



## 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, 2014

**Government of the  
United States Virgin Islands**

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Schedule of Expenditures of Federal  
Awards and Reports Required by  
*Government Auditing Standards* and  
OMB Circular A-133  
Year Ended September 30, 2014

# 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, 2014, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated September 30, 2015. We expressed a qualified opinion on the financial statements of the governmental activities, general 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 Tobacco Settlement Financing Corporation (TSFC), 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) 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 as items 2014-001 through 2014-012, 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 as items 2014-001 through 2014-008 to be material weaknesses.

- Year-End Close Process
- Bank Accounts
- Tax Revenue and Receivables
- Grants Management
- Capital Assets and Related Expenditures
- Recording of Liabilities
- Management of the Medicaid Program
- Unemployment Insurance Trust Fund

*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 as items 2014-009 through 2014-012 to be significant deficiencies.

- Pension Plan Obligations
- Payroll, Related Accruals, and Other Expenditures
- Workers Compensation Program
- Information Technology Environment

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 as items 2014-013 and 2014-014.

- Collateralizing Deposits
- Budgetary Compliance



## 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.

*BDO USA, LLP*

September 30, 2015



## 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, 2014. 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 Tobacco Settlement Financing Corporation (TSFC), 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 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 and CFDA 93.558 ARRA Temporary Assistance for Needy Families (TANF) and CFDA 93.778 and CFDA 93.778 ARRA Medical Assistance Program***

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 and CFDA 93.558 ARRA Temporary Assistance for Needy Families (TANF) and CFDA 93.778 and CFDA 93.778 ARRA Medical Assistance Program. Compliance with such requirements is necessary, in our opinion, for the Government to comply with requirements applicable to those programs.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-018	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Activities Allowed or Unallowed
2014-019	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Cash Management
2014-020	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Eligibility
2014-021	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Reporting
2014-022	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Child Support Non-Cooperation
2014-023	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Penalty for Refusal to Work
2014-024	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan
2014-025	93.558/ 93.558 - ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Income Eligibility and Verification System
2014-029	93.778/ 93.778 - ARRA	Medical Assistance Program	Activities Allowed or Unallowed
2014-030	93.778/ 93.778 - ARRA	Medical Assistance Program	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates





Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-031	93.778/ 93.778 - ARRA	Medical Assistance Program	Cash Management
2014-032	93.778/ 93.778 - ARRA	Medical Assistance Program	Reporting
2014-033	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Utilization Control & Program Integrity
2014-034	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Medicaid Fraud Control Unit (MFCU)
2014-035	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2014-036	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2014-037	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Provider Eligibility

***Adverse Opinion on CFDA 93.558 and CFDA 93.558 ARRA Temporary Assistance for Needy Families (TANF) and CFDA 93.778 and CFDA 93.778 ARRA Medical Assistance Program***

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 and CFDA 93.558 ARRA Temporary Assistance for Needy Families (TANF) and CFDA 93.778 and CFDA 93.778 ARRA Medical Assistance Program for the year ended September 30, 2014.

***Basis for Qualified Opinion on CFDA 93.600 Head Start, CFDA 11.419 Coastal Zone Management Administration Awards, CFDA 15.875 Economic, Social, and Political Development of the Territories, and CFDA 10.555/10.556/10.559 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
2014-027	93.600	Head Start	Davis-Bacon Act
2014-039	11.419	Coastal Zone Management Administration Awards	Activities Allowed or Unallowed
2014-040	11.419	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles - Payroll Activities
2014-041	11.419	Coastal Zone Management Administration Awards	Equipment and Real Property Management



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-042	11.419	Coastal Zone Management Administration Awards	Matching, Level of Effort, and Earmarking
2014-043	11.419	Coastal Zone Management Administration Awards	Procurement, Suspension, and Debarment
2014-052	15.875	Economic, Social, and Political Development of the Territories	Davis-Bacon Act
2014-055	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Activities Allowed or Unallowed
2014-057	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Non-payroll Activities
2014-058	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Costs Activities

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 15.875 Economic, Social, and Political Development of the Territories, and CFDA 10.555/10.556/10.559 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 15.875 Economic, Social, and Political Development of the Territories, and CFDA 10.555/10.556/10.559 Child Nutrition Cluster for the year ended September 30, 2014.

***Basis for Qualified Opinion on CFDA 17.225 Unemployment Insurance***

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 2014-054 for Activities Allowed or Unallowed. Consequently, we were unable to determine whether the Government complied with those requirements applicable to that program.

***Qualified Opinion on CFDA 17.225 Unemployment Insurance***

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 for the year ended September 30, 2014.



**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, 2014.

**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
2014-015	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Cash Management
2014-016	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Equipment and Real Property Management
2014-017	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Matching, Level of Effort, and Earmarking
2014-026	93.600	Head Start	Cash Management
2014-028	93.600	Head Start	Equipment and Real Property Management
2014-044	11.482	Coral Reef Conservation Program	Allowable Costs/Cost Principles - Payroll Activities
2014-045	11.482	Coral Reef Conservation Program	Matching, Level of Effort, and Earmarking
2014-046	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2014-047	93.563	Child Support Enforcement	Cash Management
2014-048	93.563	Child Support Enforcement	Equipment and Real Property Management
2014-049	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2014-050	20.205	Highway Planning and Construction	Cash Management
2014-051	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2014-053	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-059	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Cash Management
2014-060	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Equipment and Real Property Management
2014-061	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Procurement, Suspension, and Debarment
2014-063	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Special Tests and Provisions - Accountability for USDA-Donated Foods

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
2014-015	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Cash Management
2014-016	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Equipment and Real Property Management
2014-018	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Activities Allowed or Unallowed
2014-019	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Cash Management
2014-020	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Eligibility
2014-021	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Reporting
2014-025	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Income Eligibility and Verification System
2014-026	93.600	Head Start	Cash Management
2014-027	93.600	Head Start	Davis-Bacon Act
2014-028	93.600	Head Start	Equipment and Real Property Management
2014-029	93.778/ 93.778 - ARRA	Medical Assistance Program	Activities Allowed or Unallowed
2014-030	93.778/ 93.778 - ARRA	Medical Assistance Program	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates
2014-031	93.778/ 93.778 - ARRA	Medical Assistance Program	Cash Management
2014-033	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Utilization Control & Program Integrity
2014-034	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Medicaid Fraud Control Unit (MFCU)
2014-035	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2014-036	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - ADP Risk Analysis and System Security Review



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-037	93.778/ 93.778 - ARRA	Medical Assistance Program	Special Tests and Provisions - Provider Eligibility
2014-041	11.419	Coastal Zone Management Administration Awards	Equipment and Real Property Management
2014-047	93.563	Child Support Enforcement	Cash Management
2014-048	93.563	Child Support Enforcement	Equipment and Real Property Management
2014-050	20.205	Highway Planning and Construction	Cash Management
2014-051	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2014-052	15.875	Economic, Social, and Political Development of the Territories	Davis-Bacon Act
2014-053	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2014-054	17.225	Unemployment Insurance	Activities Allowed or Unallowed
2014-055	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Activities Allowed or Unallowed
2014-060	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Equipment and Real Property Management
2014-061	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Procurement, Suspension, and Debarment
2014-063	10.555/ 10.556/ 10.559	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
2014-017	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Matching, Level of Effort, and Earmarking
2014-022	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Child Support Non-Cooperation
2014-023	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Penalty for Refusal to Work



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-024	93.558/ 93.558- ARRA	Temporary Assistance for Needy Families	Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan
2014-032	93.778	Medical Assistance Program	Reporting
2014-039	11.419	Coastal Zone Management Administration Awards	Activities Allowed or Unallowed
2014-040	11.419	Coastal Zone Management Administration Awards	Allowable Costs/Cost Principles - Payroll Activities
2014-042	11.419	Coastal Zone Management Administration Awards	Matching, Level of Effort, and Earmarking
2014-043	11.419	Coastal Zone Management Administration Awards	Procurement, Suspension, and Debarment
2014-044	11.482	Coral Reef Conservation Program	Allowable Costs/Cost Principles - Payroll Activities
2014-045	11.482	Coral Reef Conservation Program	Matching, Level of Effort, and Earmarking
2014-046	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2014-049	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2014-057	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Non-payroll Activities
2014-058	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Costs Activities
2014-059	10.555/ 10.556/ 10.559	Child Nutrition Cluster	Cash Management

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, 2014, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We issued our report thereon dated September 30, 2015, which expressed a qualified opinion on the financial statements of the governmental activities, general 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.

November 30, 2015

*BDO USA, LLP*



Schedule of Expenditures  
of Federal Awards

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# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Agriculture</b>		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 99,448
Specialty Crop Block Grant Program - Farm Bill	10.170	29,985
<u><i>Child Nutrition Cluster</i></u>		
National School Lunch Program	10.555	3,405,144
Special Milk Program for Children	10.556	3,279,119
Summer Food Service Program for Children	10.559	752,671
<i>Total Child Nutrition Cluster</i>		7,436,934
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	6,714,199
Child and Adult Care Food Program	10.558	1,180,426
State Administrative Expenses for Child Nutrition	10.560	277,003
<u><i>SNAP Cluster</i></u>		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	60,760,726
<u><i>Food Distribution Cluster</i></u>		
Emergency Food Assistance Program (Administrative Costs)	10.568	28,487
Fresh Fruit and Vegetable Program	10.582	30,234
Cooperative Forestry Assistance	10.664	204,985
Urban and Community Forestry Program	10.675	68,422
Forest Legacy Program	10.676	1,281,086
Forest Stewardship Program	10.678	58,248
<b>Total U.S. Department of Agriculture</b>		<b>78,170,183</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

*Year ended September 30, 2014*

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Health and Human Services</b>		
Special Programs for the Aging-Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	41,506
Special Programs for the Aging-Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	43,108
<b><u>Aging Cluster</u></b>		
Special Programs for the Aging-Title III, Part B Grants for Supportive Services and Senior Centers	93.044	566,024
Special Programs for the Aging-Title III, Part C Nutrition Services	93.045	2,199,654
Nutrition Services Incentive Program	93.053	232,311
<i>Total Aging Cluster</i>		2,997,989
Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	93.048	81,961
National Family Caregiver Support, Title III, Part E	93.052	235,196
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	462,755
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	218,729
Maternal and Child Health Federal Consolidated Programs	93.110	68,337
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	141,347
Emergency Medical Services for Children	93.127	80,481
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	112,860
Injury Prevention and Control Research and State and Community Based Programs	93.136	14,236
AIDS Education and Training Centers	93.145	401
Projects for Assistance in Transition from Homelessness (PATH)	93.150	84,590

