

Government of the United States Virgin Islands

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
the Uniform Guidance
Year Ended September 30, 2023

**Government of the
United States Virgin Islands**

Schedule of Expenditures of Federal Awards
and Reports Required by *Government Auditing
Standards* and the Uniform Guidance
Year Ended September 30, 2023

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 the 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, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated January 27, 2026. We expressed the following opinions on the financial statements opinion units based on the circumstances noted in our aforementioned report.

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization	
Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Disclaimer
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
<u>Aggregate Discretely Presented Component Units</u>	<u>Adverse</u>

Our report includes reference to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Waste Management Authority (VIWMA), Virgin Islands Public Broadcasting System (VIPBS), and Government Employees' Retirement System of the of the U.S. Virgin Islands (GERS), 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 Public Finance Authority (PFA); The West Indian Company Limited (WICO); viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN); Tobacco Settlement Financing Corporation (TSFC); Kings Alley Management, Inc. (KAMI); and Matching Fund Special Purpose Securitization Corporation (MFSPSC).



This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for PFA, WICO, viNGN, TSFC, KAMI, and MFSPSC which is reported on separately by us.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2023-001	Year-End Close Process and Financial Deficit
2023-002	Revenue and Receivables
2023-003	Grants Management
2023-004	Capital Assets and Related Expenditures
2023-005	Recording of Liabilities
2023-006	Management of the Medicaid Program
2023-007	Unemployment Insurance Trust Fund
2023-008	Workers Compensation Program
2023-009	Payroll, Related Accruals, and Other Expenditures
2023-010	Bank Accounts
2023-011	Other Postemployment Benefits Obligation
2023-012	Accounting Standards Implementation
2023-013	Irregularities related to Procurement Activities
2023-014	Procurement Regulations



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 deficiency identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding #	Nature of Finding
2023-015	Information Technology (IT) Environment

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free from 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 financial statements. 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 an instance of suspected fraud that is required to be reported in accordance with *Government Auditing Standards* and which is described in accompanying schedule of findings and questioned costs as item 2023-013. Our opinion is not modified with respect to this matter. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as identified below and described in greater detail in the accompanying schedule of findings and questioned costs.

Finding #	Nature of Finding
2023-013	Irregularities related to Procurement Activities
2023-014	Procurement Regulations
2023-016	Noncompliance with Laws and Regulations

Government of the United States Virgin Islands' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the findings identified in our audit and described in accompanying schedule of findings and questioned costs. The Government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, P.C.

January 27, 2026



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified Opinions

We have audited the Government of the United States Virgin Islands' (the Government) compliance with the types of compliance requirements identified as subject to audit described in the *OMB 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, 2023. The Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Government's basic financial statements include the operations of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), 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 Public Broadcasting System (VIPBS), Virgin Islands Housing Finance Authority (VIHFA), Government Employees' Retirement System of the U.S. Virgin Islands (GERS), Virgin Islands Lottery (VI Lottery), the University of the Virgin Islands (UVI), and the University of the Virgin Islands Research and Technology Park Corporation (RTPark). 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 engaged other auditors to perform a separate independent audit in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying Schedule of Expenditures of Federal Awards and our audit described below also do not include the Federal expenditures of the Tobacco Settlement Financing Corporation (TSFC) and Matching Fund Special Purpose Securitization Corporation (MFSPSC), as may be applicable, as the results of our testing of compliance is reported on separately by us.



Summary of Opinions

Table I - Summary of Opinions		
Major Federal Program or Cluster	Assistance Listing Number (s)	Type of Opinion
Supplemental Nutrition Assistance Program Cluster (SNAP)	10.551, 10.561	Qualified
Child Nutrition Cluster	10.555, 10.559, 10.582	Unmodified
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
WIC Grants to States (WGS)	10.578	Qualified
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Adverse
Fish and Wildlife Cluster	15.605, 15.611	Qualified
Economic, Social, and Political Development of the Territories	15.875	Qualified
Unemployment Insurance	17.225	Adverse
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Qualified
Special Education Cluster (IDEA)	84.027A, 84.027X	Unmodified
Consolidated Grant to the Insular Areas	84.403A	Qualified
COVID-19 - Education Stabilization Fund	84.425A, 84.425H, 84.425X	Qualified
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Unmodified
Head Start Cluster	93.356, 93.600	Qualified
Child Care Development Block Grant (CCDF) Cluster	93.489, 93.575	Adverse
Social Services Block Grant	93.667	Qualified
Children's Health Insurance Program	93.767	Adverse
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified
Hazard Mitigation Grant Program	97.039	Unmodified
Homeland Security Grant Program	97.067	Unmodified

Adverse Opinions on Five Major Federal Programs Identified in Table I

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended September 30, 2023.



Qualified Opinions on Ten Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program identified in Table I for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in Table I and in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Government's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Five Major Federal Programs Identified in Table I

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

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities	2023-029

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2023-030
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2023-031
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2023-032
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2023-040
Labor	17.225	Unemployment Insurance	Eligibility	2023-041
Labor	17.225	Unemployment Insurance	Reporting	2023-042
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - UI Reemployment Programs (WPRS and RESEA)	2023-043
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2023-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2023-069
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Reporting	2023-070
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Health and Safety Requirements	2023-071
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Fraud Detection and Repayment	2023-072
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	2023-073
Health and Human Services	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles	2023-077

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2023-078
Health and Human Services	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2023-084
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles	2023-077
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2023-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2023-081
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2023-082
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2023-083
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2023-084

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



Matters Giving Rise to Qualified Opinion on Ten Major Federal Programs Identified in Table I

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

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2023-020
Agriculture	10.578	WIC Grants to States (WGS)	Procurement and Suspension and Debarment	2023-027
Agriculture	10.578	WIC Grants to States (WGS)	Reporting	2023-028
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-033
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2023-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2023-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2023-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2023-037
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2023-038
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2023-046
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2023-047
Education	84.403A	Consolidated Grant to the Insular Areas	Allowable Costs/Cost Principles - Payroll Activities	2023-052
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2023-056

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Reporting	2023-057
Education	84.425H	COVID - 19 - Education Stabilization Fund	Subrecipient Monitoring	2023-058
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2023-059
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2023-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2023-064
Health and Human Services	93.667	Social Services Block Grant	Reporting	2023-076
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2023-086

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Government's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Government's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Government's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, and as identified in Tables IV and V below. Our opinion on each major Federal program is not modified with respect to these matters.

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2023-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2023-021
Interior	15.875	Economic, Social, and Political Development of the Territories	Subrecipient Monitoring	2023-039

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed, Allowable Costs/Cost Principles- Non Payroll Activities and Procurement and Suspension and Debarment	2023-044
Education	84.403A	Consolidated Grant to the Insular Areas	Equipment and Real Property Management	2023-053
Education	84.403A	Consolidated Grant to the Insular Areas	Procurement and Suspension and Debarment	2023-054
Education	84.403A	Consolidated Grant to the Insular Areas	Reporting	2023-055
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-063
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2023-065
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2023-066
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2023-067
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2023-074
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2023-075

Table V - Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities	2023-022

Table V - Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	2023-023
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2023-024
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement and Suspension and Debarment	2023-025
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2023-049
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2023-050
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2023-051
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2023-088

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Government's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Government is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The results of our auditing procedures disclosed an instance of suspected fraud that is required to be reported in accordance with *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-044. Our opinion on each major federal program is not modified with respect to this matter.



Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 as identified in Table VI below to be material weaknesses.

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2023-020
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2023-024
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement and Suspension and Debarment	2023-025
Agriculture	10.578	WIC Grants to States (WGS)	Cash Management	2023-026
Agriculture	10.578	WIC Grants to States (WGS)	Procurement and Suspension and Debarment	2023-027
Agriculture	10.578	WIC Grants to States (WGS)	Reporting	2023-028
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities	2023-029

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2023-030
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2023-031
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2023-032
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-033
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2023-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2023-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2023-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2023-037
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2023-038
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2023-040
Labor	17.225	Unemployment Insurance	Eligibility	2023-041
Labor	17.225	Unemployment Insurance	Reporting	2023-042
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - UI Reemployment Programs (WPRS and RESEA)	2023-043
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed and Unallowed, Allowable Costs/Cost Principles - Non Payroll Activities and	2023-044

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
			Procurement and Suspension and Debarment	
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Matching, Level of Effort, Earmarking	2023-045
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2023-046
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2023-047
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2023-048
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2023-049
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2023-050
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2023-051
Education	84.403A	Consolidated Grant to the Insular Areas	Allowable Costs/Cost Principles - Payroll Activities	2023-052
Education	84.403A	Consolidated Grant to the Insular Areas	Equipment and Real Property Management	2023-053
Education	84.425A	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2023-056
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Reporting	2023-057
Education	84.425H	COVID - 19 - Education Stabilization Fund	Subrecipient Monitoring	2023-058
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2023-059
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2023-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2023-064

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2023-065
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2023-066
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2023-067
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2023-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2023-069
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Reporting	2023-070
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Health and Safety Requirements	2023-071
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Fraud Detection and Repayment	2023-072
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	2023-073
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2023-074
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2023-075
Health and Human Services	93.667	Social Services Block Grant	Reporting	2023-076
Health and Human Services	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles	2023-077

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2023-078
Health and Human Services	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2023-080
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2023-084
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles	2023-077
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2023-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2023-080
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2023-081
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2023-082
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2023-083
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2023-084
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2023-085

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2023-086
Homeland Security	97.067	Homeland Security Grant Program	Matching, Level of Effort, Earmarking	2023-087
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2023-088

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 identified in Table VII below, to be significant deficiencies:

Table VII - Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2023-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2023-021
Agriculture	10.555, 10.559, 10.582	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities	2023-022
Agriculture	10.555, 10.559, 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	2023-023
Interior	15.875	Economic, Social, and Political Development of the Territories	Subrecipient Monitoring	2023-039
Education	84.403A	Consolidated Grant to the Insular Areas	Procurement and Suspension and Debarment	2023-054
Education	84.403A	Consolidated Grant to the Insular Areas	Reporting	2023-055



Table VII - Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2023-062
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-063

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.

