requiring the user agency to input the CFDA number, and coordinate with the DPP Procurement Division.

Implementation Date: December 2016

Person(s) Responsible: Deputy Commissioner of Property - DPP, Fixed Assets Manager - DPP, and Associate Director of Auditing and Reporting - Office of Management and Budget.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-064: Procurement, Suspension, and Debarment

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development
of the Territories

CFDA #: 15.875

Award #: Various

Award Year: Various

Criteria - OMB Circulars A-133 and A-102 common rule, require that recipients of Federal awards have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborates compliance with these requirements.

Condition - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions, including activities pertaining to Federal contracts. In our review of 3 procurement transactions meeting the test threshold, we noted 2 procurement files that did not have available supporting documents to validate the procurement decisions made.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of the Government's compliance with specified requirements. We reviewed 3 procurement files with expenditures totaling \$220,603, for fiscal year 2015.

Effect - The Government could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause - The Government does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation - We recommend that the Government improve internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Action Plan: As of August 2016, DPP is now reviewing vendor debarment status to ensure that all contractors that are awarded Government contracts using Federal funds are not debarred.

DPP will update its procurement process, overview, and guide policy to reflect this new policy that was implemented. DPP will also update its procurement policy to state that all departments using Federal funds for contractual services must provide documentation which shows that full and open competition was conducted with a cost or price analysis. DPP will ask that an analysis be conducted with a minimum of three vendors. A justification letter approved from the Commissioner of DPP will not be accepted in lieu of this analysis. These documents will then be stored in the contract file.

Implementation Date: December 2016

Person(s) Responsible: Deputy Commissioner of Procurement – DPP.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-065: Activities Allowed or Unallowed

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: 1VI300308

Award Year: 10/01/2014 - 09/30/2015

Criteria - In accordance with OMB Circular A-102, "Grants and Cooperative Agreements with States and Local Governments," a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its subrecipients.

Condition - VIDOL was unable to provide reconciled accounting information relating to the majority of the Unemployment Insurance Trust Fund accounts. As such, we were unable to conclude on the fiscal and administrative requirements with respect to expending and accounting for all funds related to the Unemployment Insurance program.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with specified requirements.

Effect - Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or Federal reports. A lack of timely preparation of complete and accurate reconciliations results in the absence of adequate control over both cash receipts and disbursements.

Cause - VIDOL did not appear to exercise its policies and procedures in an effort to adequately administer the expending and accounting for all funds.

Recommendation - We recommend that VIDOL improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds. In order to prevent significant errors in the financial records as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: VIDOL recognizes the need to properly report the activities of the Unemployment Insurance Trust Fund. VIDOL intends to reroute this function to the Business office and hire an accountant to complete this task. The Department did contract with an accounting firm to complete the reconciliations for 2010-2014. In the interim, quotes will be obtained from relevant service providers to complete the reconciliations for 2015-2016 until an accountant is hired. In addition, as part of the year-end financial reporting process related to the Government's financial statement preparation, VIDOL will work with the Department of Finance to ensure that it receives the Unemployment Insurance Trust Fund information timely.

Implementation Date: Fiscal Year 2016 and ongoing

Person(s) Responsible: Commissioner - VIDOL.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-066: Eligibility

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - Public Law 112-96 Sec. 2101 requires that as a condition of eligibility for regular compensation, a claimant must be able to work, available to work, and actively seeking work.

Further, OMB Circular A-133 Subpart C Section .300 (b) states, "the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition - In our review of 60 unemployment claimant files, we noted 21 claimant files did not have adequate documentation to verify that the individual was actively seeking work.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and claimants could be receiving benefits that they are not entitled to receive under the program.

Cause - VIDOL does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its claimant files.

Recommendation - We recommend that VIDOL perform regular reviews of the data in its claimant files to ensure accuracy and completeness and confirming that only eligible claimants are receiving the entitled benefits. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the eligibility process.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: As of mid-August 2016, VIDOL began inserting the work search forms into the claimant's checks to ensure receipt. A memo to staff was shared to ensure that the work search forms are reviewed, verified, and placed in claimant files. As recommended, management will conduct quarterly case file reviews to ensure the proper documents are being collected. By the first quarter of 2017, VIDOL's unemployment insurance claimant portal should be operational in which work search verification will be completed online.