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Health and Human Services (continued)</b>		
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	1,237
Family Planning-Services	93.217	855,139
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	628,353
Universal Newborn Hearing Screening	93.251	172,725
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93.259	58,584
Immunization Cooperative Agreements	93.268	1,364,214
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	229,989
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	599,001
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	92,206
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	4,727
Promoting Safe and Stable Families	93.556	302,506
<u><i>TANF Cluster</i></u>		
Temporary Assistance for Needy Families	93.558	3,385,663
ARRA - Temporary Assistance for Needy Families	93.558	435
<i>Total TANF Cluster</i>		3,386,098
Child Support Enforcement	93.563	4,809,382
Low-Income Home Energy Assistance	93.568	546,296
Community Services Block Grant	93.569	1,455,115
<u><i>CCDF Cluster</i></u>		
Child Care and Development Block Grant	93.575	1,938,826

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Health and Human Services (continued)</b>		
Head Start	93.600	9,828,389
Developmental Disabilities Basic Support and Advocacy Grants	93.630	399,505
Children's Justice Grants to States	93.643	19,019
Stephanie Tubbs Jones Child Welfare Services Program	93.645	209,865
Social Services Block Grant	93.667	176,672
Child Abuse and Neglect State Grants	93.669	58,167
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	246,867
ARRA - Advance Interoperable Health Information Technology Services to Support Health Information Exchange	93.719	330,815
<u><i>Medicaid Cluster</i></u>		
Medical Assistance Program	93.778	29,114,582
ARRA - Medical Assistance Program	93.778	22,343
<i>Total Medicaid Cluster</i>		29,136,925
Reimbursement of State Costs for Provision for Part D Drugs	93.794	247,754
Health Care and Other Facilities	93.887	345,659
HIV Care Formula Grants	93.917	1,393,619
HIV Prevention Activities-Health Department Based	93.940	558,764
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	149,794
Block Grants for Community Mental Health Services	93.958	131,190
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,481,300
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	215,547
Preventive Health and Health Services Block Grant	93.991	121,614
Maternal and Child Health Services Block Grant to the States	93.994	622,061
<b>Total U.S. Department of Health and Human Services</b>		<b>66,701,420</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Transportation</b>		
<u>Highway Planning and Construction Cluster</u>		
Highway Planning and Construction	20.205	24,795,707
National Motor Carrier Safety	20.218	207,151
<u>Federal Transit Cluster</u>		
Federal Transit - Capital Investment Grants	20.500	1,441,601
Federal Transit - Formula Grants	20.507	1,170,502
<i>Total Federal Transit Cluster</i>		2,612,103
<u>Transit Services Programs Cluster</u>		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1,820,208
<u>Highway Safety Cluster</u>		
State and Community Highway Safety	20.600	565,080
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	8,100
<b>Total U.S. Department of Transportation</b>		30,008,349
<b>U.S. Department of Labor</b>		
Labor Force Statistics	17.002	37,426
Compensation and Working Conditions	17.005	350,515
<u>Employment Service Cluster</u>		
Employment Service/Wagner-Peyser Funded Activities	17.207	1,373,967
Unemployment Insurance	17.225	23,228,241
Senior Community Service Employment Program	17.235	1,048,551
<u>WIA Cluster</u>		
WIA/WIOA Adult Program	17.258	1,010,300
WIA/WIOA Youth Activities	17.259	800,518
<i>Total WIA Cluster</i>		1,810,818

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Labor (continued)</b>		
Work Opportunity Tax Credit Program (WOTC)	17.271	69,207
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	1,093,568
Occupational Safety and Health-State Program	17.503	190,076
<u><i>Employment Service Cluster</i></u>		
Disabled Veterans' Outreach Program (DVOP)	17.801	37,657
Local Veteran's Employment Representative Program	17.804	8,713
<i>Total Employment Service Cluster</i>		46,370
<b>Total U.S. Department of Labor</b>		<b>29,248,739</b>
<b>U.S. Department of Education</b>		
<u><i>Special Education Cluster (IDEA)</i></u>		
Special Education - Grants to States	84.027	8,674,433
Impact Aid	84.041	68,295
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	2,659,141
Independent Living - State Grants Program	84.169	38,283
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177	70,583
Special Education - Grants for Infants and Families	84.181	1,090,802
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	50,250
Territories and Freely Associated States Education Grant Program	84.256	1,316,964
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	17,104
Striving Readers	84.371	252,098
Statewide Longitudinal Data Systems	84.372	216,918
ARRA - Consolidated Grant to the Outlying Areas, Recovery Act	84.402	7,824
Consolidated Grant to the Outlying Areas	84.403	13,675,781
<b>Total U.S. Department of Education</b>		<b>28,138,476</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of the Interior</b>		
<i><u>Fish and Wildlife Cluster</u></i>		
Sport Fish Restoration Program	15.605	1,430,114
Wildlife Restoration and Basic Hunter Education	15.611	266,015
<i>Total Fish and Wildlife Cluster Total</i>		1,696,129
Enhanced Hunter Education and Safety Program	15.626	40,904
Partners for Fish and Wildlife	15.631	8,427
State Wildlife Grants	15.634	170,754
Economic, Social, and Political Development of the Territories	15.875	5,045,222
Historic Preservation Fund Grants-In-Aid	15.904	180,482
<b>Total U.S. Department of the Interior</b>		<b>7,141,918</b>
<b>U.S. Department of Defense</b>		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	4,820,990
<b>U.S. Environmental Protection Agency</b>		
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	14,052
State Clean Diesel Grant Program	66.040	6
ARRA - Construction Grants for Wastewater Treatment Works	66.418	751,034
Water Quality Management Planning	66.454	43,066
<i><u>Drinking Water State Revolving Fund Cluster</u></i>		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	815,322
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	433,807
Beach Monitoring and Notification Program Implementation Grants	66.472	156,460
Water Protection Grants to the States	66.474	12,089



# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Environmental Protection Agency (continued)</b>		
Performance Partnership Grants	66.605	1,687,935
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	97,557
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	187,944
State and Tribal Response Program Grants	66.817	90,903
<b>Total U.S. Environmental Protection Agency</b>		<b>4,290,175</b>
<b>U.S. Department of Homeland Security</b>		
Boating Safety Financial Assistance	97.012	878,756
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	851,859
ARRA - Hazard Mitigation Grant	97.039	593,181
Emergency Management Performance Grants	97.042	592,667
Cooperating Technical Partners	97.045	17,624
Homeland Security Grant Program	97.067	800,741
Driver's License Security Grant Program	97.089	193,771
<b>Total U.S. Department of Homeland Security</b>		<b>3,928,599</b>
<b>U.S. Department of Justice</b>		
Sexual Assault Services Formula Program	16.017	33,352
Juvenile Accountability Block Grants	16.523	69,730
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	79,458
Crime Victim Assistance	16.575	347,640
Crime Victim Compensation	16.576	19,887
Violence Against Women Formula Grants	16.588	304,596
ARRA - Violence Against Women Formula Grants	16.588	1,249
Residential Substance Abuse Treatment for State Prisoners	16.593	45,272
State Criminal Alien Assistance Program	16.606	212,402
Public Safety Partnership and Community Policing Grants	16.710	888,967
Enforcing Underage Drinking Laws Program	16.727	145,945

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Justice (continued)</b>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	545,897
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	172,170
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	23,724
Support for Adam Walsh Act Implementation Grant Program	16.750	194,936
<b>Total U.S. Department of Justice</b>		<b>3,085,225</b>
<b>U.S. Department of Commerce</b>		
<i>Economic Development Cluster</i>		
Economic Adjustment Assistance	11.307	145,107
Interjurisdictional Fisheries Act of 1986	11.407	363
Coastal Zone Management Administration Awards	11.419	946,866
Financial Assistance for National Centers for Coastal Ocean Science	11.426	15,905
Marine Fisheries Initiative	11.433	68,208
Cooperative Fishery Statistics	11.434	3,642
Southeast Area Monitoring and Assessment Program	11.435	78,028
Meteorologic and Hydrologic Modernization Development	11.467	49,151
Coral Reef Conservation Program	11.482	481,278
State and Local Implementation Grant Program	11.549	92,289
<b>Total U.S. Department of Commerce</b>		<b>1,880,837</b>
<b>National Endowment for the Arts</b>		
Promotion of the Arts - Partnership Agreements	45.025	308,500
<b>U.S. Department of Energy</b>		
State Energy Program	81.041	235,404
ARRA - State Energy Program	81.041	17,502
Weatherization Assistance for Low-Income Persons	81.042	10,855
ARRA - Weatherization Assistance for Low-Income Persons	81.042	1,940
<b>Total U.S. Department of Energy</b>		<b>265,701</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<i>Federal Grantor Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
Corporation for National and Community Service		
Retired and Senior Volunteer Program	94.002	31,807
<u>Foster Grandparent/Senior Companion Cluster</u>		
Foster Grandparent Program	94.011	221,335
<b>Total Corporation for National and Community Service</b>		<b>253,142</b>
Institute of Museum and Library Services		
Grants to States	45.310	101,850
Executive Office of the President		
High Intensity Drug Trafficking Areas Program	95.001	83,500
U.S. Department of Housing and Urban Development		
Supporting Housing Program	14.235	25,100
<b>Total Expenditures of Federal Awards</b>		<b>\$ 258,452,704</b>

# Government of the United States Virgin Islands

## Notes to Schedule of Expenditures of Federal Awards

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### 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, 2014, 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, 2014.

### 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. 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 \$55,338,091) and the food cost (CFDA No. 10.557 in the amount of \$4,271,636) 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

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

During fiscal year 2014, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$830,000 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 expended under CFDA No. 17.225.

Territory UI Benefits (Trust Fund)	\$ 20,229,859
Federal UI Benefits (Administration)	2,998,382
<hr/>	
Total	\$ 23,228,241

### 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, 2014, 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
Special Education - Grants for Infants and Families	84.181	\$ 738,616

**Schedule of Findings and  
Questioned Costs**

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# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### 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	Unmodified
Capital Projects Fund	Unmodified
Federal Grants Fund	Unmodified
West Indian Company-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely-Presented Component Units	Qualified

Internal control over financial reporting:

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

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_X\_\_\_ yes \_\_\_ no
  
- Significant deficiency(ies) identified? \_\_\_X\_\_\_ 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>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Unmodified
10.555/10.556/10.559	Child Nutrition Cluster	Qualified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
11.419	Coastal Zone Management Administration Awards	Qualified

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
11.482	Coral Reef Conservation Program	Unmodified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance	Qualified
20.205	Highway Planning and Construction	Unmodified
84.027	Special Education - Grants to States	Unmodified
84.403	Consolidated Grant to the Outlying Areas	Unmodified
93.558/93.558 - ARRA	Temporary Assistance for Needy Families	Adverse
93.563	Child Support Enforcement	Unmodified
93.600	Head Start	Qualified
93.778/93.778 - ARRA	Medical Assistance Program	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>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.555/10.556/10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
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
84.027	Special Education - Grants to States
84.403	Consolidated Grant to the Outlying Areas
93.558/93.558 - ARRA	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.600	Head Start
93.778/93.778 - ARRA	Medical Assistance Program

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, 2014

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### Section II - Financial Statement Findings

#### Finding 2014-001: 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.

#### Periodic Reconciliations

##### *Finding and Recommendation:*

We noted inconsistencies in the reconciliation, review, and approval processes along with 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. 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.