The Government's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Government is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated January 27, 2026, which contained a qualified opinion on the financial statements of the general fund opinion unit, a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, federal grants fund, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units, and an adverse opinion on the financial statements of the aggregate discretely-presented component units opinion unit based on the circumstances noted 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 the Uniform Guidance 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

January 27, 2026

**Schedule of Expenditures
of Federal Awards**

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 95,030
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	\$ 108,129	207,358
Micro-Grants for Food Security Program	10.179	001561211	117,732	117,732
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525		108,523	108,523
Child Nutrition - Technology Innovation Grant	10.541			53,417
<u>SNAP Cluster</u>				
Supplemental Nutrition Assistance Program (SNAP)	10.551			62,528,137
COVID-19 - Supplemental Nutrition Assistance Program (SNAP)	10.551			21,386,688
				<u>83,914,825</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,142,942
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			119,126
<i>Total SNAP Cluster</i>				<u>88,176,893</u>
<u>Child Nutrition Cluster</u>				
National School Lunch Program (NSLP)	10.555			326,655
Summer Food Service Program for Children (SFSP)	10.559			3,564,508
Fresh Fruit and Vegetable Program	10.582			35,206
<i>Total Child Nutrition Cluster</i>				<u>3,926,369</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			5,222,166
Child and Adult Care Food Program	10.558			630,117
State Administrative Expenses for Child Nutrition	10.560			403,103
<u>Food Distribution Cluster</u>				
Emergency Food Assistance Program (Administrative Costs)	10.568			42,804
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			52,327
<i>Total Food Distribution Cluster</i>				<u>95,131</u>
WIC Grants to States - Infrastructure Disaster Relief	10.578			3,302,444
Child Nutrition Discretionary Grants Limited Availability	10.579			36,270
COVID-19 - Pandemic EBT Administrative Costs	10.649			17,030
Cooperative Forestry Assistance	10.664			7,987
Urban and Community Forestry Program	10.675	001561211	11,428	25,815
Forest Legacy Program	10.676			5,112
Forest Stewardship Program	10.678			99,775

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Agriculture (continued)				
State & Private Forestry Cooperative Fire Assistance	10.698			60,000
Distance Learning and Telemedicine Loans and Grants	10.855			309,827
Soil and Water Conservation	10.902			87,966
Total U.S. Department of Agriculture			345,812	102,988,065
U.S. Department of Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	2,070,364	4,015,313
<u>Economic Development Cluster</u>				
Economic Adjustment Assistance	11.307			
Interjurisdictional Fisheries Act of 1986	11.407			518
Coastal Zone Management Administration Awards	11.419	0169363814	130,000	1,145,209
Marine Fisheries Initiative	11.433			9,990
Cooperative Fishery Statistics	11.434			183,905
Southeast Area Monitoring and Assessment Program	11.435		299,171	449,020
COVID-19 - Unallied Management Projects	11.454	0169363814	18,316	755,744
Meteorologic and Hydrologic Modernization Development	11.467			352,210
Unallied Science Program	11.472	0169363814	247,189	312,851
Office for Coastal Management	11.473			23,000
Coral Reef Conservation Program	11.482		11,000	627,676
Marine Debris Program	11.999		152,290	155,572
Total U.S. Department of Commerce			2,928,330	8,031,008
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			4,170,938
U.S. Department of the Interior				
<u>Fish and Wildlife Cluster</u>				
Sport Fish Restoration Program	15.605		18,926	1,342,692
Wildlife Restoration and Basic Hunter Education and Safety	15.611		96,000	1,292,384
<u>Total Fish and Wildlife Cluster</u>				2,635,076
Cooperative Endangered Species Conservation Fund	15.615			34,662
Sportfishing and Boating Safety Act	15.622	160342882	23,159	37,949
Coastal	15.630			3,399
State Wildlife Grants	15.634			76,953

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Interior (continued)				
Economic, Social, and Political Development of the Territories	15.875	160342882	341,920	3,808,426
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			799,350
				<u>4,607,776</u>
Historic Preservation Fund Grants-In-Aid	15.904	160342882	43,423	408,788
Emergency Supplemental Historic Preservation Fund	15.957	160342882	88,958	379,378
Total U.S. Department of the Interior			612,386	8,183,981
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding	16.034			310,778
Juvenile Justice and Delinquency Prevention	16.540			38,791
Crime Victim Assistance	16.575	829924047	994,351	1,045,547
Violence Against Women Formula Grants	16.588	829924047	553,716	617,029
Residential Substance Abuse Treatment for State Prisoners	16.593			33,298
State Criminal Alien Assistance Program	16.606			253,748
Project Safe Neighborhoods	16.609			10,418
Public Safety Partnership and Community Policing Grants	16.710			574,683
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	219,464	435,222
Support for Adam Walsh Act Implementation Grant Program	16.750			234,850
Total U.S. Department of Justice			1,767,531	3,554,364
U.S. Department of Labor				
Labor Force Statistics	17.002			406,197
Compensation and Working Conditions	17.005			33,777
<u>Employment Service Cluster</u>				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,448,908
Jobs for Veterans State Grant	17.801			117,520
Total Employment Service Cluster				<u>1,566,428</u>
Unemployment Insurance	17.225			7,459,200
COVID-19 - Unemployment Insurance	17.225			897,982
				<u>8,357,182</u>
Senior Community Service Employment Program	17.235			948,249
<u>WIOA Cluster</u>				
WIOA Adult Program	17.258			482,103
WIOA Youth Activities	17.259			837,723
WIOA Dislocated Worker Formula Grants	17.278			1,159,471
Total WIOA Cluster				<u>2,479,297</u>

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor (continued)				
Work Opportunity Tax Credit Program (WOTC)	17.271			100,207
Temporary Labor Certification for Foreign Workers	17.273			4,987
COVID-19 - WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277			530,108
Registered Apprenticeship	17.285			175,000
Occupational Safety and Health State Program	17.503			91,901
Total U.S. Department of Labor			-	14,693,333
U.S. Department of Transportation				
Highway Planning and Construction	20.205			29,668,371
<u>FMCSA Cluster</u>				
Motor Carrier Safety Assistance Program	20.218			262,730
<u>Federal Transit Cluster</u>				
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507			3,213,808
COVID -19 - Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507			704,402
<i>Total Federal Transit Cluster</i>				3,918,210
Public Transportation Emergency Relief Program	20.527			114,411
<u>Highway Safety Cluster</u>				
State and Community Highway Safety	20.600	147287705	41,606	1,461,110
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			98,061
Total U.S. Department of Transportation			41,606	35,522,893
U.S. Department of the Treasury				
COVID-19 - Coronavirus Relief Fund	21.019			265,260
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		104,779,873	232,718,153
Total U.S. Department of Treasury			104,779,873	232,983,413
National Endowment for the Humanities				
Promotion of the Arts Partnership Agreements	45.025	135962475	318,235	318,235
Grants to States	45.310			284,688
Total National Endowment for the Humanities			318,235	602,923

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Environmental Protection Agency				
Construction Grants for Wastewater Treatment Works	66.418	138919282	690,271	755,780
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442			156
Water Quality Management Planning	66.454			52,332
Regional Wetland Program Development Grants	66.461		2,034	2,518
<u><i>Drinking Water State Revolving Fund Cluster</i></u>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	138919282	8,255,814	8,378,120
Beach Monitoring and Notification Program Implementation Grants	66.472			13,782
Performance Partnership Grants	66.605			1,076,512
Hazardous Waste Management State Program Support	66.801			138,679
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			784
State and Tribal Response Program Grants	66.817			40,670
Total U.S. Environmental Protection Agency			8,948,119	10,459,333
U.S. Department of Energy				
State Energy Program	81.041			348,909
Weatherization Assistance for Low-Income Persons	81.042			91,645
Total U.S. Department of Energy			-	440,554
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002			2,127
COVID-19 - American Rescue Plan - Adult Education - Basic Grants to States	84.002A			386,398
				388,525
<u><i>Special Education Cluster (IDEA)</i></u>				
Special Education - Grants to States (IDEA, Part B)	84.027A			8,266,692
COVID-19 - American Rescue Plan - Individuals with Disabilities Education Act	84.027X			1,499,052
<i>Total Special Education Cluster (IDEA)</i>				9,765,744
Impact Aid	84.041			19,440
State Vocational Rehabilitation Services	84.126A			1,166,510
Independent Living Services for Older Individuals Who are Blind	84.177B			15,789
Special Education - Grants for Infants and Families	84.181			5,368
Special Education - Grants for Infants and Families - Infant & Toddlers/Families (Part C)	84.181A			282,791
				288,159

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Education (continued)				
Comprehensive Literacy State Development	84.371C			302,671
Consolidated Grant to the Insular Areas	84.403A		431,299	16,565,741
Student Support and Academic Enrichment Program	84.424			2,000
<u>COVID-19 - Education Stabilization Fund</u>				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A		4,220,685	27,874,096
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H			2,430,658
COVID-19 - American Rescue Plan - State Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			13,646,923
<i>Total COVID-19 - Education Stabilization Fund</i>				43,951,677
Total U.S. Department of Education			4,651,984	72,466,256
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404			252,104
COVID-19 - HAVA Election Security Grants	90.404			1,100
Total U.S. Election Assistance Commission				253,204
U.S. Department of Health and Human Services				
<u>Aging Cluster</u>				
COVID-19 - Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, CARES Act for Supportive Services Under Title III-B of the Older Americans Act, and American Rescue Plan for Supportive Services Under Title III-B of the Older Americans Act	93.044			145,461
Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Rescue Plan for Nutrition Services Under Title III-C of the Old Americans Act	93.045			39,794
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Rescue Plan for Nutrition Services Under Title III-C of the Old Americans Act	93.045			1,025,975
<i>Total Aging Cluster</i>				1,211,230

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)				
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052			5,068
Public Health Emergency Preparedness	93.069			427,342
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			5,113
Maternal and Child Health Federal Consolidated Programs	93.110			64,360
COVID-19 - Maternal and Child Health Federal Consolidated Programs	93.110			319,147
				<u>383,507</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			115,651
Emergency Medical Services for Children	93.127			87,701
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			33,100
Injury Prevention and Control Research and State and Community Based Programs	93.136			66,594
Projects for Assistance in Transition from Homelessness (PATH)	93.150			10,894
Grants to States for Loan Repayment	93.165			8,830
Family Planning-Services	93.217			950,824
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			499,345
COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			(7,480)
				<u>491,865</u>
Early Hearing Detection and Intervention	93.251			255,072
Immunization Cooperative Agreements	93.268			1,277,720
COVID-19 - Immunization Cooperative Agreements	93.268			367,171
				<u>1,644,891</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,256,825
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			3,672,544
				<u>4,929,369</u>
Behavioral Risk Factor Surveillance System	93.336			219,110
COVID-19 - Behavioral Risk Factor Surveillance System	93.336			11,479
				<u>230,589</u>
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			40,338
Head Start Cluster				
Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria	93.356			5,753,095
Head Start	93.600			7,806,912
COVID-19 - Head Start	93.600			229,616
Total Head Start Cluster				<u>13,789,623</u>