Implementation Date: August 2016 and ongoing

Person(s) Responsible: Commissioner - VIDOL.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-067: Activities Allowed or Unallowed

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - Attachment A, OMB Circular No. 87 Section C (1)(j), states that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be allocable for Federal awards under provisions of the Circular.

Condition - We noted that the Federal expenditures for the School Breakfast Program (CFDA 10.553) and for the National School Lunch Program (CFDA 10.555) had not been separately identified.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with specified requirements. Total expenditures charged to the program during fiscal year 2015 were \$8,266,122.

Effect - DOE is not in compliance with stated requirements and program directives governing the grants and control over proper monitoring of program expenditures do not appear to be functioning as intended.

Cause - DOE does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles, including appropriate identification of expenditures between different funded awards.

Recommendation - We recommend that DOE strengthen its processes with respect to setting up and charging expenditures between various grant awards and ensuring that the accounting system reflects the appropriate funded value by grant (CFDA #). We also recommend that DOE enhance its review process to properly determine the activities of each grant and reflect them accordingly.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DOE is working with the Department of Finance to create separate organization accounts to record Federal expenditures for the School Breakfast Program (CFDA 10.553) and for the National School Lunch Program (CFDA 10.555). This will allow the expenses to be recorded separately.

Implementation Date: Fiscal Year 2017 and ongoing

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-068: Allowable Costs/Cost Principles - Indirect Cost Activities

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - OMB Circular A-87, Attachment A, requires that where an accumulation of indirect costs will ultimately result in a charge to a Federal award, a cost allocation plan will be required.

Condition - DOE did not reconcile and record indirect costs accurately in the accounting system, and did not accurately allocate the share of indirect costs to the program. It appears that indirect costs of approximately \$592,000 were excluded and this resulted in an understatement of indirect costs claimed for the period.

Questioned Costs - Not applicable.

Context - This condition was identified per review of DOE's compliance with specified requirements. DOE has an approved indirect cost rate agreement of 17.24%.

Effect - Reimbursable amounts were understated.

Cause - Indirect costs were not properly calculated and captured in the accounting system.

Recommendation - We recommend that DOE should review and reconcile cost allocations to ensure accuracy. DOE may also consider revising its future cost allocations for any understatements.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The fiscal year 2015 Indirect Cost Rate Agreements for the Child Nutrition Cluster were completed and submitted at the end of fiscal year 2015. Therefore, DOE utilized the prevailing rates for fiscal year 2014 during the fiscal year 2015, as the rates were negotiated and received. DOE will ensure that the correct indirect cost rate is utilized once it is negotiated and received and necessary adjustments will be made timely, if required.

Implementation Date: Fiscal Year 2017 and ongoing

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-069: Cash Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - The Cash Management Improvement Act of 1990 (CMIA) agreement between the Government of the United States Virgin Islands and the U.S. Department of Treasury requires that established funding techniques and clearance patterns be complied with when requesting Federal funds. The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 4 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DOE to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 22 out of 190 drawdowns made during fiscal year 2015, totaling \$860,548, and noted that 15 of the 22 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with the provisions of the CMIA agreement. Total fiscal year 2015 drawdown requests were \$6,999,758.

Effect - DOE is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - DOE did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that DOE comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DOE will ensure that all drawdowns are carried out within the timeframe of the CMIA Agreement. Also, DOE has developed written procedures which include back-up staff that are cross-trained to conduct draw downs.

Implementation Date: Fiscal Year 2017 and ongoing

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-070: Equipment and Real Property Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - Per the A-102 Common Rule, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DOE. DPP was unable to provide complete property records which met the requirements of the A-102 Common Rule.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with specified requirements.

Effect - There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation - We recommend that DOE and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DOE and DPP, in conjunction with the Department of Finance, are in the process of updating the Enterprise Resource Planning (ERP) system to include a Fixed Assets Module which will track and monitor all fixed assets.