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. Further, the Government should establish a policy to restrict posting transactions directly to net position. We recommend that an appropriate and responsible official review the net position account activity periodically to ensure that the account only has appropriate entries.

##### *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.

*Implementation Date:* Fiscal Year 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Incorporation of Component Units

#### *Finding and Recommendation:*

During our review of the Government's draft financial statements, we noted various inconsistencies with the incorporation of component units' financial statements as it related to classification and reporting of account balances. These included instances such as the following:

- Classification of current versus non-current presentation.
- Inconsistency in disclosures relating to Governmental Accounting Standards Board Codification Section C20, *Cash Deposits with Financial Institutions*.
- Payments from the primary government presented as operating grants or charges for services instead of being reflected in the payment from primary government column.
- Incomplete disclosure of component units' significant items within the Government's financial statements.
- The component unit due to/due from reconciliation analysis required substantial adjustments amounting to approximately \$46 million.
- With respect to the Government's blended component units, a schedule outlining the methodology to accurately capture and present said balances in the Government's financial statements was not readily available. This necessitated an extended analysis of account balances in an effort to ensure the audited balances of blended component units had been accurately captured in the Government's financial statements.
- We noted that a substantial defeasance of bonds, amounting to \$55 million, had been accounted for in a component unit's financial statements; however, this had not been reflected in the Government's draft financial statements.

These types of instances resulted in significant financial reporting adjustments to the Government's draft financial statements. We recommend the Government implement closing procedures which would allow it 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.

#### *Views of Responsible Officials and Planned Corrective Actions:*

The Government concurs with the auditor's findings and a reasonable portion of the 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).

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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.

### Major Fund Calculations

#### *Finding and Recommendation:*

The Government is required to determine its major funds for reporting fund financial statements in conformity with the quantitative criteria of Governmental Accounting Standards Board Statement No. 34. We noted that Fund 3100, *Federal Fund*, met the major fund criteria; however, the fund had not been separately displayed in the draft financial statements which represented a departure from generally accepted accounting principles.

Although the fund financial statements were subsequently corrected, we recommend the Government review the treatment of its major funds on a year-to-year basis as this will ensure financial statement compliance with the stated accounting and reporting requirements.

#### *Views of Responsible Officials and Planned Corrective Actions:*

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

*Action Plan:* At the commencement and conclusion of developing the draft working trial balance, the Department of Finance will document, assess, and approve its major funds on a yearly basis to ensure financial statement compliance.

*Implementation Date:* Fiscal Year 2016

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

### Inventory Account

#### *Finding and Recommendation:*

The Government maintained a net negative inventory account balance of approximately \$3 million at year-end. We noted that this was the result of an error which had accumulated and had remained unresolved since 2012. While this error was subsequently adjusted during the audit process, we recommend the Government perform a periodic review of balance sheet accounts throughout the fiscal year, to ensure account balances are properly stated at year-end.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 develop reliable and timely interim and year-end financial statements, the Department of Finance will review balance sheet accounts on a quarterly basis, to ensure that account balances are properly stated at year-end.

*Implementation Date:* Fiscal Year 2016

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

### Accounting System Functionality

#### *Finding and Recommendation:*

- The Government's official accounting and recordation system accepts unbalanced journal entries. As a result, we noted an instance where a fund's trial balance was out of balance at year-end. The existing set-up requires a periodic monitoring of unbalanced journal entries. We 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.
- 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. A substantial adjustment was noted in the current year to correct entries which has been posted in prior years. We recommend the Government consider a closing procedure to ensure all post-closing and audit adjustments are reflected in the accounting system so that the general ledger reflects audited balances and the correct opening balances for the upcoming fiscal year.

### *Views of Responsible Officials and Planned Corrective Actions:*

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

*Action Plan:* 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 Director of Accounting.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-002: 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.

#### Preparation of Reconciliations

##### *Finding and Recommendation:*

Our review of the Government's bank accounts revealed that reconciliations had not been prepared on a timely basis. Most bank reconciliations were completed and reviewed as part of the year-end financial reporting close process. As a result, a large number of year-end adjustments were required for transactions which had not been recorded in the general ledger during the course of the fiscal year. We 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.

##### *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.

*Implementation Date:* Fiscal Year 2016

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

#### Outstanding Checks

##### *Finding and Recommendation:*

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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 Treasury Director will be provided with additional human capital for the purpose of 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 outstanding checks in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

*Implementation Date:* Fiscal Year 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-003: Tax Revenue and Receivables

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.

The Government's Bureau of Internal Revenue (the Bureau), in turn, 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.

### Reconciliation of Subsidiary Registers

#### *Finding and Recommendation:*

The Government maintains various subsidiary registers as derived from its tax recordation systems, primarily CAVU and VITAX. However, the Government does not reconcile its subsidiary registers to its tax receivable general ledger account balances. This resulted in significant audit adjustments to establish the true tax receivable balances at year-end. 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 CAVU and VITAX systems on a quarterly basis from the Lieutenant Governor's Office and Bureau of Internal Revenue, respectively. Once received, the Department of Finance will update its general ledger to reflect the most accurate tax receivable balances.

*Implementation Date:* Fiscal Year 2016

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

### 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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:* On a semi-annual basis, the Department of Finance will leverage enhanced fully documented methodologies utilized by the Lieutenant Governor's Office (CAVU) and Bureau of Internal Revenue (VITAX) to establish allowances for receivable balances. The Department of Finance will collaborate with the Lieutenant Governor's Office and Bureau of Internal Revenue to review and ratify the methodologies used.

*Implementation Date:* Fiscal Year 2016

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

### **Real Property Tax**

#### *Finding and Recommendation:*

- We identified the following exceptions during our sampled procedures over tax credits. Management should recognize that the potential exists for additional discrepancies.
  - The Government was unable to provide supporting documentation for six (6) items.
  - Eleven (11) sampled items had partial supporting documentation available.
  - Two (2) sampled items did not have the proper approval from the tax credit assessor.
- 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.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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.

### 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### 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.

- We noted eight (8) items which contained data input errors. As a result, these items were logged in as income tax receivables, but should not have been reflected as such.
- The VITAX system does not appear to be calculating the complete interest and penalties earned on a tax payer's account. We noted interest and penalties earned are only calculated through the last activity of the taxpayer (i.e. last payment or adjustment to a tax payer's account) which may or may not coincide with the end of the Government's fiscal year.
- During our procedures over income tax receivables, the Government was unable to provide copies of income tax returns for 118 sampled items. Management may consider revising its retention policy for accounts that have outstanding balances.
- During our procedures over income tax refund expenses, the Government was unable to provide supporting documentation for two (2) sampled items.

#### *Views of Responsible Officials and Planned Corrective Actions:*

The Bureau of Internal Revenue substantially 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.
- Implement a new reporting system that will include interest and penalties on taxpayers' accounts up to a requested date.
- Attempt to locate requested returns. It is noted that of the 118 sampled returns mentioned, 34 sampled returns were already shredded pursuant to the Bureau's retention policy. The Bureau was not able to produce 84 requested returns within the time frame. 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### 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 four (4) 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.

### Collections Report for Income and Other Taxes

#### *Finding and Recommendation:*

The collections used to calculate the modified accrual basis adjustment(s) for financial reporting purposes are based on a revenue/collection report published on the Bureau's website. This report is based on unadjusted collections, and thus, the collections are not considered final amounts. We recommend that this information should be regularly reconciled to ensure accurate and proper cut-off of information has been captured in order to establish 'available cash.'

#### *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 ensure that the collection reports on the website represent final monthly collected amounts.

*Implementation Date:* Immediately

*Person(s) Responsible:* The management team of the Bureau of Internal Revenue; specifically, the Director.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### 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.

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:* December 31, 2015

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-004: 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. The systems should facilitate the reporting requirements of each contract and grant and consideration must be given to compliance with laws and regulations that are a component of any grant or contract accepted.

### Accuracy and Completeness of the Schedule of Expenditures of Federal Awards

#### *Finding and Recommendation:*

At present, the Government does not have the necessary internal controls in place to adequately prepare and review the Schedule of Expenditures of Federal Awards (SEFA). We noted the following during our procedures:

- Certain grant expenditures, amounting to \$5.9 million, for Department of Education programs had been recorded twice. An adjustment was proposed to correct the SEFA and the financial statements.
- Approximately \$7 million had been reflected as expenditures for Catalog of Federal Domestic Assistance (CFDA) Number 84.027A, *Special Education - State Grant Programs*; however, these funds had actually been spent for CFDA Number 10.555, *Child Nutrition Grant*. This resulted in an adjustment to the number of major programs requiring an audit under the requirements of Office of Management and Budget (OMB) Circular A-133.
- Approximately \$1.5 million in expenditures had erroneously been recorded to CFDA Number 20.500, *Federal Transit Program*. This resulted in an adjustment to the number of major programs requiring an audit under the requirements of OMB Circular A-133.
- Approximately \$763,000 had been reflected as expenditures for CFDA Number 20.205, *Highway Planning and Construction*; however, these funds had actually been spent for CFDA Number 15.875, *Economic, Social, and Political Development of the Territories*.
- Approximately \$476,000 in expenditures had erroneously been recorded to CFDA Number 93.600, *Head Start Program*.
- Approximately \$409,000 in expenditures for CFDA Number 84.027, *Special Education - Grants to States* was reflected in the incorrect period.
- The U.S. Virgin Islands is considered an insular area and therefore, qualified to receive certain consolidated grants. Such consolidated block grants can then be allocated to two or more grant programs as specified in the Federal regulations. We noted that while the Government is spending the funds based on its internal allocations to various programs, this allocation is not readily evident and reflected in the year-end SEFA. This resulted in an adjustment to the number of major programs requiring an audit under the requirements of OMB Circular A-133.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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- 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. This results in expenditures being charged to incorrect projects, codes, and CFDA numbers.
- The aforementioned issues also impacted the roll-forward schedule for the general ledger account entitled 'Due from Federal government.' We noted a significant difference amounting to \$27.7 million. The difference was a direct result of the lack of a reconciled SEFA and usage of incorrect Federal expenditures in the roll-forward schedule.

The above issues resulted in additional analysis and delays in order to ensure accuracy of the SEFA. The accounting system should facilitate the reporting requirements of each contract and grant and communication 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.

### *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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### 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.

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.

#### *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 fully implement the Grants Management Module, per the Enterprise Resource Planning (ERP) system.