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal	Pass-Through	Passed	Total
	Assistance Listing Number	Entity Identifying Number	Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P. R.	93.377			453,171
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			1,247,769
<u>Child Care Development Block Grant (CCDF) Cluster</u>				
Child Care and Development Block Grant	93.575			1,966,453
COVID-19 - Child Care and Development Block Grant	93.575			15,608,033
<i>Total CCDF Cluster</i>				17,574,486
Public Health Training Centers Program	93.516			30,024
Marylee Allen Promoting Safe and Stable Families	93.556			6,661
Temporary Assistance for Needy Families (TANF)	93.558			1,332,588
Payments to Territories - Adults	93.560			775,310
Child Support Enforcement	93.563			6,686,592
COVID-19 - Community Services Block Grant	93.569			240,605
State Court Improvement Program	93.586			69,072
Grants to States for Access and Visitation Programs	93.597			96,003
Stephanie Tubbs Jones Child Welfare Services Program	93.645			24,255
Social Services Block Grant	93.667			5,917,670
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671			143,609
Elder Abuse Prevention Interventions Program	93.747			83,600
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			23,319
				106,919
Children's Health Insurance Program	93.767			3,514,096
Medicare Prescription Drug Coverage	93.770			838,000
<u>Medicaid Cluster</u>				
State Medicaid Fraud Control Units	93.775			452,928
Medical Assistance Program (Medicaid; Title XIX)	93.778			145,022,231
<i>Total Medicaid Cluster</i>				145,475,159
Opioid STR	93.788			64,596
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			896,604
National Bioterrorism Hospital Preparedness Program	93.889			187,786
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			549,391
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			1,144,263
HIV Prevention Activities Health Department Based	93.940			834,300

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Block Grants for Community Mental Health Services	93.958			272,625
COVID-19 - Block Grants for Community Mental Health Services	93.958			130,534
				<u>403,159</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959			406,305
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959			302,683
				<u>708,988</u>
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			276,422
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			509,661
				<u>786,083</u>
Mental Health Disaster Assistance and Emergency Mental Health	93.982			261,055
Preventive Health and Health Services Block Grant	93.991			273,119
Maternal and Child Health Services Block Grant to the States	93.994			1,427,597
Total U.S. Department of Health and Human Services			-	216,756,531
Corporation for National and Community Service				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002			32,380
<u>Foster Grandparent/Senior Companion Cluster</u>				
Foster Grandparent Program	94.011			114,031
Total Corporation for National and Community Service			-	146,411
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	132,432	132,432
Boating Safety Financial Assistance	97.012			518,596
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	134,242,935	268,658,468
Hazard Mitigation Grant Program	97.039	825544042	5,812,414	14,083,943
Emergency Management Performance Grants	97.042			828,341
COVID-19 - Emergency Management Performance Grants	97.042			245,731
				<u>1,074,072</u>
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			3,600
Homeland Security Grant Program	97.067	825544042	201,307	2,135,706
Earthquake State Assistance	97.082			19,001
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			71,246
Total U.S. Department of Homeland Security			140,389,088	286,697,064
Total Expenditures of Federal Awards			\$ 264,782,964	\$ 997,950,271

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all Federal award programs administered by the Government of the United States Virgin Islands (the Government), the Virgin Islands Public Finance Authority (a blended component unit), The West Indian Company Limited (WICO), and viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN) as of and for the year ended September 30, 2023, except that certain organizational units (as defined previously) are excluded as they contract for separate audits in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Further, because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position and changes in net position of the Government.

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 the Uniform Guidance. Federal award program titles are reported as presented in the Assistance Listing Number (ALN). Federal award program titles not presented in the Assistance Listing are identified by the Federal awarding agency's two-digit prefix (or 99) followed by (contract number or UNKNOWN).

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 (ALN 10.551 in the amount of \$83,914,825) and the food cost (ALN 10.557 in the amount of \$3,060,652) 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 (ALN 17.225), as indicated in Note 8.

5. Indirect Cost Rate

The Government has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

6. 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 is prepared on the basis explained in Note 3.

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

During fiscal year 2023, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$720,661 on sales of formula to participants in the WIC program (ALN 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.

8. Unemployment Insurance

The U.S. Department of Labor in consultation with the U.S. Office of Management and Budget officials has determined that for the purpose of audits and reporting under the Uniform Guidance, State or Territory Unemployment Insurance (UI) funds as well as Federal funds should be considered Federal awards for determining Type A programs. A State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under ALN 17.225.

Territory UI Benefits (Trust Fund)	\$ 5,125,575
Federal UI Benefits (Administration)	3,231,607
<hr/>	
Total	\$ 8,357,182

9. 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, 2023, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

10. Contingencies

The Government is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the impact of any disallowed grant expenditures would not have a material adverse effect on the Government's financial position, changes in net position, or liquidity. Also see Note 11.

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

11. Subsequent Events

Hurricane Recovery

The Government is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Government continues the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions. Through November 2025, federal assistance awarded to the Territory included \$21.6 billion in FEMA Public Assistance grants, \$77.2 million in Federal Highway grants, \$199.5 million in FEMA Hazard Mitigation grants, \$1.1 billion in Community Development Block Grants, and \$215.0 million in other grants for a total of \$23.1 billion.

In February 2024, President Biden agreed to raise the cost share of all FEMA assistance grants for hurricane recovery in the Territory from 90.0 to 95.0 percent, including retroactively. In addition, President Biden agreed to raise the federal cost share to 98.0 percent in the case of larger critical infrastructure rebuilding projects approved before September 30, 2024, and completed before 2026.

Global Pandemic and Economic Relief Legislation

Through November 2025, federal grants and assistance received by the PG related to COVID-19 amounted to \$729.7 million. Federal grants and assistance received by component units of the Government amounted to \$84.8 million.

Improper Procurement Activities and Irregularities

The United States Department of Justice conducted an investigation resulting in the conviction of three members of the Government's management team for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2023, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures. These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms. No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization	
Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Disclaimer
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely Presented Component Units	Adverse

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
 - Significant deficiency(ies) identified? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Type of auditors' report issued on compliance for major federal programs.

See table below

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes ☐ No

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

\$3,000,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

<u>Assistance Listing Number(s)</u>	<u>Major Federal Program or Cluster</u>	<u>Opinion</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Qualified
10.555, 10.559, 10.582	Child Nutrition Cluster	Unmodified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
10.578	WIC Grants to States (WGS)	Qualified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Adverse
15.605, 15.611	Fish and Wildlife Cluster	Qualified
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance	Adverse
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified
84.027A, 84.027X	Special Education Cluster (IDEA)	Unmodified
84.403A	Consolidated Grant to the Insular Areas	Qualified
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Unmodified
93.356, 93.600	Head Start Cluster	Qualified
93.489, 93.575	Child Care Development Block Grant (CCDF) Cluster	Adverse
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program	Adverse
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Qualified
97.039	Hazard Mitigation Grant Program	Unmodified
97.067	Homeland Security Grant Program	Unmodified

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section II - Financial Statement Findings

Finding 2023-001: Year-End Close Process and Financial Deficit

A. Timeliness and Methodology of Close Process

Criteria - 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.

Condition - We observed a significant delay in the year-end closing process and the preparation of the Government's year-end financial statements. In numerous instances, account reconciliations were not finalized until the audit process was already in progress, resulting in a substantial lag after the Government's fiscal year-end. As a result, detailed schedules supporting general ledger accounts did not consistently agree to the corresponding general ledger balances.

During the audit, significant post-closing adjustments were identified and provided by management. We also noted these post-closing adjustments were not recorded in the accounting system; instead, they were maintained in a manual Excel working trial balance.

In addition, our review of the Government's draft financial statements identified inconsistencies and omissions in the footnote disclosures, as well as inconsistencies in the classification and reporting of certain account balances. Specifically, we noted the following:

- The Government did not include required disclosure for refundable advances in the notes to the draft financial statements.
- The Government received settlement proceeds of approximately \$97.0 million, which were classified as operating revenue rather than as a special item reported within other financing sources in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. Further, the proceeds should have been reported as restricted fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Paragraph 8 of GASB 54 states that restricted fund balance includes amounts restricted to specific purposes by enabling legislation.

Cause - The adjustments, omissions, and errors found appear to result from internal controls not being performed at an appropriate level of precision to prevent, or detect and correct, financial statements misstatements and limited resources of financial personnel.

Effect or Potential Effect - Delays in the year-end closing process and in the preparation of financial statements increase the risk that errors may remain undetected, thereby compromising the accuracy of financial reporting. When account reconciliations are not completed prior to the audit, stakeholders may be presented with incomplete or inaccurate information, which can adversely affect decision-making. Maintaining post-closing adjustments in a manual Excel file, rather than within the accounting system, increases the risk of errors and diminishes transparency. Inconsistencies and omissions in footnote disclosures may result in misleading financial statements. Collectively, these issues may hinder the Government's ability to comply with applicable accounting standards and may undermine stakeholder confidence in the integrity of its financial statements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend the Government strengthen and formalize its year-end close and financial reporting processes by implementing documented policies and procedures and by implementing and consistently following a comprehensive year-end closing calendar to ensure the timely completion of all closing activities and the preparation of the financial statements. These policies and procedures should: (1) establish and monitor a close calendar with clearly defined due dates for account reconciliations, accruals, supporting schedules, and internal review and approval prior to audit fieldwork; (2) require timely reconciliation of all balance sheet accounts, including documented supervisory review, and ensure supporting schedules agree to the general ledger before drafting the financial statements; (3) strengthen the reconciliation review process to include tests of mechanical accuracy and tracing reconciling items to relevant source documentation, including confirmation with departments independent of Accounting, and require unreconciled differences to be identified, investigated, and resolved timely with necessary journal entries recorded to prevent recurrence; (4) record all material post-closing adjustments promptly in the accounting system, rather than maintaining adjustments solely in a manual Excel working trial balance, and retain appropriate approvals and audit trail documentation to enhance accuracy, transparency, and auditability; and (5) provide targeted training to accounting and financial reporting personnel on generally accepted accounting principles (GAAP)/GASB financial reporting and classification requirements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. GVI does not expect this finding to be resolved immediately; however, by addressing challenges across various areas of fiscal management on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training, we believe significant improvements will be evident by fiscal year 2026. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Component Units Reporting

Criteria - GAAP requires that component units be included in the Government's financial statements, either as blended or discretely presented entities, with appropriate disclosures in the footnotes. GAAP also emphasizes the need for consistent classification and reporting of component units, and mandates that all significant disclosures related to component units be incorporated within the Government's financial statements.