Implementation Date: March 2017

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-071: Subrecipient Monitoring

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - State or Territory agencies administering the programs included in the Child Nutrition Cluster are required to perform specific monitoring procedures. Follow-up reviews, subsequent to an administrative review, are part of the stated requirements in order to ensure that deficiencies disclosed by an administrative review have been corrected.

Condition - We noted that DOE performed administrative reviews of the School Food Authorities (SFA) as required by the regulations; however, DOE failed to perform follow-up reviews to ensure that SFAs had corrected deficiencies identified during the administrative reviews.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with specified requirements.

Effect - Failure to properly monitor SFAs could lead to inappropriate use of Federal funds.

Cause - It appears that the monitoring procedures were not followed and DOE failed to comply with the stated requirements.

Recommendation - We recommend that DOE establish a procedure to monitor the activities of the SFAs, including reviews and follow-up measures in order to act upon the findings and status of corrective action plans.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: The activities of the School Food Authority (SFA) will be monitored by conducting Spot Check Visits and Administrative Reviews at the schools and the SFAs. These visits will enable the State Agency (SA) to ascertain areas where training and/or technical assistance is needed. This will benefit the SFAs and schools and assist in preparing them for successful Administrative Reviews.

The mandatory minimum Administrative Reviews will be conducted at the SFA Level and the School Level each school year. The selected schools will be based on the criteria of the Site Selection Worksheet. The reviews conducted will be based on the Administrative Review (AR) Off-Site Assessment Tool, the AR On-Site Assessment Tool, the Resource Management Comprehensive Review Tool (if necessary), the Procurement Tool, and all additional forms/tools that are necessary, based on the Off-Site and On-Site reviews.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Written documentation noting the findings and corrective action needed will be sent to the SFAs within 30 days of the completion of the reviews. The due dates of the corrective actions will be based on the violations. These dates will range from immediately to 45 days after the receipt of the correspondence.

The SA will contact the SFA at the midpoint of the due date as a reminder of the due date and to inquire whether any assistance and/or further clarification is needed. Upon receipt of the Corrective Action Plan from the SFA, the SA will review the documents and visit the SFA and/or schools where necessary to determine if the findings were successfully corrected/ addressed. Thereafter, the SA will provide written documentation to either close out the finding(s) or request additional action(s) to have the finding(s) closed. All due dates, dates of subsequent visits, and close out dates will be noted in the Administrative Review Tracking Log which will be kept up to date in the SA.

Implementation Date: Fiscal Year 2017 and ongoing

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Finding 2015-072: Special Tests and Provisions - Accountability for USDA-Donated Foods

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

Award Year: 10/01/2014 - 9/30/2015

Criteria - The OMB Compliance Supplement states the following:

1. Maintenance of Records - Distributing and subdistributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).
2. Physical Inventory - Distributing and subdistributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

Condition - We noted that DOE did not have the necessary policies and procedures in place to allow it to maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods. We further noted that DOE performed an annual inventory of commodity goods and compared it with the School Food Authority count; however, no corrective action had been taken to resolve the noted discrepancies.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with specified requirements.

Effect - Noncompliance with program requirements could result in disallowances of costs and DOE may be required to pay USDA the value of the food or replace it in kind.

Cause - DOE does not appear to have adequate policies and procedures to ensure a consistent and systematic review of documentation and records maintenance.

Recommendation - We recommend that DOE implement policies and procedures to ensure adherence to Federal regulations. DOE should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2015

View of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations.

Action Plan: DOE will implement the following:

1. Maintenance of Records - Recipient agencies currently use an excel spreadsheet based ledger that accounts for the receipt, distribution, and inventory of each donated USDA commodity as well as Insular purchased commodities. When an item is received it is recorded on the "inventory record card". Any disbursement of the stock items is also recorded on the card which acts as a perpetual inventory as all transactions are recorded for each inventory item on this document. However, DOE is in the process of migrating to the Nutri-kids inventory monitoring software which will be implemented on October 30, 2016.
2. Physical Inventory - The distributing agency has provided policies and procedures to the recipient agencies regarding discrepancies between physical inventory and perpetual inventory. Beginning School Year 2016-2017, the recipient agencies are required to reconcile their monthly physical inventories and submit them by the 10th day of each month. This is part of increased monitoring of the donated foods for proper control.