*Implementation Date:* Fiscal Year 2016

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

### Upcoming 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, including:

- Makes explicit, in a single resource, what requirements apply to all recipients, and which are uniquely needed to address specific needs.
- Introduces requirements for formal certification of grant submissions.
- Attempts to streamline and standardize the cost principles in many ways, including new options for the recovery of indirect costs.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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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## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-005: 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 was not readily able to provide a detailed asset register which is used to track capital assets and the related depreciation expense. In lieu of this, the Government provided a summary roll-forward schedule which was utilized for audit test work. The preparation of detailed property records aids in the accounting for property disposals, substantiates insurance claims for lost or damaged items, and provides controls to safeguard the assets.
- Per the aforementioned summary roll-forward schedule, we noted the Government has a significant number of on-going construction projects. An analysis had not been done during the fiscal year to identify completed projects which should have been 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 performed an analysis of its capital assets for impairment and identified several impaired assets. However, we were unable to determine the reasonableness and completeness of the analysis due to the fact that a detailed asset register was not readily available.
- We noted that business type-activity capital assets and the related accumulated depreciation recorded in the general ledger did not initially agree to the summary roll-forward schedule which was provided by \$4.1 million. A revised assessment and schedule was subsequently provided.
- The beginning balance on the construction-in-progress schedule provided did not agree to the prior year's financial statements by approximately \$1.8 million. This was an error which had remained unresolved for several years. A revised assessment and schedule was subsequently provided.
- While management has represented that there were no disposals during the fiscal year, 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 an understanding of its process and controls over conducting a physical inventory of capital assets or provide evidence that a physical inventory had been performed during the fiscal year. We recommend that periodic physical counts be taken and compared to the detailed capital asset subsidiary ledger. This will help improve the tracking of assets for disposal and impairment purposes.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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.

- During our sampled procedures over capital asset additions during the fiscal year, we noted the following:
  - The Government was unable to provide sufficient supporting documentation for seven (7) items.
  - Twenty-two (22) additions, amounting to approximately \$7.1 million, had been reflected in the incorrect period.

These instances resulted in significant financial reporting adjustments. The Government should be diligently involved in the monitoring and review of its capital assets and in ensuring the reconciliation of supporting registers to its 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-006: 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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, 2014, 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 Human Services 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 Human Services.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 annual audit process. Moreover, supervisory review of the accounts payable reconciliation process and estimation of accrued liabilities is noted to not be 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 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Income Tax Refunds Payable

#### *Finding and Recommendation:*

We noted that the payout of income tax refunds is dependent on the Government's 'available cash.' At present, the Government establishes its year-end liability for income tax refunds through a manually intensive process, which is based solely on subsequent events (i.e. actual tax refunds processed and paid after year-end). This methodology in establishing the year-end liability does not take into consideration the various refund batches which exist, but have not been not processed or paid due to limitation of available cash, thereby understating the true liability.

During the audit process, the Government revisited its database and a significant adjustment was required in order to establish the accurate 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 to take into consideration the various refund batches which exist, but have not been not processed or paid due to limitation of available cash.

*Implementation Date:* Fiscal Year 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-007: 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, 2014, 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 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Accounting Practices

#### *Finding and Recommendation:*

Proper financial statement reporting under generally accepted accounting principles requires the recognition of material liabilities (and assets) that exist at the end of each fiscal year, but are paid or received after year-end. Medicaid receivables (assets) and liabilities may arise in three major areas: provider claims; rate setting and appeals; and Federal disallowances. We noted that the Government currently maintains Medicaid expenditures on a cash basis and has not recorded a receivable or a liability for outstanding claims or other related programmatic activities at the end of each fiscal year. As a result, we noted activity relating to prior periods necessitating the need for significant financial reporting adjustments.

We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be used to estimate the Medicaid receivable and liability 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 Medicaid program is on a cash basis. Costs are incurred during the fiscal year for the Hospitals and Seaview. 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. Within the first quarter of Fiscal Year 2016, the vendor should be selected and the reports will be subsequently reviewed.

Thereafter, cost reports will be independently audited on a periodic basis and shared with the Department of Finance to post in the ERP system as a receivable and/or liability.

*Implementation Date:* Fiscal Year 2016

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

### 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 and/or other long-term care facilities participating in the Medicaid program are to be summarized in a cost report which, in turn, is to be submitted to the Department.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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. Within the first 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-008: Unemployment Insurance Trust Fund

#### Account Reconciliation Process

##### *Finding and Recommendation:*

We noted that the Fund's cash, premium receivables, and benefits payable account reconciliations had not been prepared and were not available during the audit process. 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, 2014, 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 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.

##### *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 reconcile our unemployment insurance (UI) accounts on a timely basis. VIDOL will develop the necessary internal controls which include step-by-step policies and procedures for the timely reconciliation of cash receipts and disbursements. VIDOL has identified the necessary staff to ensure that these functions and tasks are carried out timely and continuously. All identified staff member(s) will be educated and trained on said policies and procedures, as well as any other computer related programs for full execution.

It is the intent of VIDOL to develop a software program to assist with the internal tracking of cash receipts and disbursements in order to prevent significant errors in the financial records and statements.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* The management team of the Department of Labor; specifically, the UI, Director, UI Assistant Director, IT Director and Business & Administrative Director, UI Accountant, and Assistant Commissioner.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Employer Audit Requirement

#### *Finding and Recommendation:*

Generally, employers pay quarterly contributions to cover their workers against involuntary unemployment and any benefits owing are funded by these contributions. The Government must establish an Unemployment Insurance active contributor employer account audit program in accordance with the U.S. Department of Labor advisory letter 'Unemployment Insurance Program Letter 03-11.' As part of the program, the Government is required to complete employer audits and document the results as compared to various defined effective audit measure(s).

The Government did not conduct the required employer audits in accordance with the U.S. Department of Labor's advisory letter. It is noted that the Virgin Islands Department of Labor (VIDOL) has currently suspended its employer audits as it continues to be challenged with vacancies and a shortage of personnel.

While we recognize VIDOL's current efforts towards updating the employer audit internal control and policies manual, we strongly recommend that VIDOL allocate sufficient resources to ensure the required annual employer account audits are performed and performed properly or consider utilizing a third party contractor to conduct the required audits.

#### *Views of Responsible Officials and Planned Corrective Actions:*

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

*Action Plan:* VIDOL will establish an Audit Division within the Tax Unit to conduct these field audits. VIDOL has begun the process of allocating the necessary funding to hire needed personnel to accomplish this goal in order to successfully complete this function. VIDOL will also develop step-by-step policies and procedures for field audit performance measures and incorporate the necessary training that will enable each staff member to meet or exceed audit requirements.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* The management team of the Department of Labor; specifically, the UI Director, Assistant Director/Chief of Tax, and UI Accountant.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-009: 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 Accounting Pronouncement Implementation Preparedness

#### *Finding and Recommendation:*

Effective for the fiscal year ending September 30, 2015, the Government will be required to implement Statement No. 68 of the Governmental Accounting Standards Board related to accounting and financial reporting for pensions. The standard will require that the Government record a net pension liability of the GERS single employer defined benefit plan on the government-wide financial statements of the primary Government and allocate a portion to its component units and its enterprise funds.

The impact of implementing this standard will be that the Government will increase its liabilities and decrease its net position by the amount of the calculated net pension liability. We noted that the most recent GERS actuarial valuation report as of October 1, 2014, disclosed a net pension liability of \$3.1 billion. Further, any payments made by the Government from the measurement date of the actuarial valuation to the financial reporting date will be recorded in the financial statements as a deferred outflow of resources.

We recommend that as the Government prepares to implement this standard, adequate resources be allocated to properly evaluate all census information provided to the actuarial service provider as it facilitates the Government in calculating the net pension liability for the fiscal year ending September 30, 2015. 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 actuary. Additional manpower will be allocated through the December 30, 2015 due diligence period. 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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*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.

### 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 2014, the Government funded 36% of the minimum ARC. As indicated earlier, 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, 2014, the actuarial accrued liability and funding status shows an unfunded accrued obligation of \$983 million. We recommend that the Government consider establishing an OPEB Trust Fund which would accumulate assets in order to meet the required obligations.
- For the year ended September 30, 2014, the annual required contribution (ARC) was \$65.8 million and the actual employer (Government) contribution was \$31.2 million.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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- As a result of the accumulated underfunded ARC over a number of years, the Government has amassed a net OPEB obligation of \$319 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. 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 further calculations and analysis.
- 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. We recommend that as the Government prepares to implement this standard, adequate resources be allocated to properly evaluate all census information provided to the actuarial service provider as it facilitates the Government in calculating the net liability. 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:* 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-010: Payroll, Related Accruals, and Other Expenditures

In most organizations, payroll cost is the highest of all expenditures. 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.

#### *Finding and Recommendation:*

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

- Four (4) employees had different pay rates on their Notification of Personnel Action (NOPA) forms as compared to the rate in effect during the actual pay period which had been selected for test work. The personnel files appeared to be missing current information as the most recent pay raise documentation in the files was from several years ago.
- Eleven (11) employee files did not contain copies of the approved NOPA forms.
- One (1) employee received an additional six (6) hours of pay as compared to what had been reported on the respective timesheet.
- Management was unable to verify the accuracy of one (1) employee's timesheet hours.
- As it relates to overtime calculations, management has been unable to produce the timekeeping rules policy for our review.

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

- Six (6) employee personnel files did not have any documentation of a retirement or termination date.
- Four (4) employees had termination data on their NOPA forms which did not agree to the "FY14 Termination Listing."
- Two (2) employees had accrued annual leave in excess of the 480 maximum hours statutory cap and had received the corresponding lump sum payments.
- One (1) employee had a termination date of March 2014 and was noted to still be receiving pay, as recent as July 2015.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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We noted the following exceptions during our procedures over accrued compensation (leave) balances:

- The Government currently has an accrual on its books and records for various employees for amounts in excess of the 480 maximum hours statutory cap. The over-accrual amounts to approximately \$2.6 million and represents those employee hours that should be transferred to the Government of the Virgin Islands Employees' Retirement System (GERS) as years of credited service (in lieu of a cash pay-out) towards the individual's service retirement annuity, as per the Territory's labor statutes.
- 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 various 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:* The Division of Personnel will attempt to locate requested documents and the Department of Finance (DOF) has changed its policy effective February 20, 2015, instituting the statutory cap for Lump Sum Payment to 480 in accordance with Title 3 V.I.C. Section 511-587. All information is reviewed to ensure balances are accurate and in sync with the Notification of Personnel Action (NOPA) and the ERP Accrual Available Balance before approvals. Since February 20, 2015, NOPA's are not approved with excess hours at the DOF level.

*Implementation Date:* Fiscal Year 2015 (2<sup>nd</sup> Quarter)

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

### Executive Expenses

#### *Finding and Recommendation:*

The Government has policies with respect to expense report reimbursements indicating that each business expense 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.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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During our test work, we noted two (2) items where sufficient supporting documents were not available to substantiate executives' expense reimbursements. We identified the exceptions during our sampled procedures. Management should recognize that the potential exists for additional discrepancies.

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 (DOF) will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the business travel 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-011: 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 claim payments during the 12 months ended September 30, 2014, resulted in significantly lower paid amounts in the data valued as of September 30, 2014, 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, 2014. 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, 2014, would have resulted in understating the ultimate values.

Based on hindsight comparisons, 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.
- Provide a clear reasoning how the Government establishes any subjective assumptions.
- Include explicit explanations for any changes made to methodologies or programs made in the current period that was 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.