Condition - As of September 30, 2023, several of the Government's components did not have audited financial statements nor reported their 2023 financial transactions in the financial statements. These include Virgin Islands Port Authority, Virgin Islands Water and Power Authority, Virgin Islands Economic Development Authority, Virgin Islands Housing Finance Authority, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), University of the Virgin Islands, Magens Bay Authority, University of the Virgin Islands, and Virgin Islands Research and Technology Park Corporation. In addition, our review of the Government's draft financial statements identified inconsistencies and omissions in component unit transactions and disclosures, as well as inconsistencies in the classification and reporting of component units account balances between the current and prior years.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Cause - The lack of audited financial statements for several component units is primarily attributable to delays in completing their audits. The inconsistencies and omissions in component unit disclosures and in the classification and reporting of component unit account balances, resulted from inadequate oversight and coordination of the financial reporting process, limited financial reporting resources, and inconsistent adherence to established accounting policies.

Effect or Potential Effect - The absence of audited financial statements for several component units, together with the inconsistencies and omissions in related disclosures and reporting, may result in the Government's financial statements not presenting an accurate or complete picture of its financial position and operations. These deficiencies may impair the reliability and transparency of financial information provided to stakeholders (including oversight bodies, investors, and the public), increase the risk of material misstatements, hinder informed decision-making, and potentially result in noncompliance with GAAP and other applicable requirements.

Recommendation - We recommend the Government take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. In addition, the Government should strengthen its oversight and coordination of the financial reporting process by establishing and enforcing clear policies and procedures for the classification, reporting, and disclosure of component unit information. The Government should also implement regular communication and targeted training with component unit personnel to promote GAAP compliance and to ensure the consistency and completeness of financial statement preparation and related footnote disclosures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Deficits in Unrestricted Net Position

Criteria - A sound financial position is essential for the effective day-to-day operations of the Government. In accordance with GAAP requirements, unrestricted net position should be sufficient to meet operational needs and provide a cushion for unforeseen expenditures.

Condition - Our review of the Government's financial position indicates it continues to experience significant financial challenges. The deficit in unrestricted net position is primarily attributable to recurring operating losses, substantial debt service requirements, unfunded pension and other postemployment benefits (OPEB), significant capital assets impairment related to prior-year hurricanes, and reduced tax revenues associated with broader economic challenges following the recent coronavirus (COVID-19) pandemic. Collectively, these factors have materially and adversely affected the Government's financial stability.

Cause - Recovery costs associated with the 2017 hurricanes have significantly strained available resources. In addition, unfunded pension and OPEB obligations continue to exert pressure on financial results. These conditions were further exacerbated by the COVID-19 pandemic, which disrupted operations and negatively impacted revenue streams, resulting in additional fiscal constraints.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect or Potential Effect - In recent years, the Government has incurred substantial operating losses, contributing to a continuing deficit in unrestricted net position. This condition has resulted in the inclusion of an emphasis-of-matter paragraph in the audit opinion. Addressing these conditions is critical for the Government to meet obligations related to debt service, pension and OPEB liabilities, and employer premium contribution requirements, and to maintain access to future bond markets. If negative results continue, the Government's overall financial position and cash flows may be further adversely affected.

Recommendation - Management has initiated actions intended to stabilize and improve the Government's financial position through a comprehensive, multi-faceted plan that includes legislative measures to enhance revenue, cost-reduction initiatives, and proposed increases in employee pension contributions. The Government has also received significant federal assistance related to the 2017 hurricanes and the COVID-19 pandemic.

We further recommend that management continue to develop and implement long-term financial plans and balanced budgets aimed at generating sustainable operating results, avoiding recurring deficits, and rebuilding unrestricted net position.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The OMB Director, in collaboration with the DOF Commissioner and approved by the Governor, will continue to submit budgets with conservative projections, work closely on federal drawdowns to replenish government funding, and pursue austerity measures and other mechanisms to stay within the annual budget. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Government Insurance Fund

Criteria - The Government Insurance Fund should maintain sufficient employer premium contributions to cover claims and operational costs, thereby ensuring the Fund's financial stability. Timely and accurate actuarial reports should be prepared and reviewed annually to assess the Fund's financial position.

Condition - We noted financial strain from claims due to a mismatch between the employer premium contributions and claim costs within the Government Insurance Fund. It appears that losses since the 2008 financial crisis have exceeded the premiums collected, in addition to the operational costs associated with administering the workers' compensation portion of the Fund.

Cause - For several years, the Government has experienced sustained claims costs that exceeded premium revenues and other funding sources. Management did not adjust premium base rates sufficiently to cover claims liabilities, resulting in continued use of fund balance and accumulation of a deficit in the Government Insurance Fund. In addition, delays in obtaining and implementing actuarial recommendations have contributed to the underfunding of the liability.

Effect or Potential Effect - As a result, the Government Insurance Fund may not have sufficient resources to meet future workers' compensation obligations as they become due. This underfunding could increase reliance on general government resources to cover benefit payments, potentially delay claim settlements, and heighten fiscal pressure on the Government's overall financial position.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - To support continued solvency, we recommend that management evaluate claims adjudication and related processes to identify opportunities to reduce costs, as an alternative to increasing potentially mandated employer contribution formulas. Management should also consider engaging an advisor to evaluate alternatives that could reduce the frequency and severity of losses.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Journal Entries

Criteria - Implementing role-based access controls for recording of journal entries play a crucial role in ensuring the accuracy of accounting data and information included in various interim financial statements and/or reports.

Condition - We noted that several individuals have access rights to create, approve, and post journal entries. In addition, during our review of journal entries, we selected eight (8) journal entries and noted that two (2) were created and posted by the same user, with no evidence of review by other authorized personnel.

Cause - The lack of segregation of duties and insufficient oversight in the journal entry process may have resulted from inadequate access control policies and a lack of formalized procedures for review and approval.

Effect or Potential Effect - Errors or fraudulent entries may be recorded in the financial records.

Recommendation - We recommend that management enhance access controls to ensure segregation of duties in the journal entry process. In addition, management should establish a formal review and approval procedure, including documented evidence of oversight by the Department of Finance, to support the integrity and accuracy of the financial records.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-002: Revenue and Receivables

A. Reconciliation of Subsidiary Registers

Criteria - The Bureau of Internal Revenue (the Bureau) administers the U.S. Virgin Islands' tax laws, managing income, gross receipts, excise, highway users', hotel room, entertainment, and fuel taxes. The Division of Real Property Tax assesses all taxable properties, prepares and mails tax bills, and collects property taxes. The Government maintains subsidiary registers from its tax systems. A systematic process should be established to regularly reconcile these registers with tax receivable general ledger balances, ensuring consistency, accuracy, and completeness in financial records, in line with best practices.

Condition - We noted the following:

- The Government does not reconcile its subsidiary registers with its tax receivable general ledger account balances.
- During our review of the real property tax receivable schedule prepared under the modified accrual basis, we noted that the schedule did not include the most recent collections from October to November 2023, amounting to \$1.2 million, and therefore required an adjustment.

Cause - The Government does not appear to adhere to established written policies and procedures regarding the proper reconciliation and reporting of revenue and receivables.

Effect or Potential Effect - This condition could result in improper recording of revenue and receivables and may lead to a misstatement in financial statements.

Recommendation - To prevent the need for major adjustments to the impacted tax receivable and revenue accounts at the end of each year, we recommend that the general ledger accounts be reconciled to the detailed records on a quarterly basis. A strong control system over receivables, including an accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, will help prevent audit adjustments at year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Tax Return Processing Method

Criteria - The Government uses a manual process to batch tax returns by type and tax year before entering them into the VITAX system. Best practices and internal control standards require that all data entered into financial systems be thoroughly reviewed and verified for accuracy and completeness. Manual data entry should be regularly checked and validated, to reduce errors and protect the integrity of financial information.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Condition - We noted the following:

- Manual tax return data entry is reviewed on a random-sample basis, and the Bureau relies on the system's automated edit checks to identify errors. Although automated edit checks detect many errors, they do not ensure the complete accuracy of the information entered. Relying primarily on automated edit checks and random sample reviews does not fully ensure the accuracy and reliability of the entered data.
- During our testing of gross receipts taxes receivable, we sampled and selected eleven (11) transactions and identified one (1) instance that was incorrectly included in receivables.

Cause - The reliance on random sampling and automated edit checks for manual data entry review may result from limited resources and a lack of comprehensive review procedures. This approach may lead to potential inaccuracies, as the system's checks do not ensure complete data accuracy. Additionally, error in recording receivables may occur due to insufficient review or weakness in internal controls over receivable process.

Effect or Potential Effect - This condition increases the risk of data omissions, typographical errors, entries posted to incorrect fields, and potential fraudulent data entry. Further, the inclusion of incorrect transactions in receivables may result in an overstatement of assets and negatively affect the accuracy of the financial statements.

Recommendation - We recommend that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen internal controls over data entry and the recording of receivables. In addition, implementing regular reconciliations will help ensure the accuracy of receivable balances.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Real Property Tax

Criteria - Timely preparation of comprehensive and accurate real property receivable aging schedule is key to maintain adequate control over the Real Property Tax receivables.

Condition - We noted the following:

- Tax billings were issued to non-taxable properties owned by the Government and its component units.
- During our testing of real property tax receivable, we sampled and selected five (5) transactions and were unable to recalculate the related interest. The Government was unable to determine the cause of the variances.

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Cause - The issuance of tax billings to non-taxable properties and the incorrect calculation of penalty interest may be due to inadequate system controls and oversight. These issues could result from outdated property records, insufficient training, or a lack of detailed review processes, leading to errors in billing and interest calculations.

Effect or Potential Effect - The issuance of tax billings to non-taxable properties and the incorrect calculation of penalty interest may lead to financial inaccuracies and potential disputes. This could result in overstatement of receivables, misallocation of resources, and diminished trust in the Government's financial management practices.