Implementation Date: Fiscal Year 2017 and ongoing

Person(s) Responsible: Director, Special Nutrition Programs - DOE.

Summary Schedule of
Prior Audit Findings

Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2014-015	U.S. Department of Agriculture	Supplemental Nutrition Assistance Program Cluster	Cash Management	10.561	Repeated. Finding No. 2015-017
2014-016	U.S. Department of Agriculture	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management	10.561	Repeated. Finding No. 2015-018
2014-017	U.S. Department of Agriculture	Supplemental Nutrition Assistance Program Cluster	Matching, Level of Effort, and Earmarking	10.561	Corrected.
2014-018	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Activities Allowed or Unallowed	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-020
2014-019	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Cash Management	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-022
2014-020	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Eligibility	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-023
2014-021	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Reporting	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-025
2014-022	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Child Support Non-Cooperation	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-026
2014-023	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Penalty for Refusal to Work	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-027
2014-024	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan	93.558/ 93.558 - ARRA	Corrected.

Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2014-025	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Income Eligibility and Verification System	93.558/ 93.558 - ARRA	Repeated. Finding No. 2015-028
2014-026	U.S. Department of Health and Human Services	Head Start	Cash Management	93.600	Repeated. Finding No. 2015-029
2014-027	U.S. Department of Health and Human Services	Head Start	Davis-Bacon Act	93.600	Repeated. Finding No. 2015-032
2014-028	U.S. Department of Health and Human Services	Head Start	Equipment and Real Property Management	93.600	Repeated. Finding No. 2015-030
2014-029	U.S. Department of Health and Human Services	Medicaid Cluster	Activities Allowed or Unallowed	93.778/ 93.778 - ARRA	Repeated. Finding No. 2015-033
2014-030	U.S. Department of Health and Human Services	Medicaid Cluster	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates	93.778/ 93.778 - ARRA	Corrected.
2014-031	U.S. Department of Health and Human Services	Medicaid Cluster	Cash Management	93.778/ 93.778 - ARRA	Repeated. Finding No. 2015-034
2014-032	U.S. Department of Health and Human Services	Medicaid Cluster	Reporting	93.778/ 93.778 - ARRA	Corrected.
2014-033	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity	93.778/ 93.778 - ARRA	Repeated. Finding No. 2015-040
2014-034	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	93.778/ 93.778 - ARRA	Repeated. Finding No. 2015-038
2014-035	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital/Long-Term Care Facility Audits	93.778/ 93.778 - ARRA	Repeated. Finding No. 2015-036

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2014-036	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	93.778/93.778 - ARRA	Repeated. Finding No. 2015-039
2014-037	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	93.778/93.778 - ARRA	Repeated. Finding No. 2015-037
2014-039	U.S. Department of Commerce	Coastal Zone Management Administration Awards	Activities Allowed or Unallowed	11.419	Corrected.
2014-040	U.S. Department of Commerce	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles - Payroll Activities	11.419	Repeated. Finding No. 2015-042
2014-041	U.S. Department of Commerce	Coastal Zone Management Administration Awards	Equipment and Real Property Management	11.419	Repeated. Finding No. 2015-043
2014-042	U.S. Department of Commerce	Coastal Zone Management Administration Awards	Matching, Level of Effort, and Earmarking	11.419	Repeated. Finding No. 2015-044
2014-043	U.S. Department of Commerce	Coastal Zone Management Administration Awards	Procurement, Suspension, and Debarment	11.419	Corrected.
2014-044	U.S. Department of Commerce	Coral Reef Conservation Program	Allowable Costs/Cost Principles - Payroll Activities	11.482	Repeated. Finding No. 2015-046
2014-045	U.S. Department of Commerce	Coral Reef Conservation Program	Matching, Level of Effort, and Earmarking	11.482	Repeated. Finding No. 2015-048
2014-046	U.S. Department of Health and Human Services	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities	93.563	Corrected.