##### *Views of Responsible Officials and Planned Corrective Actions:*

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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*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:* Automation of the Workers' Compensation claims process:

- October - Planning and Scheduling Virtual Reviews
- December 1, 2015 - Testing
- January 15, 2016 - Live

Integration of the ERIC System with the DOF and WCA:

- Currently being discussed

*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, 2014 and 2013, the ratio of expenditures to income has been 157% and 140%, 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, 2014

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### Finding 2014-012: 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:

- 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\$
  - CARIBS
  - Property Information System
  - VITAX
  - ScanOptics
  - RawData
- Data and program code integrity surrounding the VIDOLA\$, VITAX, ScanOptics, and RawData 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.
- A separate test environment, for requested VIDOLA\$ program changes, for development and assessment purposes, is not maintained.
- 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.
- For VITAX, ScanOptics, and RawData, application level administrative access is provided to non-IT personnel as well as IT consultants. This results in a segregation of duty conflict.
- Administrative access rights to the Windows domain at the Bureau of Internal Revenue is provided to non-IT personnel as well as IT consultants. This results in a segregation of duty conflict.
- For CAMA, application level administrative access is provided to non-IT personnel including the Tax Assessor, Deputy Tax Assessor, and Assistant Tax Assessor. This results in a segregation of duty conflict.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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- There are no formal recertifications of user access security rights performed for the Windows, CAVU, or Property Information System applications.
- The password and account lockout configurations have not been implemented to enforce strong passwords on the Windows domain at the Lieutenant Governor's Office and the CAVU, CAMA, and Property Information System 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 I:* 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. 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. Some expected outcomes include (a) creation of policies that will provide guidance and authority; (b) creation of governance roles that will spell out the responsibilities of each level of governance; (c) change management core components of request, approval, planning, testing, scheduling, communication, implementation, and documentation and follow-up; and (d) security considerations for each level of the core components.

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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 a 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:* The Department of Human Services will create a formal procedure for the program change process within the CARIBS System to include documentation of test procedure and approval forms.

*Implementation Date:* Bureau of Internal Revenue - December 31, 2015

VIDOL - Change management plan will be completed in one quarter or less.  
Expected date of implementation is November 16, 2015.

Department of Human Services - January 31, 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, and the management team of Division of Family Assistance of the Department of Human Services.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-013: 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.
- Two (2) instances where the Government could not provide us the monthly collateral reports for an investment custodian.

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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-014: Budgetary Compliance

#### *Finding and Recommendation:*

The Government makes regular modifications to the budget which may include reallocations, appropriation transfers, and budget reductions based on revenue projections. During our procedures, we noted the following:

- Management was unable to provide a detailed schedule of all transfers between utilities and general expenditures for the fiscal year under audit.
- Management was unable to provide supporting documentation for transactions related to budget reductions.
- Supporting documentation for four (4) transactions in our sample of appropriation modifications was not available.

We recommend that Government personnel continue to closely monitor the budgetary compliance requirements and ensure that adequate documentation supporting changes, modifications, and revisions is maintained.

#### *Views of Responsible Officials and Planned Corrective Actions:*

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

*Action Plan:* The human and technological capacity of the Budget Administration Unit within the Office of Management and Budget is being strengthened. This unit will maintain detailed schedules of changes, modifications, and revisions to the budget.

*Implementation Date:* Fiscal Year 2016

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Section III - Federal Award Findings and Questioned Costs

#### Finding 2014-015: Cash Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

State Administrative Matching Grants for the  
Supplemental Nutrition Assistance Program  
CFDA #: 10.561  
Award #: 1VI400408  
Award Year: 10/01/2013 - 09/30/2014

**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 the 30 drawdowns made during fiscal year 2014 and noted that the 9 sampled drawdowns, totaling \$1,892,484, were not in accordance with the provisions of the CMIA agreement.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement. Total fiscal year 2014 drawdown requests were \$5,131,877.

**Effect** - DHS is not in compliance with the provisions of the CMIA agreement. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

**Cause** - DHS 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 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* With the assistance of the Department of Finance, DHS has implemented a process to run check registers from the Enterprise Resource Planning (ERP) system after each check run. This process will improve the timeliness of drawdowns for vendor payments. In addition, DHS continues to run payroll from the ERP system to draw funds according the regulations of the CMIA agreement and the Standard Operating Policy & Procedures (SOPP) guidelines, as developed by the Department of Finance.

*Implementation Date:* Fiscal Year 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, 2014

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### Finding 2014-016: Equipment and Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

State Administrative Matching Grants for the  
Supplemental Nutrition Assistance Program

CFDA #: 10.561

Award #: 1VI400408

Award Year: 10/01/2013 - 09/30/2014

**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.

1. 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.
2. 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, 2014

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

*Action Plan:* DHS has recently hired an Asset & Inventory Manager. Staff has begun the reconciliation process of the asset logs provided by the Department of Property and Procurement, inclusive of the location of all assets. DHS will work closely with the Department Division's staff and the Department of Property and Procurement to ensure that the Departments come into compliance with the requirements of the A-102 Common Rule.

*Implementation Date:* Fiscal Year 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, 2014

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### Finding 2014-017: Matching, Level of Effort, and Earmarking

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

State Administrative Matching Grants for the  
Supplemental Nutrition Assistance Program  
CFDA #: 10.561  
Award #: 1VI400408  
Award Year: 10/01/2013 - 09/30/2014

**Criteria** - As reflected in the OMB Circular A-133 Compliance Supplement "The State is required to pay 50% of the costs of administering the program. Exceptions to this 50% reimbursement rate include 100% grants to:

- a. Administer the Employment and Training component of the program (7 CFR section 277.4(b)); and
- b. Provide nutrition education and obesity prevention services, beginning October 1, 2010 (7 USC 2036a, Section 241 of Pub. L. No. 111-296, 124 Stat. 3183, December 13, 2010)."

**Condition** - DHS did not meet the 50% required match of administering the program. During our review of the records in the accounting system, we noted items had been reported as matched local expenditures; however, they only equated to 45% of the required match.

**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 requirement.

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

**Recommendation** - We recommend that DHS 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:** The mapping of expenditures in the Government's Enterprise Resource Planning (ERP) accounting system has been updated to ensure DHS meets the required 50% matching, as required by the program guidelines. The SNAP Program is matched by 50% local funds. These expenditures are shown in the Flexible reports for both Federal and local matching accounting organization codes.

**Implementation Date:** Fiscal Year 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, 2014

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### Finding 2014-018: 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

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**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 2014, included certain costs which fell under the scope of the Family Support Payment program.

**Questioned Costs** - \$776,235

**Context** - This is a condition identified per review of DHS' compliance with specified requirements. Family Support Payment program expenditures, aggregating to \$1,483,671 had been reflected as TANF public assistance expenditures. However, the allowable funded amount for the Family Support Payment program for grant year 2014 was only \$707,436. Therefore, TANF funding, aggregating to \$776,235, 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** - Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable costs 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*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) accounting 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 be reaching out to ACF for Technical Assistance and guidance in the monitoring procedures and policies which will further strengthen DHS administrative process in providing services for its participants.
5. 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.
  - o At the level of Division Administrator, key personnel will be assigned to work in conjunction with the business office to reconcile expenditure reports on a monthly basis.
  - o The Division Administrator will review expenditure reports with Program Directors on a monthly basis.
6. The agency will review and revise current state plans to reflect updated determination procedures designed to enable the effective utilization of funding under TANF.
  - o The agency will align determination procedures for the Aid to Disabled (AD) population with the social security disability impairment guidelines, which will allow more accurate determination of eligibility for this category. The agency will develop a contingency plan to address the needs of individuals who do not meet the impairment criteria.
  - o The agency will develop a procedure to identify individuals in the Aid to Aged (AA) population who can become financially independent through placement in our Community Senior Employment Program (CSEP).
  - o The agency will implement revaluation procedures in accordance with program regulations for the Aid to the Blind (AB) population.

*Implementation Date:* Fiscal Year 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, 2014

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### Finding 2014-019: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**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.

In addition, the CMIA agreement stipulates that where estimated expenditures are used to determine the amount of the drawdown, the Government will indicate how the estimated amount is determined and when and how the Government will reconcile the difference between the estimate and the actual expenditures.

Further, pursuant to the A-102 Common rule and 31 Code of Federal Regulations (CFR) Part 205, cash drawdown requests for Federal funds must be supported and proper documentation maintained. It also requires that the amount of the reimbursement request should be closely matched to the amount of the actual disbursement.

**Condition** - We reviewed 9 out of 37 drawdowns made during fiscal year 2014, totaling \$1,819,450, and noted the following:

- 3 out of the 9 sampled drawdowns did not comply with the average clearance pattern.
- 5 out of the 9 sampled drawdowns did not comply with the requirement on estimates and reconciliation of estimates.
- An instance where the cash receipt journal had not been appropriately reviewed and authorized.

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 2014 drawdown requests were \$2,301,444.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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**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.

**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:** With the assistance of the Department of Finance, DHS has implemented a process to run check registers from the Enterprise Resource Planning (ERP) system after each check run. This process will improve the timeliness of drawdowns for vendor payments. In addition, DHS continues to run payroll from the ERP system to draw funds according the regulations of the CMIA agreement and the Standard Operating Policy & Procedures (SOPP) guidelines, as developed by the Department of Finance.

**Implementation Date:** Fiscal Year 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, 2014

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### Finding 2014-020: Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**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 the 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 40 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 the participant's child being enrolled in school.
- For 1 participant, there was no documentation in the case file to support the necessary citizenship requirements.
- For 3 participants, there was no documentation in the case files to support the necessary residency requirements.
- For 5 participants, there was no documentation in the case files to support cooperation in an effort to establish and enforce child support requirements.
- There were 7 cases where the participants were receiving benefits while not in compliance with the job participation requirements.
- There was a participant who had received TANF benefits twice in the same period. This was due to an oversight when the participant transferred from one district to another and the CARIBS system had not been updated for the change in residence.

**Questioned Costs** - Not determinable.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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*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:* DHS will ensure that each eligibility case worker documents the entire interview thoroughly, retrieves the appropriate verifications, and ensures that the participant is registered for the appropriate programs, as needed. An administrative memo will be issued to staff addressing the findings, which will be reiterated during month-end meetings and monitored for compliance during supervisory reviews.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Program Administrator - DHS

# Government of the United States Virgin Islands

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### Finding 2014-021: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Temporary Assistance for Needy Families  
CFDA #: 93.558/93.558 - ARRA  
Award #: 1401VITANF  
Award Year: 10/01/2013 - 09/30/2014

**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 7 out of the 12 quarterly reports (ACF-196-TR) reports, due for existing projects, as submitted by DHS in fiscal year 2014, and noted the following:

- 3 instances where the accounting records to support the financial information in the quarterly reports was not available.
- 6 quarterly reports submitted had failed to meet the respective due dates.
- The quarterly report for December 31, 2013, had not been completed and submitted as of date of testing.

We also reviewed the annual report (ACF-204) and noted that the financial information did not agree with the supporting documents, the report was submitted past its due date, and there was no evidence of the report being reviewed by the program administrator.