Recommendation - Management should review and identify properties owned by the Government and its component units within the tax roll listing to ensure appropriate tax credits/exemptions are applied. Management should also implement enhanced controls to ensure tax billings are issued only to taxable properties. In addition, management should review and correct the penalty interest calculation methodology to ensure it reflects the appropriate time period. Regular internal reviews and staff training should be conducted to help prevent future discrepancies.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Recording of Notes Receivable

Criteria - Governmental Accounting Standards require that assets and related income be accurately recorded in the financial statements in accordance with the terms of underlying agreements. In addition, effective internal controls should ensure that schedules are properly maintained and reconciled to general ledger on a regular basis.

Condition - In fiscal year 2019, the Government amended and restated its operating agreements with Limetree Bay Terminals, LLC, which included the sale of certain capital assets in exchange for cash and a long-term promissory note. The promissory note has a ten-year term, with interest payments due semi-annually. During our review of the amortization schedule for the promissory note, which is recorded as notes receivable, we identified that principal receipts were incorrectly recorded as interest income. As a result, both notes receivable and interest income were overstated by \$4.5 million as of and for the year ended September 30, 2023, and an adjustment was required.

Cause - The Government does not appear to have a process in place to adequately monitor and reconcile related revenues and receivables.

Effect or Potential Effect - This resulted in the improper recording of revenue and receivables, leading to a misstatement in the financial statements.

Recommendation - To prevent the need for adjustments to receivable and revenue accounts, we recommend that the general ledger balances be reconciled to detailed supporting records on a regular basis.

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A strong control system over receivables, including an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, will help prevent audit adjustments at year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the general ledger accounts are reconciled to detailed supporting records on a regular basis. In addition, the Government will strengthen controls over receivables, which includes an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, to help prevent audit adjustments at year-end. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-003: Grants Management

A. Control Systems Over the Schedule of Expenditures of Federal Awards

Criteria - The Government receives grant and contract funds from various funding agencies, necessitating a robust accounting system to record specific grant and contract activities. The flow of accounting transactions into the ERP system is crucial for designing and maintaining strong controls over the Schedule of Expenditures of Federal Awards (SEFA). It is essential that SEFA expenditures between the Government's ERP system and individual agency or departmental records, where the respective Federal programs are managed and administered, are reconciled consistently. Additionally, compliance with laws and regulations associated with any accepted grant or contract must be ensured.

Condition - We noted the following:

- Significant transactions paid to, or transferred to, various Government departments were erroneously reported as subrecipient transactions.
- Approximately \$43.5 million in expenditures pertaining to Assistance Listing Number (ALN) 21.027, *Coronavirus State and Local Fiscal Recovery Funds*, had not been recorded as expenditures and required an adjustment.

Cause - It appears that internal controls over the SEFA were not properly designed and implemented.

Effect or Potential Effect - Erroneously reporting significant transactions paid to, or transferred to, various Government departments as subrecipient transactions may result in misclassification of expenditures in the financial statements. In addition, failure to record the expenditures results in the understatement of expenditures in both the SEFA and financial statements. These conditions may impair the accuracy and reliability of financial reporting, potentially resulting in noncompliance with applicable accounting standards and grant requirements. Further, they may affect the allocation and monitoring of funds, hinder effective oversight, and increase the risk of audit findings and/or questioned costs.

Recommendation - The Government should perform regular reconciliations of the SEFA to underlying accounting records and grant documentation to ensure all expenditures are accurately recorded. Any discrepancies identified should be promptly investigated and corrected. In addition, the Government should continue to enhance communication and reconciliation procedures between the centralized agency responsible for collecting SEFA information and each agency administering federal grant programs to prevent the recurrence of errors and misclassifications.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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B. Federal Grants and Contributions

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

Condition - Based on our review of the schedule of grants and contracts, we noted that the Government is not monitoring its outstanding federal receivables on a periodic basis. We observed an improvement in record-keeping, as the Government has implemented a process to establish discrete and separate receivable balances on a per grant/project basis; however, key components are lacking, including the following:

- There is no readily verifiable information regarding the aging and collection of prior-year receivables, nor an assessment of the adequacy of the allowance for uncollectible accounts. Specifically, there is no documentation that matches each cash receipt to the related expenses and indicates the period in which the expense was incurred.
- The Government was unable to provide supporting documentation for eight (8) of one hundred forty-eight (148) sampled transactions related to drawdowns made during fiscal year 2023.
- The Government was unable to provide supporting documentation to support proper revenue recognition for eight (8) of one hundred sixty-one (161) sampled transactions related to federal grant revenues.

Cause - The Government does not appear to have a process in place to adequately monitor federal receivables and does not maintain proper accounting records for financial transactions.

Effect or Potential Effect - This condition makes it difficult to establish and support individual receivable balances and related deferrals for grants and contracts, may obscure items that have been inactive for many years, and can create confusion regarding the true level of activity. Additional time and effort were required during the audit to reconcile balances and locate supporting documentation or alternative evidence. This condition also increases the risk of errors and potential fraudulent transactions.

Recommendation - We recommend that receivables be tracked by each individual Government agency, including the following:

- Maintain a drawdown schedule that identifies the expenses included in each drawdown for each federal program and the period in which the expenses were incurred.
- Attach a copy of each drawdown request, including evidence of required approvals, in the ERP system, along with the corresponding bank statement evidencing receipt of funds from the federal government.
- Include, within the ERP system, a detailed listing of the expenses supporting the amounts drawn down. This detail should include, as applicable, the invoice date, payroll period, and check date.

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- Produce and maintain detailed reports and supporting records at defined intervals for review and analysis by management, independent auditors, and oversight bodies. Management should also consider strict adherence to, and/or revision of, its records retention policy.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will track receivables for each agency by maintaining detailed drawdown schedules for federal programs, attaching supporting documentation and approvals in the ERP system, and including a listing of expenses (with invoice date, payroll period, and check date) to support each drawdown. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Federal Grants Accounting

Criteria - The Government's Treasury Division is responsible for managing grant and contract cash receipts. A strong control system over grants management includes an accurate accounting system that performs timely reconciliations to ensure proper financial reporting.

Condition - Based on our review and testing of the schedule of grant revenues, we noted that local reimbursements amounting to \$4.9 million into the Asset Recovery Fund were improperly reported as Federal grant revenue and required an adjustment.

Cause - The Government does not appear to have a process in place to adequately monitor federal revenues.

Effect or Potential Effect - Grant revenues could be overstated, and liabilities understated, due to a lack of timely reconciliations, leading to inaccuracies in the reported financial position.

Recommendation - Management should ensure strict adherence to its reconciliation and review policies and procedures and establish a process for regular monitoring of federal grant revenues.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues. A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Report Submission

Criteria - 2 CFR 200.512, *Report Submission*, establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition - We noted that the Government did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2023.

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Cause - This appears to be the result of a lack of design and implementation of internal controls to ensure compliance with the reporting requirement.

Effect or Potential Effect - Non-compliance can jeopardize the Government's eligibility for current and future Federal funding.

Recommendation - We recommend that the Government establish controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will improve audit and grant management processes by establishing a centralized annual reporting calendar, utilizing Amplifund for compliance and automated reminders, developing standardized policies and procedures across all agencies, and providing supplemental resources such as cheat sheets, checklists, and training guides. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-004: Capital Assets and Related Expenditures

A. Record Keeping

Criteria - GASB Statement No. 34 requires capital asset transactions reporting in the government-wide financial statements. The Government's policies and procedures require the timely reporting of all transactions in the ERP system.

Condition - During our procedures over capital asset additions, we noted the following:

- Twenty-four (24) invoices for capital asset additions, totaling \$6.6 million during the year, were not included in the initial listing of additions and required an adjustment. Of these, five (5) invoices related to prior years.
- Two (2) invoices for assets capitalized during the year, which related to fiscal year 2022, were recorded in the incorrect period and required an adjustment.
- We were unable to determine whether adjustments were required to opening balances related to capital assets and accumulated depreciation.

Cause - Supervisory reviews and other checks and balances may not be timely or effective in all instances due to manual processes. The Government does not maintain proper accounting records for financial transactions, which may be attributable to insufficient internal controls or oversight of the documentation process for capital asset additions.

Effect or Potential Effect - Capital asset balances reported in the financial statements may be understated or incomplete, potentially leading to inaccurate reporting of total assets.

Recommendation - We recommend that the Government strengthen its procedures for recording and reviewing capital asset additions to ensure that all relevant invoices are accurately and timely included in the asset listings. This should include implementing periodic reconciliations between supporting documentation and the capital asset register, as well as providing additional training to staff on proper cut-off procedures and period-end reporting requirements. Enhanced controls will help prevent omissions and misstatements, ensure accurate financial reporting, and reduce the need for subsequent adjustments.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF has rerouted that specific payment through the regular Accounts Payable invoice processing, which is captured in the spool. This took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary. Also, effective immediately is the updated Policy and Procedures (SOPP 130), which establishes a timeline for D&A invoice submissions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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B. Reconciliation and Review of Subsidiary Registers

Criteria - The Government maintains a subsidiary asset register for the purpose of calculating depreciation for all assets. A systematic process should be established to regularly reconcile subsidiary asset register to ensure consistency, accuracy, and completeness of records in line with best practices.

Condition - Based on our review of the subsidiary asset registers, we noted that the subsidiary registers for land contained a significant number of properties that are grouped into only few asset numbers instead of being recorded as individual properties. Also, certain depreciable assets recorded as additions during the fiscal year in the registers had inaccurate depreciation start dates.

Cause - The Government does not maintain proper supporting documentation to verify the accuracy of the capital asset subsidiary register.

Effect or Potential Effect - The practice of grouping a significant number of properties under only a few asset numbers, rather than recording them individually, may result in inaccuracies in asset management and financial reporting. This can lead to difficulties in tracking and valuing individual properties, increasing the risk of misstatements in the financial statements. In addition, inaccurate depreciation start dates increase the risk of misstatements to depreciation expense in the financial statements.

Recommendation - We recommend that the Government reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

In addition, asset transfers to and from the Government should be monitored promptly, and asset custodians should be regularly reviewed to ensure that all central Government assets are properly accounted for and that formal title transfers have occurred, as applicable.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Construction in Progress (CIP) Monitoring

Criteria - Effective internal control standards and best practices require that construction in progress be monitored on a regular and systematic basis to ensure that projects are completed on time, within budget, and in accordance with established specifications. Timely analysis and review of project status, as well as the prompt recording of necessary adjustments, are essential to maintaining accurate financial records and supporting sound project management.