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2014-047	U.S. Department of Health and Human Services	Child Support Enforcement	Cash Management	93.563	Repeated. Finding No. 2015-049
2014-048	U.S. Department of Health and Human Services	Child Support Enforcement	Equipment and Real Property Management	93.563	Repeated. Finding No. 2015-050
2014-049	U.S. Department of Defense	National Guard Military Operations and Maintenance (O&M) Projects	Reporting	12.401	Repeated. Finding No. 2015-053
2014-050	U.S. Department of Transportation	Highway Planning and Construction Cluster	Cash Management	20.205	Repeated. Finding No. 2015-054
2014-051	U.S. Department of the Interior	Economic, Social, and Political Development of the Territories	Cash Management	15.875	Repeated. Finding No. 2015-062
2014-052	U.S. Department of the Interior	Economic, Social, and Political Development of the Territories	Davis-Bacon Act	15.875	Corrected.
2014-053	U.S. Department of the Interior	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	15.875	Repeated. Finding No. 2015-063
2014-054	U.S. Department of Labor	Unemployment Insurance	Activities Allowed or Unallowed	17.225	Repeated. Finding No. 2015-065
2014-055	U.S. Department of Agriculture	Child Nutrition Cluster	Activities Allowed or Unallowed	10.555/ 10.556/ 10.559	Partially Corrected No. 2015-067
2014-057	U.S. Department of Agriculture	Child Nutrition Cluster	Allowable Costs/Cost Principles - Non-payroll Activities	10.555/ 10.556/ 10.559	Corrected.
2014-058	U.S. Department of Agriculture	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Costs Activities	10.555/ 10.556/ 10.559	Repeated. Finding No. 2015-068

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2014-059	U.S. Department of Agriculture	Child Nutrition Cluster	Cash Management	10.555/ 10.556/ 10.559	Repeated. Finding No. 2015-069
2014-060	U.S. Department of Agriculture	Child Nutrition Cluster	Equipment and Real Property Management	10.555/ 10.556/ 10.559	Repeated. Finding No. 2015-070
2014-061	U.S. Department of Agriculture	Child Nutrition Cluster	Procurement, Suspension, and Debarment	10.555/ 10.556/ 10.559	Corrected.
2014-063	U.S. Department of Agriculture	Child Nutrition Cluster	Special Tests and Provisions - Accountability for USDA-Donated Foods	10.555/ 10.556/ 10.559	Repeated. Finding No. 2015-072
2013-009	U.S. Department of Transportation / U.S. Department of Health and Human Services	Highway Planning and Construction Cluster / Medicaid Cluster	Cash Management	20.205/ 20.205-ARRA 93.778	Repeated. Finding No. 2015-054/ 2015-034
2013-017	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Income Eligibility and Verification System (IEVS)	93.558	Repeated. Finding No. 2015-028
2013-018	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity	93.778	Repeated. Finding No. 2015-040
2013-019	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	93.778	Repeated. Finding No. 2015-036
2013-020	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	93.778	Repeated. Finding No. 2015-039

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Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2013-022	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	93.778	Repeated. Finding No. 2015-038
12-09	U.S. Department of Transportation / U.S. Department of Health and Human Services	Highway Planning and Construction Cluster/ Medicaid Cluster	Cash Management	20.205/ 20.205 - ARRA 93.778	Repeated. Finding No. 2015-054 / 2015-034
12-14	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families Cluster	Special Tests and Provisions - Income Eligibility and Verification System (IEVS)	93.558	Repeated. Finding No. 2015-028
12-15	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity	93.778	Repeated. Finding No. 2015-040
12-16	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-term Care Facility Audits	93.778	Repeated. Finding No. 2015-036
12-17	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - ADP Risk and System Security Review	93.778	Repeated. Finding No. 2015-039
12-20	U.S. Department of Health and Human Services	Medicaid Cluster	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates	93.778	Corrected.
12-21	U.S. Department of Health and Human Services	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	93.778	Repeated. Finding No. 2015-038