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 40 participant cases reviewed, 36 files were noted to contain inconsistent information when comparing the case file documents and the data included in the *TANF Data Report*.

**Questioned Costs** - Not determinable.

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

**Effect** - 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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:* DHS has requested Technical Assistance (TA) from Federal personnel. A request will be made to the Virgin Islands Office of Management & Budget to separately post the various CFDA Numbers shown on the TANF Grant award. This request will also be made to ACF to have separate grant awards to ensure there is a clear understanding that correctly identifies separate funding. This will allow for reports that track separate expenditures.

In addition, a separate Chart of Accounts will be established in the Enterprise Resource Planning (ERP) system. These steps will strengthen the tracing of funds to a level of expenditures adequate to provide identification of expenditures separately. This will allow for reports supported by accounting records. Controls will be implemented to ensure timely preparation of all reports and timely filing.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Chief Financial Officer/Program Administrator - DHS

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-022: 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

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**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 40 participant case files, we noted 5 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, 2014

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

*Action Plan:* DHS has a process in place for establishing cooperation with Paternity and Child Support enforcement. DHS will issue an administrative memo to its staff emphasizing the importance of retaining a copy of the Assignment of Rights, as well as other documents used as evidence in establishing cooperation with DHS/TANF case file process.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Chief Financial Officer/ Program Administrator - DHS

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-023: 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

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**Criteria** - A State or Territory agency must reduce or terminate the assistance payable to the family if an individual in a 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 40 participant case files, we noted 2 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.

**Action Plan:** Two files could not be found because they were misplaced by an outside vendor. Controls have been implemented to safeguard all files. Active collaboration with participants will ensure assistance is properly administered.

**Implementation Date:** Fiscal Year 2016

**Person(s) Responsible:** Program Administrator - DHS



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-024: Special Tests and Provisions - Penalty for Failure to Comply with Work Verification Plan

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Temporary Assistance for Needy Families

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**Criteria** - The State or Territory agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State or Territory agency must comply with its U.S. Department of Health and Human Services approved Work Verification Plan (WVP) in effect for the period that is audited.

The Federal agency may penalize the State 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 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

**Condition** - From a review of 40 participant case files, we noted 1 instance where DHS was unable to obtain the time and attendance sheet of a participant receiving benefit assistance.

**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 fully complied with the WVP in determining countable hours for the work participation rate and identifying work-eligible individual(s). 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, 2014

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*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 written and disseminated to the eligibility workers on how to calculate work participation rates. Further, a tracking system will be developed for the timely submission and tracking of time sheets.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Program Administrator - DHS

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-025: 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

CFDA #: 93.558/93.558 - ARRA

Award #: 1401VITANF

Award Year: 10/01/2013 - 09/30/2014

**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 Islands Department of Labor (VIDOL) are approximately 6 months behind each quarter.
- The VIDOL report for the quarter ended June 30, 2014, was not available for our review.
- From a review of 40 participant case files, we noted 19 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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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**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:** There was a technical issue with VIDOL, which has been rectified. DHS will continue the line of communication with VIDOL and reiterate the importance of providing timely reports in order to have current and up-to-date information.

**Implementation Date:** Fiscal Year 2015 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, 2014

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### Finding 2014-026: 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 #: 02CH3011/01, 02CH3011/02

Award Year: 07/01/2013 - 06/30/2015

**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 DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

**Condition** - We reviewed 9 out of 31 drawdowns made during fiscal year 2014 and noted that the 9 sampled drawdowns, totaling \$3,439,193, were not in accordance with the provisions of the CMIA agreement.

**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 2014 drawdown requests were \$8,600,601.

**Effect** - DHS is not in compliance with the provisions of the CMIA agreement. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

**Cause** - DHS 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 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* With the assistance of the Department of Finance, DHS has implemented a process to run check registers from the Enterprise Resource Planning (ERP) system after each check run. This process will improve the timeliness of drawdowns for vendor payments. In addition, DHS continues to run payroll from the ERP system to draw funds according the regulations of the CMIA agreement and the Standard Operating Policy & Procedures (SOPP) guidelines, as developed by the Department of Finance.

*Implementation Date:* Fiscal Year 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, 2014

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### Finding 2014-027: Davis-Bacon Act

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/01, 02CH3011/02

Award Year: 07/01/2013 - 06/30/2015

**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, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act 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. Federal expenditures incurred on this contract for fiscal year 2014 aggregated to \$1,857,245.

**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 Davis-Bacon Act 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 the provisions of the Davis-Bacon Act 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* DHS will forward a written request to the Department of Property and Procurement to provide the required provision and prevailing wage rate clause to be included in all Federal contracts. Effective immediately, all copies of the contracts and payroll documents will be housed in the Office of Capital Projects.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Program Administrator - DHS



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-028: 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 #: 02CH3011/01, 02CH3011/02

Award Year: 07/01/2013 - 06/30/2015

**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.

- 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, 2014

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

*Action Plan:* DHS has recently hired an Asset & Inventory Manager. Staff has begun the reconciliation process of the asset logs provided by the Department of Property and Procurement, inclusive of the location of all assets. DHS will work closely with the Department Division's staff and the Department of Property and Procurement to ensure that the Departments come into compliance with the requirements of the A-102 Common Rule.

*Implementation Date:* Fiscal Year 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, 2014

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### Finding 2014-029: Activities Allowed or Unallowed

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 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** - We noted that DHS currently maintains Medicaid expenditures on a cash basis and has not recorded a receivable or a liability for outstanding claims or other related programmatic activities at the end of each fiscal year.

**Questioned Costs** - Not determinable.

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

**Effect** - We were unable to conclude on the fiscal and administrative requirements with respect to expending and accounting for all funds related to the Medical Assistance program.

**Cause** - DHS did not appear to exercise its policies and procedures in an effort to adequately administer the expending and accounting for all funds.

**Recommendation** - Accounting practices play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or Federal reports. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be used to estimate the Medicaid receivable and liability at each fiscal year-end.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* Costs are incurred during the fiscal year for the Hospitals and Seaview. 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. Within the first quarter of fiscal year 2016, the vendor should be selected and the reports will be subsequently reviewed.

Thereafter, cost reports will be independently audited on a periodic basis and shared with the Department of Finance to post in the ERP system as a receivable and/or liability.

*Implementation Date:* Fiscal Year 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-030: Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**Criteria** - Title 42 CFR section 433.40 requires the following:

(c) Refund of Federal financial participation (FFP) for uncashed checks—(1) General Provisions. If a check remains uncashed beyond a period of 180 days from the date it was issued (i.e., the date of the check), it will no longer be regarded as an allowable program expenditure. If the State or Territory has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each calendar quarter, the State or Territory must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State or Territory agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State or Territory may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act.

(3) If the State or Territory does not refund the appropriate amount as specified in paragraph (c) (2) of this section, the amount will be disallowed.

(d) Refund of FFP for cancelled (voided) checks—(1) General provision. If the State or Territory has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.

(2) Report of Refund: At the end of each quarter, the State or Territory agency must identify those checks which were cancelled (voided). The State or Territory must refund all FFP that it received for cancelled (voided) checks by adjusting the Quarterly Statement of Expenditures for that quarter.

(3) If the State or Territory does not refund the appropriate amount as specified in paragraph (c) (2) of this section, the amount will be disallowed.

**Condition** - DHS is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter and refund all FFP received for uncashed checks by adjusting the quarterly CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. We noted that DHS was not able to readily provide information to ascertain and evidence the identification of cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner.

**Questioned Costs** - Not determinable.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

**Effect** - DHS is potentially not in compliance with 42 CFR section 433.40 which may result in untimely refunds of the FFP to the Federal government. There is also potential for disallowed costs that would never be refunded due to checks remaining uncashed beyond a period of 180 days from the date of issuance.

**Cause** - DHS does not have adequate policies and procedures in place to request and review the cancelled and uncashed check report on a quarterly basis as required. Furthermore, checks can remain uncashed beyond a period of 180 days from the date of issuance and not be identified.

**Recommendation** - We recommend that DHS comply with the requirements in 42 CFR section 433.40 and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for cancelled checks are refunded to the Federal government in a timely manner. In addition, we recommend that DHS identify cancelled and uncashed checks over 180 days after issuance for fiscal year 2014 and refund the amount of FFP and any interest liability incurred as a result of the delay.

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

**Action Plan:** DHS implemented a Medicaid Management Information System (MMIS) in August 2013. All providers currently have EFTs and are processed through the Enterprise Resource Planning (ERP) system by the Department of Finance. DHS will request the uncashed check report from the Department of Finance every 180 days to verify if checks were returned uncashed, voided, etc.

**Implementation Date:** Fiscal Year 2015 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, 2014

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### Finding 2014-031: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 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. 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 15 out of 55 drawdowns made during fiscal year 2014, totaling \$20,579,717, and noted that 14 out of the 15 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 2014 drawdown requests were \$26,441,398.

**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, 2014

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**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:** With the assistance of the Department of Finance, DHS has implemented a process to run check registers from the Enterprise Resource Planning (ERP) system after each check run. This process will improve the timeliness of drawdowns for vendor payments. In addition, DHS continues to run payroll from the ERP system to draw funds according the regulations of the CMIA agreement and the Standard Operating Policy & Procedures (SOPP) guidelines, as developed by the Department of Finance.

**Implementation Date:** Fiscal Year 2015 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, 2014

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### Finding 2014-032: Reporting

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**Criteria** - Per the OMB Circular A-133 Compliance Supplement, "Thirty days after the end of the quarter, States electronically submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program*. The CMS-64 presents expenditures and recoveries and other items that reduce expenditures for the quarter and prior period expenditures. The amounts reported on the CMS-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed."

**Condition** - We reviewed two quarterly CMS-64 reports that were required to be submitted for fiscal year 2014 and noted that the two reports had not been submitted within the required timeframe.

**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 requirement.

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

**Recommendation** - We recommend that DHS develop and implement policies and procedures to properly submit the CMS-64 within the required timeframe.

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

**Action Plan:** Timely CMS-64 reports shall be submitted. With the implementation of the new Medicaid Management Information System (MMIS), various adjustments are made to the reports to ensure accuracy of all expenditures. Reports were uncertified at times, so adjustments made could not be accounted for within the CMS-64 Federal expenditure report. A request has been made to the Center of Medicaid Services in order to do so.

**Implementation Date:** Fiscal Year 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, 2014

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### Finding 2014-033: 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)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**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, 2014

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*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 2015 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, 2014

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### Finding 2014-034: Special Tests and Provisions - Medicaid Fraud Control Unit (MFCU)

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**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 Fredriksted, to ensure that safeguards are met regarding fraud and abuse.

**Implementation Date:** Fiscal Year 2015 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, 2014

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### Finding 2014-035: 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)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**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 2014.