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Condition - We noted the following:

- During our sampling procedures over construction in progress activity, we identified one (1) project totaling \$59.3 million, out of nineteen (19) projects, that had been confirmed as completed but had not been transferred to the completed asset category and therefore required an adjustment.
- The Government adopted the method of using the ‘release of claims’ date as the date a project is placed in service. However, we noted inconsistent application of this methodology:
 - In some instances, the ‘release of claims’ date did not correspond with the actual date the project was completed and placed in service, as confirmed by the project managers.
 - In other instances, the ‘release of claims’ date was not utilized; instead, the date of the last invoice received on the project or the ‘substantial completion letter’ was utilized as the indicator of when the project was completed and as the depreciation start date.

Cause - The Government does not maintain proper supporting documentation to verify CIP activity, and there is inconsistency in the methods used to determine project completion during the fiscal year. Additionally, confirmation procedures were not performed in a timely manner, resulting in outdated or inaccurate CIP information.

Effect or Potential Effect - Failure to timely transfer completed projects from construction in progress to the completed asset category, combined with inconsistent application of the methodology for determining the date a project is placed in service, may result in misstatements of capital asset balances and related depreciation in the financial statements. This can impact the accuracy and reliability of financial reporting, hinder effective asset management, and potentially lead to noncompliance with applicable accounting standards.

Recommendation - With the increase in the number of CIP projects, it is imperative to maintain a robust system for recording project costs accurately and timely, as well as consistently monitoring project status with the respective project owners. It is critical that the Government reconciles these costs with the reports and records of the project managers, related invoices, contracts, and amendments, ensuring alignment with contract costs and capital expenditure budgets. Further, a consistent method should be applied for determining project completion and transferring assets to the appropriate depreciable asset class.

Views of Responsible Officials - The Government concurs with the auditor’s findings and recommendations. Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works, Assistant Commissioner of Finance and Director of Fiscal to build an internal procedure to ensure that the correct documentation is available and even supported at the time of invoice entry and/or at minimum be able to be provided to Capital Asset Coordinators. The planned corrective actions are presented in the Government’s Corrective Action Plan attached as Appendix B to the Single Audit Report.

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D. Capital Assets Impairment Process

Criteria - Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include amongst others, evidence of physical damage.

Condition - We noted the following regarding the Government's capital assets impairment process:

- While an annual impairment assessment was performed by the Department of Property and Procurement (DPP), the process to ensure completeness of the impairment assessments across the asset classes was not readily addressed. Moreover, conclusions reached by DPP should be processed and accounted for by the Department of Finance and adjustments recorded in the asset registers, as necessary.
- Certain assets were not readily traceable to the asset registers due to lack of proper ID. This may result in improper accounting of the transaction(s) with respect to the derecognition of the assets from the books.
- Some damage assessments for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them. Further, each division or department seemed to have its own separate process or methodology.

Cause - Each division or department appeared to have its own separate process or methodology for conducting damage assessments, leading to inconsistencies.

Effect or Potential Effect - The lack of coordination between departments may cause delays in processing and accounting for impairment conclusions, resulting in untimely adjustments in the asset registers. Additionally, the use of different processes or methodologies by various divisions or departments can lead to inconsistent impairment data, complicating the comparison and consolidation of information across the organization.

Recommendation - We recommend that the Government implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts should be readily available for analysis by external parties and should be compared to the detailed capital asset subsidiary ledger. These results should be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It should also be noted that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations and will establish a formal process for annual impairment assessments, ensure physical count results are available and reconciled with asset records, and communicate findings to the Department of Finance for necessary adjustments. Additionally, the Government will maintain an inventory management system to track federally funded assets. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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E. Capital Assets - Business-Type Activities

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

Condition - The Government is currently utilizing an excel worksheet to monitor capital assets within its business-type activities. The Government began the process of uploading additions into the ERP asset registers in fiscal year 2017. However, the asset register for the beginning balances has yet to be uploaded.

Cause - There may be resource constraints, such as insufficient staffing, budget limitations, or lack of technical expertise, hindering the complete transition to the ERP system.

Effect or Potential Effect - Manual data entry and maintenance in separate spreadsheets heightens the risk of errors, such as data entry mistakes, formula inaccuracies, and inconsistencies.

Recommendation - We recommend the completion of the automation process for these assets and implementation of subsequent review and reconciliation procedures in order to ensure that accurate and timely information is available.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-005: Recording of Liabilities

A. Retroactive Pay Liability

Criteria - An effective control system for liability calculation requires an accounting system that performs timely reviews to ensure accurate financial reporting and that all liability transactions are properly recorded and adequately supported. For union employees in various Government departments, salaries are negotiated and agreed upon through Collective Bargaining Agreements (CBAs). The Government is responsible for accurately calculating and recording liabilities arising from unpaid salary increases that have been collectively bargained but not paid to employees. As new and existing contracts are negotiated or renegotiated and signed, it is essential that the accounting system reflects these obligations to ensure the completeness and accuracy of reported liabilities.

Condition - We noted that currently there is a \$147.0 million retroactive pay liability reflected in the books and records; however, the supporting schedules can only confirm \$138.3 million, which is based on an analysis of CBAs from the initial retroactive pay wage commission findings. Additionally, approximately 65.0% of the Government's employees are paid varying rates, based on different CBAs. We also noted that several CBAs have not been evaluated, implemented, ratified, or accrued for.

Cause - This discrepancy between recorded and confirmed retroactive pay liabilities may be attributable to errors in calculation, incomplete data, or a lack of proper reconciliation. Additionally, the Government lacks adequate controls and a formalized process for implementing negotiated CBAs.

Effect or Potential Effect - The lack of evaluation, implementation, ratification, and accrual for several CBAs may result in further inaccuracies in the Government's financial records. This situation could adversely impact budget planning, financial reporting, and compliance with contractual obligations.

Recommendation - We recommend that management conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management should evaluate, implement, ratify, and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. Additionally, management should establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will thoroughly review and reconcile retroactive pay liabilities, ensure all amounts are supported by detailed schedules, and properly account for outstanding CBAs. A centralized master file of pay rates will be maintained and periodically reviewed for accuracy. These measures will improve financial reporting, compliance, and budget planning. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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B. Medical Malpractice Liability

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review. Specifically, for the Reciprocal Insurance Fund, all disbursements related to payments of medical malpractice claims must be accurately recorded and supported by appropriate documentation, with oversight to confirm compliance with established policies and procedures.

Condition - The Government has not completed the necessary analysis to determine and record a quantifiable and estimated liability for medical malpractice claims, as required by generally accepted accounting principles.

Cause - Lack of controls and procedures around the Government's claims data process.

Effect or Potential Effect - The Government's inability to gather and generate the necessary information for an actuary to compile an estimated liability at year-end has resulted in records that do not permit, or make it practical to extend, audit procedures sufficiently to determine the extent of impact on Business-Type Activities and Aggregate Remaining Fund Information as of, and for the year ended, September 30, 2023. This oversight may lead to underreported liabilities, adversely affecting the Government's financial position and increasing the risk of noncompliance with accounting standards.

Recommendation - We recommend that the Government undertake a comprehensive analysis to identify, quantify, and record an estimated liability for medical malpractice claims in accordance with generally accepted accounting principles. Management should ensure that all relevant data is collected and maintained to facilitate actuarial assessments and accurate financial reporting. Additionally, procedures should be established to regularly review and update the estimated liability to reflect changes in claim activity and ensure ongoing compliance with applicable accounting standards.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Accounts Payable

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review.

Condition - At present, the Government's general ledger control account for accounts payable does not agree with the subsidiary ledger balances throughout 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.

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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 OMB. This also impacts the accuracy of capital asset recordation, as accruals for goods and services received are not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods. In addition, during our review and inquiry of subsequent disbursements, we noted that accounts payable did not include accrual of invoices totaling \$1.1 million for services performed as of year-end and therefore required an adjustment. The Government records accounts payable in total at year-end and does not record or track accounts payable at the individual project level, and therefore, by each federal program. Further, during our review of Medicaid claims accrual from the Molina MMIS system, we noted that the Government did not record the required year-end accrual of \$11.6 million and an adjustment was necessary.

Cause - This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which relies solely on subsequent events during the yearly financial statement close process. This practice is based on a system functionality in which the accounting system does not allow for the recording or accrual of invoices when the obligation is incurred, but only when the corresponding allotment has been approved by OMB.

Effect or Potential Effect - These practices result in significant adjustments during the annual financial statement close process and necessitate manual reconciliation of capital expenditures and accounts payable. Furthermore, supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities may not be timely or effective in all instances, increasing the risk of inaccuracies in financial reporting and potential misstatements in the financial statements.

Recommendation - Management should consider utilizing the ERP Accounts Payable module more consistently to reduce the manual efforts currently involved in establishing accounts payable. We recommend that controls be enhanced to ensure that all invoices for services performed as of year-end are properly accrued. In addition, the Government should strengthen supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities to improve the accuracy and timeliness of financial reporting.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices. Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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D. Landfill Closure and Post-Closure Costs Liability

Criteria - The U.S. Virgin Islands landfill closure and post-closure costs liability is recorded as part of the year-end process. A fundamental element of a sound system of internal controls is an effective liability calculation process, which helps ensure that all liability costs are properly calculated and recorded.

Condition - The Government determines the closure and post-closure costs for the three landfills in the U.S. Virgin Islands for fiscal year 2023 based on estimates provided by a third-party engineering firm, which are updated by applying an inflation rate. Our review of these reports indicates that the related liability was not accurately recorded as of the end of the fiscal year. Based on the most recent third-party engineering estimates, we identified an additional liability of \$36.1 million and required an adjustment.

Cause - Lack of review of the landfill reports and calculations to ensure the accuracy of the amount and included assumptions.

Effect or Potential Effect - Relying solely on inflation rates to update post-closure cost estimates for the three landfills may result in inaccurate financial projections. This approach could lead to the underestimation or overestimation of future liabilities, affecting budget allocations and financial planning. Inaccurate estimates may also impact compliance with environmental regulations and the Government's ability to adequately fund closure and post-closure activities.

Recommendation - The Government should collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. While updating landfill closure and post-closure cost estimates using an inflation factor is acceptable, we recommend that the Government conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Completeness and Accuracy of Census Data

Criteria - Maintaining current and accurate records and statistics is an important control for participant data, as well as for compliance with employment laws and regulations. Ensuring the completeness and accuracy of census data is crucial for accurate analysis, decision-making, and reporting.