**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 the Government 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, 2014

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*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 related 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 FQHCs, 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 2015 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, 2014

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### Finding 2014-036: 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)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**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, 2014

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*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 2015 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, 2014

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### Finding 2014-037: Special Tests and Provisions - Provider Eligibility

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medical Assistance Program  
CFDA #: 93.778/93.778 - ARRA  
Award #: Various  
Award Year: 07/01/2012 - 09/30/2015

**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 15 providers, we noted that DHS was unable to provide the eligibility determination letter for 1 provider.

**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.

**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 one 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

**Person(s) Responsible:** Program Administrator - DHS

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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Finding 2014-038: This finding number was not used.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-039: Activities Allowed or Unallowed

**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: 10/01/2013 - 09/30/2014

**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 payroll costs for 3 employees working on the Coral Reef Conservation Program (CFDA #11.482) had erroneously been charged to the Coastal Zone Management Administration Awards program.

**Questioned Costs** - The total amount of payroll costs which had been erroneously charged was \$24,485.

**Context** - This is a condition identified per review of DPNR's compliance with specified requirements. The total amount of annual salaries of the 3 employees was \$106,100.

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

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

**Recommendation** - We recommend that DPNR 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 DPNR enhance its review process to properly determine the activities of each grant and reflect them accordingly.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* DPNR intends to prepare, monitor, and approve time and effort certification for employees paid solely from the Federal award to support payroll expenses charged to the Federal program. It is important to note that time and attendance records are kept for each employee in accordance with OMB A-87, which requires such record be kept for employees who work on multiple or cost objectives. These records are monitored and approved by the program director. Based on DPNR's standard operating procedures, each employee paid from Federal funds is required to prepare a bi-weekly Time Distribution Form which must be signed and dated by the employee, verified for accuracy, and signed and dated by the supervisor. The forms are given to the administrative staff for the preparation of Time and Attendance Records, and then submitted to the accountants to record and reconcile the bi-weekly payroll.

*Implementation Date:* 1st Quarter of Fiscal Year 2016

*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, 2014

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### Finding 2014-040: 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: 10/01/2013 - 09/30/2014

**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 10 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 2014 was \$103,384.

**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** - Management 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

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

*Implementation Date:* Fiscal Year 2016

*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, 2014

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### Finding 2014-041: 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: 10/01/2013 - 09/30/2014

**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 and physical inventory records which met the requirements of the A-102 Common Rule.

We also selected three current year equipment additions, from the general ledger, and noted that 2 out of the 3 items selected were not included on the equipment register as provided and maintained by DPP.

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* DPNR intends to work in conjunction with the Department of Property and Procurement (DPP) to reconcile equipment purchases made to include all A-102 Common Rule requirements regarding property records maintained by DPP as it relate to: description of the property, serial number or other identification number, the source of property, who holds the 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. In addition, in-house property listings will be updated to include all aspects identified above.

*Implementation Date:* Fiscal Year 2016

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-042: 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: 10/01/2013 - 09/30/2014

**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. Upon a further review of general ledger organizational codes, it was noted that the matching contribution used by DPNR had not met the 1:1 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 intends to put in place a tracking mechanism to monitor the matching requirement, and to ensure that the funds spent are accurately documented to support the Federal matching requirement.

**Implementation Date:** 1st Quarter of Fiscal Year 2016

**Person(s) Responsible:** Director - CZM and Grants Manager - DPNR

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-043: Procurement, Suspension, and Debarment

**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: 10/01/2013 - 09/30/2014

**Criteria** - OMB Circulars A-133 and A-102 common rule, require that recipients of Federal awards have adequate procedures 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 corroborate 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 a procurement transaction meeting the test threshold, DPP was unable to provide evidence that the suspension and debarment analysis had been performed before contract activity began.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DPNR's compliance with specified requirements. We reviewed 1 procurement file totaling \$25,000.

**Effect** - DPNR 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 DPNR 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, 2014

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

*Action Plan:* DPNR intends to ensure that procurement and suspension and debarment checks are completed in the System of Awards Management (SAM), prior to selecting vendors to provide services for which Federal resources are used to make payment.

*Implementation Date:* 1st Quarter of Fiscal Year 2016

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-044: Allowable Costs/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Commerce

**Government Department/Agency:**

Department of Planning and Natural Resources (DPNR)

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

Award Year: 10/01/2013 - 09/30/2014

**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 2014 was \$113,397.

**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** - Management 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

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

*Implementation Date:* Fiscal Year 2016

*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, 2014

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### Finding 2014-045: Matching, Level of Effort, and Earmarking

**Program:**

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

Award Year: 10/01/2013 - 09/30/2014

**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. Upon a further review of general ledger object codes, it was noted that the matching contribution used by DPNR had not met the stipulated requirement(s).

**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 intends to put in place a tracking mechanism to monitor the matching requirement, and to ensure that the funds spent are accurately documented to support the Federal matching requirement.

**Implementation Date:** 1st Quarter of Fiscal Year 2016

**Person(s) Responsible:** Director - CZM and Grants Manager - DPNR

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-046: Allowable Costs/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1404VI4005

Award Year: 10/01/2013 - 09/30/2014

**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 noted the following:

- Time and effort certifications for 9 out of 20 sampled employees had not been signed and approved in a timely manner by a supervisory official.
- The time and effort certification for 1 out of 20 sampled employees was not available.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOJ's compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2014 was \$2,214,821.

**Effect** - DOJ 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** - Management 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 DOJ in a timely manner.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* The program will prepare quarterly time certifications and make sure the certifications are signed timely by the employee and supervisor.

*Implementation Date:* November 2015 and ongoing

*Person(s) Responsible:* PCSD Managers, Director, and Financial Control Officer - PCSD - DOJ



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-047: 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 #: 1404VI4005

Award Year: 10/01/2013 - 09/30/2014

**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 DOJ to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

**Condition** - We reviewed 6 out of 55 drawdowns made during fiscal year 2014, totaling \$1,724,664, and noted that 3 out of the 6 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 DOJ's compliance with the provisions of the CMIA agreement. Total fiscal year 2014 drawdown requests were \$4,622,967.

**Effect** - DOJ is not in compliance with the provisions of the CMIA agreement. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

**Cause** - DOJ 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 DOJ 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:** DOJ will work with the Department of Finance (DOF) in generating readily available Paid Invoice Reports for all Federal expenditures through the Enterprise Resource Planning (ERP) system, and make sure DOF recommended drawdown dates are in compliance with the CMIA agreement.

**Implementation Date:** October 2015 and ongoing

**Person(s) Responsible:** Treasury Division - DOF and Director and Financial Control Officer - PCSD - DOJ

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-048: 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 #: 1404VI4005

Award Year: 10/01/2013 - 09/30/2014

**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 and physical inventory records which met the requirements of the A-102 Common Rule.

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 program will coordinate with DPP to validate the inventory at PCSD offices and make sure they are up to date. PCSD will conduct inventory of their assets on a bi-annual basis and share that information with DPP. All incoming assets purchased with Federal funds will be logged and tagged based on description and cost of property, serial number, acquisition date, and disposals at PCSD in order to maintain accurate records of the assets.

*Implementation Date:* November 2015 and ongoing

*Person(s) Responsible:* Director and MIS Manager - PCSD - DOJ

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-049: Reporting

**Program:**

U.S. Department of Defense

**Government Department/Agency:**

Office of the Adjutant General (OTAG)

National Guard Military Operations & Maintenance

(O&M) Projects

CFDA #: 12.401

Award #: W9127P-09-2-1000

Award Year: 10/01/2013 - 09/30/2014

**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** - The SF-270, *Request for Advance or Reimbursement* reports that are prepared and submitted to the Federal government are not reviewed and approved by individuals other than the individual who prepared the original report(s).

**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 goods and services procured are entered into the Enterprise Resource Planning (ERP) System of the Government.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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.

*Implementation Date:* November 2015 and ongoing

*Person(s) Responsible:* Budget Office - OTAG

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-050: Cash Management

**Program:**

U.S. Department of Transportation

**Government Department/Agency:**

Department of Public Works (DPW)

Highway Planning and Construction

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2013 - 09/30/2014

**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 505 drawdowns made during fiscal year 2014, totaling \$2,336,532, and noted that 53 out 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 and general compliance principles. Total fiscal year 2014 drawdown requests were \$17,880,481.

**Effect** - DPW is not in compliance with the provisions of the CMIA agreement. 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 U.S. Virgin Islands Federal Highway Administration (FHWA) Program continues to communicate with the Office of FHWA in Puerto Rico regarding the implementation of the electronic Rapid Assessment Payment System (RASPS).

*Implementation Date:* Fiscal Year 2015 and ongoing (Communication re: RASPS & Treasury - State Agreement)

*Person(s) Responsible:* Assistant Director of Administration - DPW

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-051: 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 #: D12AP00354/D12AP00100

Award Year: 09/19/2012 - 08/30/2017

**Criteria** - Under 31 CFR section 205.12(b)(5), reimbursable funding means that a Federal Program Agency transfers Federal funds to a State or Territory after that State or Territory has already paid out the funds for Federal assistance program purposes.

**Condition** - We reviewed 9 out of 76 drawdowns made during fiscal year 2014, totaling \$1,653,192, and noted that 4 out of the 9 sampled drawdowns had been requested prior to the actual expenditures being incurred.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of the Government's compliance with specified requirements. Total fiscal year 2014 drawdown requests were \$5,361,867.

**Effect** - The Government is in violation of the stated compliance requirement.

**Cause** - The Government did not appear to exercise due diligence in requesting Federal funds consistent with 31 CFR section 205.12(b)(5) and its actual cash needs.

**Recommendation** - We recommend that the Government comply with the stated provisions and request Federal funds subsequent to incurring the respective expenditures.

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

**Action Plan:** The Government will exercise due diligence in requesting Federal funds as specified under 31 CFR Section 205 with respect to reimbursable funding for expenditures incurred.

**Implementation Date:** Fiscal Year 2016

**Person(s) Responsible:** Associate Director of Auditing and Reporting - OMB



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-052: Davis-Bacon Act

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development  
of the Territories

CFDA #: 15.875

Award #: D12AP00354/D12AP00100

Award Year: 09/19/2012 - 08/30/2017

**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, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and DOL regulations.

**Condition** - We reviewed 2 construction contracts with Federal awards expended during the fiscal year. While the Davis-Bacon Act and DOL requirements were included in the solicitation to all potential bidders, we noted that contractor or subcontractor compliance requirements were not included in the actual signed contracts. In addition, the Government 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 the Government's compliance with specified requirements.

**Effect** - The Government 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** - The Government did not strictly implement the terms of the construction contracts and Davis-Bacon Act requirements when monitoring its contractors or subcontractors.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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**Recommendation** - We recommend that the Government re-evaluate its policies and procedures and implement the necessary changes to ensure that the provisions of the Davis-Bacon Act are properly followed. The Government 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, the Government 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.

**Action Plan:** The contract for the repairs to the Christiansted Board Walk Project was reviewed and the provision for the Davis-Bacon Act was not in it. It appears that the Act was inadvertently omitted from the package that would ensure that Federal funds were used for the said repairs. It is also true that no certified copy of the contractor's payroll was requested to verify if the Davis-Bacon Act was followed/adhered to. Neither the Davis-Bacon Act nor a certified copy of the contractor's payroll was included in the package for DPW and VIFS. The Government will ensure that all departments that receive Federal funds comply with requirements and procedures as delineated by the Davis-Bacon Act and Certified Payroll Statements of Compliance.

**Implementation Date:** Fiscal Year 2016

**Person(s) Responsible:** Associate Director of Auditing and Reporting - OMB

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-053: 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 #: D12AP00354/D12AP00100

Award Year: 09/19/2012 - 08/30/2017

**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. We selected 7 current year equipment additions for further analysis. We noted that 3 out of the 7 sampled purchases had not been properly tagged.

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 Government will ensure that all equipment purchases are properly tagged and tracked and will work to comply with policies and procedures that deal with equipment disposals. The Department of Property and Procurement has been contacted to make arrangements to have the items tagged as required.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* Associate Director of Auditing and Reporting - OMB

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-054: Activities Allowed or Unallowed

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI-25244-14-55-A-78

Award Year: 10/01/2013 - 09/30/2014

**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 several 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, 2014

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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 Virgin Islands Department of Labor (VIDOL) recognizes the need to reconcile our unemployment insurance (UI) accounts on a timely basis. VIDOL will develop the necessary internal controls which include step-by-step policies and procedures for the timely reconciliation of cash receipts and disbursements. VIDOL has identified the necessary staff to ensure that these functions and tasks are carried out timely and continuously. All identified staff member(s) will be educated and trained on said policies and procedures, as well as any other computer related programs for full execution.

It is the intent of VIDOL to develop a software program to assist with the internal tracking of cash receipts and disbursements in order to prevent significant errors in the financial records and statements.

*Implementation Date:* Fiscal Year 2016

*Person(s) Responsible:* The management team of the Department of Labor; specifically, the UI, Director, UI Assistant Director, IT Director and Business & Administrative Director, UI Accountant, and Assistant Commissioner - VIDOL

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-055: Activities Allowed or Unallowed

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**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 the following:

- Program expenditures in fiscal year 2014, included certain costs, amounting to approximately \$83,000, which fell under the scope of State Administrative Expenses for Child Nutrition (CFDA 10.560).
- During our procedures over non-payroll activities, we noted that 6 items, out of a review of 60 transactions, had been erroneously charged to the program. The total amount of sampled costs which had been erroneously charged to the program was \$200,713.

**Questioned Costs** - \$283,713

**Context** - This is a condition identified per review of DOE's compliance with specified requirements. Total non-payroll expenditures charged to the program during fiscal year 2014 were \$3,491,598.

**Effect** - DOE 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** - Management does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable costs 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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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 newly hired Financial Control Officer for the Special Nutrition Programs will ensure that all expenditures are charged to the correct grants and grant periods moving forward. All records will be kept and filed safely to ensure that they are available upon request from reviewers. In addition, all records relating to expenditures will be effectively reviewed on a regular basis for completeness, accuracy, and allowability. DOE will enforce through policies that all records and supporting documentation are complete and appropriately maintained and stored.

*Implementation Date:* January 2016 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, 2014

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Finding 2014-056: This finding number was not used.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-057: Allowable Costs/Cost Principles - Non-payroll Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**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** - In our review of 60 transactions, we noted 4 items where DOE was unable to provide adequate supporting documentation.

**Questioned Costs** - \$87,994

**Context** - This is a condition identified per review of DOE's compliance with specified requirements. Total non-payroll expenditures charged to the program during fiscal year 2014 were \$3,491,598. Sampled transactions without adequate supporting documentation amounted to \$87,994.

**Effect** - Because of the absence of appropriate documentation, we were unable to completely verify the allowability or validity of expenses claimed as Federal expenditures.

**Cause** - Management 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 and file maintenance.

**Recommendation** - We recommend that DOE perform regular reviews of the data in its files to ensure accuracy and completeness. DOE 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:** The newly hired Financial Control Officer for the Special Nutrition Programs will ensure that all records are kept and filed safely to ensure that they are available upon request from reviewers. In addition, all records relating to expenditures will be effectively reviewed on a regular basis for completeness, accuracy, and allowability. DOE will enforce through policies that all records and supporting documentation are complete and appropriately maintained and stored.

**Implementation Date:** January 2016 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, 2014

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### Finding 2014-058: Allowable Costs/Cost Principles - Indirect Cost Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**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 \$123,000 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 with the U.S. Department of Education of 4.65%.

**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 2013 and fiscal year 2014 Indirect Cost Rate Agreements for the Child Nutrition Cluster were completed and submitted to the Department of Education during fiscal year 2014. Therefore, DOE utilized the prevailing rates for fiscal year 2011 and fiscal year 2012 during fiscal year 2014, as the rates were negotiated and received. DOE will ensure that the correct indirect cost rate is utilized once it is negotiated and received.

**Implementation Date:** January 2016 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, 2014

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### Finding 2014-059: Cash Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**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 27 out of 208 drawdowns made during fiscal year 2014, totaling \$1,482,982, and noted that 1 out of the 27 sampled drawdowns was 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 and general compliance principles. Total fiscal year 2014 drawdown requests were \$6,360,578.

**Effect** - DOE is not in compliance with the provisions of the CMIA agreement. 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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*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.

*Implementation Date:* Fiscal Year 2016

*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, 2014

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### Finding 2014-060: Equipment and Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**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 and physical inventory 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 will maintain complete and accurate records pertaining to the location and distribution of all fixed assets in coordination with DPP. In addition, staff will regularly monitor the inventory of fixed assets.

**Implementation Date:** March 2016

**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, 2014

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### Finding 2014-061: Procurement, Suspension, and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**Criteria** - OMB Circulars A-133 and A-102 common rule, require that recipients of Federal awards have adequate procedures 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 corroborate 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 9 procurement transactions meeting the test threshold, DPP was unable to provide evidence that the suspension and debarment analysis had been performed before contract activity began.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with specified requirements. We reviewed 9 procurement files totaling \$826,758.

**Effect** - DOE 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 DOE 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, 2014

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

*Action Plan:* DOE and the Department of Property and Procurement will work collaboratively to ascertain whether vendors are debarred from performing services prior to issuing a final contract for the Government of the Virgin Islands. DOE will also ensure that all supporting documentation is available relative to suspension and debarment and monitor listings periodically.

*Implementation Date:* January 2016

*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, 2014

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Finding 2014-062: This finding number was not used.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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### Finding 2014-063: 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 #: 10.555/10.556/10.559

Award #: 1VI300308

Award Year: 10/01/2013 - 9/30/2014

**Criteria** - The OMB Compliance Supplement states the following:

- a) 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).
- b) 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

*Action Plan:* DOE has identified additional measures in addition to the existing policies and procedures regarding inventory control measures for Federal and insular commodities.

- As of June 2006, School Food Authorities have been required to submit the results of the physical inventory no later than the tenth day of the month following the month the inventory was taken.
- In January 2015, technical assistance and training was provided to School Food Authorities and warehouse staff in both districts.
- In February of 2015, DOE implemented corrective action in the form of training and additional monitoring of the perpetual inventory. Monitoring includes physical inventory spot checks for designated storage areas which require both the physical and perpetual inventory to be reconciled.
- Beginning November 30, 2015, the state agency staff will assist the St. Thomas/St. John district warehouse with updating the perpetual inventory format and file structure.

*Implementation Date:* Fiscal Year 2015 and ongoing

*Person(s) Responsible:* Director - Special Nutrition Programs - DOE

**Summary Schedule of  
Prior Audit Findings**

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# Government of the United States Virgin Islands

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2014

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2013-009	U.S. Department of Transportation / U.S. Department of Health and Human Services	Highway Planning and Construction / Medical Assistance Program	Cash Management	20.205 93.778	Repeated. Finding No. 2014-050 / 2014-031
2013-010	U.S. Department of Labor	Unemployment Insurance	Cash Management	17.225	Corrected.
2013-011	U.S. Department of Agriculture	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Special Tests and Provisions - Authorization of Above-50-Percent Vendors	10.557	Corrected.
2013-012	U.S. Department of Justice	Violence Against Women Formula Grants	Reporting	16.558 - ARRA	Corrected.
2013-013	U.S. Department of Justice	Violence Against Women Formula Grants	Subrecipient Monitoring	16.558 - ARRA	Corrected.
2013-014	U.S. Department of Justice	JAG Program Cluster	Cash Management	16.738 16.803 - ARRA	Corrected.
2013-015	U.S. Department of Justice	JAG Program Cluster	Reporting	16.738 16.803 - ARRA	Corrected.
2013-016	U.S. Department of Justice	JAG Program Cluster	Subrecipient Monitoring	16.738 16.803 - ARRA	Corrected.
2013-017	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families	Special Tests and Provisions - Income Eligibility and Verification System (IEVS)	93.558	Repeated. Finding No. 2014-025
2013-018	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Utilization Control & Program Integrity	93.778	Repeated. Finding No. 2014-033

# Government of the United States Virgin Islands

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2014

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
2013-019	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	93.778	Repeated. Finding No. 2014-035
2013-020	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - ADP Risk Analysis and System Security Review	93.778	Repeated. Finding No. 2014-036
2013-021	U.S. Department of Health and Human Services	Medical Assistance Program	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates	93.778	Repeated. Finding No. 2014-030
2013-022	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Medicaid Fraud Control Unit (MFCU)	93.778	Repeated. Finding No. 2014-034
12-09	U.S. Department of Labor / U.S. Department of Transportation / U.S. Department of Health and Human Services	Unemployment Insurance / Highway Planning and Construction / Medical Assistance Program	Cash Management	17.225  20.205/ 20.205 - ARRA 93.778	Corrected.  Repeated. Finding No. 2014-050 / 2014-031
12-10	U.S. Department of Justice	Violence Against Women Formula Grants	Reporting	16.588 16.588 - ARRA	Corrected.
12-11	U.S. Department of Justice	JAG Cluster	Reporting	16.738 16.803 - ARRA	Corrected.
12-14	U.S. Department of Health and Human Services	Temporary Assistance for Needy Families	Special Tests and Provisions - Income Eligibility and Verification System (IEVS)	93.558	Repeated. Finding No. 2014-025

# Government of the United States Virgin Islands

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2014

Finding Number	Federal Government Agency	Program Name	Type of Finding	Program CFDA #	Current Status
12-15	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Utilization Control & Program Integrity	93.778	Repeated. Finding No. 2014-033
12-16	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Inpatient Hospital and Long-term Care Facility Audits	93.778	Repeated. Finding No. 2014-035
12-17	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - ADP Risk and System Security Review	93.778	Repeated. Finding No. 2014-036
12-20	U.S. Department of Health and Human Services	Medical Assistance Program	Allowable Costs/Cost Principles - Recoveries, Refunds, and Rebates	93.778	Repeated. Finding No. 2014-030
12-21	U.S. Department of Health and Human Services	Medical Assistance Program	Special Tests and Provisions - Medicaid Fraud Control Unit (MFCU)	93.778	Repeated. Finding No. 2014-034