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Condition - We obtained the current year census data and compared it to the prior year census data for the central government assess completeness and noted following inconsistencies:

- Active employees - We recalculated active employees based on roll-forward details as 6,657, while census data provided reflected 6,426 employees, resulting in a variance of 231 employees (3.6%).
- Retirees and Beneficiaries - We recalculated retirees and beneficiaries based on roll-forward details as 8,081, while census data provided reflected 7,876 individuals, resulting in a variance of 205 employees (2.6%).

We further noted that the Government's pension census data submitted to actuarial service providers contained significant discrepancies when compared to employee records maintained by the Government. The inaccuracies could have a material impact on the financial statements.

We selected a sample of twenty-five (25) individuals from the census data, including both active employees and retirees, and noted the following:

- For five (5) employees, we identified discrepancies between the hire dates reported in the census data and those recorded in the most recent Notice of Personnel Action (NOPA) records.
- For four (4) employees, we identified discrepancies in both hire dates and salary information when comparing the census data to the most recent NOPA records.
- For two (2) retirees, detailed NOPA records were not available. However, we performed alternative procedures by verifying their hire date and employment status in the Munis system, which confirmed that they were former employees who have since retired.
- For three (3) retirees, we identified discrepancies between the retirement dates reported in the census data and those recorded in the retirees' NOPA records.

Cause - There may be a lack of standardized processes, formats and controls for collecting and submitting census data, resulting in inconsistencies and errors.

Effect or Potential Effect - This introduces a greater level of uncertainty to the actuarial calculations. The time required to make significant adjustments and assumptions may lead to delays in the completion of actuarial reports and the submission of financial statements.

Recommendation - We recommend that management develop and implement internal controls to ensure the accuracy and completeness of active employee and retiree census data prior to submission for future valuations, calculations, or analysis. Additionally, adequate resources should be allocated to properly evaluate all census information provided to various actuarial service providers, as this data is essential for calculating related liabilities. It is imperative that employee data in the census information be accurate.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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F. Income Tax Refunds Payable

Criteria - Paragraph 102 of GASB Statement No. 62, as amended, requires that a loss contingency be accrued when (a) information available prior to the issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements (with the implicit condition that it is probable one or more future events will occur confirming the fact of the loss), and (b) the amount of the loss can be reasonably estimated. Loss contingencies may include pending, threatened, or unasserted litigation, claims, or assessments as of the financial statement date. Governmental funds should recognize expenditures and related fund liabilities for claims and judgments arising from loss contingencies.

The Government establishes its year-end liability for income tax refunds through a manually intensive process, which consolidates two sets of reports: (1) tax returns from various refund batches that exist but have not been processed or paid as of year-end, and (2) tax returns that were processed and paid subsequent to year-end.

Condition - We observed that the income tax liability has been accrued for tax returns that have been processed but not yet paid as of September 30, 2023. However, the tax liability for returns processed and paid subsequently, specifically those for fiscal year 2023 and prior, was excluded from the accrual of tax refunds payable, amounting to \$16.8 million and required an adjustment.

Cause - The Government currently does not have a formalized procedure in place to determine the income tax refund payable at the end of the fiscal year.

Effect or Potential Effect - This absence of a structured process can lead to inconsistencies and potential inaccuracies in calculating the amounts owed to taxpayers and may lead to misstated financial liabilities, affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

G. Plan Funding Considerations

Criteria - The Government Employees' Retirement System of the U.S. Virgin Islands (GERS or the Retirement System) is a defined benefit pension plan established to provide retirement, death, and disability benefits for government employees. In addition to pension benefits, the Government is obligated to provide other postemployment benefits (OPEB), including healthcare, prescription drug coverage, dental care, and life insurance for retired employees and their eligible dependents. The Government's responsibilities encompass maintaining adequate funding, ensuring proper administration, and complying with all relevant accounting standards and legal requirements.

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Condition - We noted that the Government has not adequately funded the Retirement System and the OPEB plan for several years.

- As per the GERS actuarial valuation report as of October 1, 2022, the Retirement System is 8.91% funded for the year ended September 30, 2023. The same report also disclosed a net pension liability of \$4.09 billion which represents a long-term obligation the Government has to fund.
- As per the OPEB actuarial valuation report as of October 1, 2021, the OPEB plan reflects a total OPEB obligation of \$976.61 million which represents the long-term medical, dental, and other obligations that the Government has to fund.

Cause - Over multiple years, the Government has not allocated sufficient resources to meet the funding requirements of these plans, resulting in significant unfunded liabilities. Contributing factors include budgetary constraints, competing fiscal priorities, and limited revenue growth, which have restricted the Government's ability to make the necessary annual contributions.

Effect or Potential Effect - Insufficient funding of the Retirement System and OPEB plan weakens the Government's overall financial position, reduces net assets, and may adversely affect credit ratings, thereby increasing the difficulty or cost of future borrowing. Additionally, inadequate funding raises concerns regarding the Government's ability to fulfill future benefit commitments to retirees and employees, potentially resulting in benefit reductions, delayed payments, or increased financial pressure on current and future budgets.

Recommendation - We recommend that the Government develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government should also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-006: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Criteria - 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.

Condition - We noted the following:

- 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 operate on a non-DRG platform and bill using daily per diem rates based on the number of patients served. Costs incurred by the hospitals, long-term care facilities, and/or Federally Qualified Health Centers (FQHCs) participating in the Medicaid program are summarized in cost reports, which are submitted to the Department. Under the Government's Medicaid State Plan, these cost reports are required to be audited. Based on the audited cost reports, a receivable or payable should be recorded for the difference between costs submitted for reimbursement and the amounts actually reimbursed. We noted that the Department did not audit the fiscal year 2023 cost reports.
- The Department did not perform a risk analysis and system security review for the Virgin Islands Benefit Eligibility System (VIBES) when it was implemented in July 2017.

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

Effect or Potential Effect - The Government was unable to determine how Governmental Activities and the General Fund may have been impacted as of, and for the year ended, September 30, 2023, which affected the auditor's ability to opine on these opinion units. In addition, because a risk analysis and system security review were not performed, there is no assurance that the system is functioning as intended, which exposes the program to potential unauthorized activity and payments to ineligible participants.

Recommendation - 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 are incurred and when reimbursement is ultimately received from the federal government.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to our Fiscal Office, under the supervision of our Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-007: Unemployment Insurance Trust Fund

Account Reconciliation Process

Criteria - 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.

Condition - We noted that the majority of account reconciliations were not available during the audit process, while others contained incomplete information and/or were not in accordance with required accounting practices.

Cause - The Government does not have policies and procedures in place to ensure timely completion of reconciliations supporting the Unemployment Insurance Trust Fund balances.

Effect or Potential Effect - The Government's records do not permit, nor is it practical to extend, audit procedures sufficiently to determine the extent to which the Business-Type Activities and the Unemployment Insurance Trust Fund may have been impacted as of, and for the year ended, September 30, 2023, thereby affecting the auditor's ability to opine on said opinion unit.

Recommendation - To prevent significant errors and possible irregularities, including fraud, from occurring and remaining undetected in the financial records and statements, we recommend that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, we recommend that the Government consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-008: Workers Compensation Program

Criteria - 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 Virgin Islands Department of Labor (VIDOL).

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires governments to recognize liabilities for claims incurred but not reported (IBNR), estimate the cost of claims, and disclose information about claims and potential losses. An actuarial analysis is required periodically to provide a reasonable estimate of outstanding workers' compensation claims liability for financial statements reporting.

Condition - The Government did not engage a third-party actuary to assist with the valuation of the workers' compensation liability, as it had in prior years. In addition, the Government did not maintain adequate supporting documentation to substantiate the reasonableness of the internally calculated liability.

Cause - The absence of an independent actuarial valuation and lack of adequate supporting documentation undermines the reliability of the workers' compensation liability reported in the financial statements. This increases the risk that the liability is misstated, which could result in either an overstatement or understatement of liabilities.

Effect or Potential Effect - The Government's workers' compensation liabilities may be inaccurately reported, affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-009: Payroll, Related Accruals, and Other Expenditures

A. Payroll Expenditures

Criteria - A strong and efficient system of controls over the payroll process is critically important. An effective internal control system can generally be implemented with reasonable effort to address potential threats of error and misappropriation. Key elements include proper supervision, regular review, and the separation of duties or functions.

Condition - We noted the following:

- The Department of Human Services transitioned to a manual timesheet process in lieu of system-generated timesheets after the September 2017 hurricanes caused damage to its ADI Time payroll system, which had not been adequately backed up. The Department continued to use the manual timesheet process for the year under review.
- The compensated absences schedule includes some redundant data. For example, some employees who should not be on the schedule have accrued balances, negative balances, or zero balances. During our review of the compensated absences schedule for the year, we identified the following:
 - Eighty-one (81) instances where employees had annual leave hours, but no pay rate or liability was included in the schedule.
 - Two (2) instances where the employee's pay rate in the schedule did not agree with the pay rate reflected in the employee's NOPA.
 - Forty-five (45) instances where the employees had negative leave balances, but those amounts were still included in the schedule and in the total compensated absences liability.
- We selected a sample of thirty-one employees (31) and noted six (6) instances where active employees who should have been included were omitted from the schedule.
- In several instances, employees in certain labor categories received overtime payments exceeding their annual salaries due to staffing shortages. Although these payments were approved, this remains an area susceptible to error or misuse given the volume and dollar amounts involved.

Cause - The Government fails to comply with its established payroll policies and procedures.

Effect or Potential Effect - The Government's reliance on manual timesheets, along with the presence of inaccurate and redundant data in the compensated absences schedule, has increased the risk of errors and misstatements in payroll and liability reporting. Issues such as incorrect pay rates, negative leave balances, missing employees, and excessive overtime payments highlight weaknesses in internal controls and data management.

Recommendation - We recommend that the Government consider the following:

- Transition the Department to the STATS timesheet system, which is currently utilized by various other agencies and departments.

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- Conduct a thorough review and cleanup of the compensated absences schedule to remove redundant data and correct inaccuracies.
- Strengthen internal controls and conduct regular reconciliations of payroll and leave records.
- Closely monitor and review overtime payments to ensure they are properly authorized and justified.

Views of Responsible Officials: The Government concurs with the auditor's findings and recommendations. The Payroll Unit will monitor accrual liabilities bi-annually. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Transactions with Personnel

Criteria - The Government has policies regarding executive and other employee expense reimbursements, indicating that every business expense incurred through credit cards or advance payments must be substantiated with adequate documentation. This includes a statement of expense, purchase order, approved Government Travel Request, travel voucher, and receipts, which collectively are sufficient to verify each element of the expenditure.

Condition - The Government did not provide a list of executives, making it impossible to verify the existence of adequate independent review or approval of expenses incurred by executives.

Cause - The Government does not maintain the necessary supporting documentation to verify compliance with its policies concerning transactions with personnel.

Effect or Potential Effect - Inadequate documentation may result in financial inaccuracies, unauthorized transactions, and potential misuse of funds.

Recommendation - We recommend that the Government consider instituting a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Reporting for Expenditures

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

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Condition - During our sampling procedures of general expenses, we noted that thirty-two (32) out of two hundred seventy-one (271) general expense transactions were not recorded in the proper period.

Cause - Lack of adherence to government's established written policies and procedures related to the proper recording and reporting of expenditures.

Effect or Potential Effect - Recording expenditures in the wrong period can result in inaccurate financial statements, as expenses may be overstated or understated in a given fiscal year.

Recommendation - We recommend that the Government adhere to its established written policies and procedures related to the proper recording and reporting of expenditures. Timely review and reconciliation of expenditures will ensure that expenditures are recorded in the correct period. It is important to produce detailed reports and records at specified intervals and to maintain these for possible analysis by users such as management, independent auditors, or governmental bodies. Management should strictly adhere to, or consider revising, its records retention policy.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To address untimely adjustments due to a lack of monthly reconciliations at D&A, CFOs will be required to provide Flexible Period Reports by the 30th of each month, enabling timely journal entries and approvals. An ERP workflow will assign responsibility to CFOs for these adjustments, and DOF accounting leadership will collaborate with Tyler Tech to track timeliness within the ERP system. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Formalize Emergency Payroll Procedures

Criteria - A robust and efficient system of payroll controls is essential to ensure the timely and accurate processing of payroll, particularly during unexpected events or disruptions. Formal emergency payroll procedures should be established to clearly define roles, responsibilities, and the steps to be taken in the event of emergencies such as natural disasters, system outages, or other crises.

Condition - Payroll processing begins with timesheets approved by department heads in the STATS system, which then serve as the basis for payroll calculations in the Payroll Division. In 2017, hurricanes caused significant power outages and displacement of personnel, rendering roads inaccessible and preventing employees from attending work for several days. Consequently, the recording of timesheets in the STATS system was temporarily suspended.

Cause - The Government does not have formalized emergency payroll procedures to guide payroll operations during emergencies, such as natural disasters or other significant disruptions.

Effect or Potential Effect - In the absence of proper documentation and approval of employee work hours, there is an increased risk of errors, omissions, or inconsistencies in payroll calculations. This may result in misstated personnel costs, adversely affecting the accuracy of financial reporting and the reliability of financial statements.

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Recommendation - We recommend that the Government develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-010: Bank Accounts

A. Strengthen Controls Over Bank Reconciliations

Criteria - Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

Condition - We noted the following:

- A substantial number of outstanding checks, some issued as far back as 1998, are still being carried on the reconciliations and were eventually reclassified to accounts payable at year-end.
- Two (2) imprest cash accounts, confirmed by the banks, were not listed in the imprest cash account report at year-end.
- The Government's bank listing did not include an account that had a balance as of September 30, 2023.
- We were unable to obtain complete documentation and formal written procedures related to the opening of nine (9) new bank accounts for the Government.
- Several accounts that had been formally closed at year-end contained adjustments or reclassification entries totaling \$2.2 million in outstanding checks during the fiscal year.
- During our review of the bank reconciliation, there was insufficient documentation to confirm that the reconciliation and related journal entries had been reviewed and approved.

Cause - These issues reflect weaknesses in the Government's bank account administration processes. The absence of comprehensive and up-to-date records, including incomplete bank listings and missing documentation for new account openings, indicates insufficient oversight and a lack of formalized procedures.

Effect or Potential Effect - These weaknesses in bank account administration and recordkeeping can lead to significant inaccuracies in the Government's financial statements. Outstanding checks that remain unreconciled for extended periods may result in overstated liabilities or misclassified balances. Incomplete bank listings and missing documentation for account openings increase the risk of errors, omissions, or even undetected unauthorized transactions.

Recommendation - We recommend that the Government strengthen its bank account administration and cash management processes by implementing comprehensive and formalized procedures for opening, maintaining, and closing bank accounts. Regular reconciliation of all bank accounts should be performed to promptly identify and resolve outstanding checks and discrepancies. The Government should implement and consistently use a documented review and approval process for all bank reconciliations and related journal entries, including evidence of review (e.g., reviewer name/signature or electronic approval and date) retained with the reconciliation package in accordance with the record-retention policy. The Government should also ensure that complete and up-to-date documentation is maintained for all bank accounts, including accurate listings and supporting records for new account openings and closures.

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

The DOF's Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Cash Pooling and Allocation(s)

Criteria - Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. Cash pooling and allocations should be conducted in a manner that ensures transparency, proper allocation of funds, and accurate reporting.

Condition - Throughout the year, all expenditures are charged against each fund's cash account. Due to the nature of operations, the Government's Treasury Department does not maintain a separate bank account for each fund or for each cash account in the general ledger. As a result, each bank account includes activity for multiple funds. In some instances, funds "borrow" from the General Fund. At year-end, an entry is prepared to correct or "true-up" the cash balances for each fund.

Cause - There is a lack of efficient documentation to support the pooling and subsequent allocation of cash accounts.

Effect or Potential Effect - The centralized cash management approach results in all expenditures being charged to a pooled cash account without proper allocation to individual funds. This practice creates difficulty in accurately tracking and reporting the financial position of each fund.

Recommendation - We recommend that management enhance the documentation supporting the pooling and subsequent allocation of cash accounts. Specifically, there should be a clear and auditable link between the confirmed cash account balances and the cash balances per fund as presented in the year-end financial statements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Check Sequences

Criteria - A strong system of internal controls should be implemented over check runs and unused checks to ensure consistency, accuracy, and completeness of financial records. Such controls are essential for safeguarding assets, preventing unauthorized transactions, and supporting reliable financial reporting.

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Condition - During procedures performed over the subsequent check registers, we noted several large gaps in the check sequences.

Cause - The Government's ERP system does not automatically generate check numbers; instead, check numbers are entered and tracked manually by Government personnel.

Effect or Potential Effect - A lack of control over unused checks could lead to unauthorized transactions, potentially resulting in fraudulent activities that affect financial reporting.

Recommendation - We recommend that a process be implemented whereby personnel responsible for check runs review prior and current manual check entries to detect gaps before processing.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Director of Management Information System (MIS) and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable - Check Run Manager. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-011: Other Post Employment Benefit Valuation

A. Actuarial Valuation

Criteria - GAAP for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* require an actuarial valuation to be performed at least every two years, with more frequent valuations or calculations encouraged. If an actuarial valuation is not performed as of the measurement date, the total Other Post-Employment Benefits (OPEB) liability is required to be based on update procedures that roll forward amounts from an earlier actuarial valuation performed as of a date no more than 30 months and 1 day prior to the employer's most recent fiscal year-end.

Condition - The Government has not performed a full actuarial valuation of OPEB in accordance with GAAP as of October 1, 2022, applicable for fiscal year 2023. The most recent full actuarial valuation was completed as of October 1, 2019.

Cause - An actuarial valuation for OPEB was not performed for the respective year.

Effect or Potential Effect - GAAP requires governments to obtain an actuarial valuation of their benefit plans to properly measure and report the related liabilities, deferred outflows/inflows of resources and expenses in the financial statements. In the absence of an actuarial report, the Government is unable to accurately determine and disclose its OPEB liability and related financial statement elements.

Recommendation - We recommend that the Government implement controls and procedures to compile the necessary information and engage a qualified actuary to perform a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP. The actuarial valuation should be completed on a timely basis and updated as required to ensure that the OPEB liability, related deferred outflows/inflows of resources, and expense are accurately measured and reported in the financial statements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Administration and Recordkeeping

Criteria - The Government follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees.

Condition - The Division of Personnel, through the Virgin Islands Health Insurance Board, is responsible for administering health insurance and related benefits for retirees.

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The Virgin Islands (V.I.) Code stipulates that the Government, the University of the Virgin Islands, the Virgin Islands Waste Management Authority, the Virgin Islands Port Authority, and any not-for-profit corporation funded at least 75% annually by federal or local government funds, are legally responsible for providing health benefits to active and retired service personnel. However, it has been observed that the component units and organizations referenced above have paid these benefit costs for active employees only, while the Government has assumed responsibility for the payment of benefit costs for retirees.

Additionally, the accounting requirements for postemployment retirement plans are increasingly complex and demand specialized expertise to ensure accurate accounting and reporting in accordance with applicable standards.

Cause - The V.I. Code explicitly designates legal responsibility for these benefits. The current condition appears to result from noncompliance with the arrangement outlined in the V.I. Code, whereby the Government has assumed the responsibility for retiree benefit payments instead of the component units and organizations.

Effect or Potential Effect - This arrangement results in the Government recognizing substantial long-term liabilities for retiree health benefits on its financial statements, which can significantly reduce net assets and adversely affect overall financial health. Furthermore, the complexity of accounting for postemployment benefits increases the risk of misstatements or incomplete disclosures, potentially compromising the accuracy and transparency of the financial statements.

Recommendation - We recommend that the Government formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, we recommend that the Government and/or Division of Personnel consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Update of Mortality Tables

Criteria - Mortality tables used for actuarial valuations and financial reporting should be regularly updated to reflect the most current demographic data and trends, ensuring accuracy in the measurement of postemployment benefit obligations.

Condition - It was noted that the generational mortality tables and related assumptions currently in use are based on a review performed as of September 30, 2015.

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Cause - This condition has arisen due to limited resources, insufficient prioritization of actuarial updates, and the absence of established procedures for the periodic review and revision of actuarial assumptions.

Effect or Potential Effect - As a result, actuarial valuations may not accurately reflect current life expectancy or mortality rates, potentially leading to misstatements in the measurement of postemployment benefit obligations.

Recommendation - Although the current rates appear reasonable, it is important to note that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-012: Accounting Standards Implementation

Criteria - Effective for reporting periods beginning after December 15, 2015, the Government is required to implement GASB Statement No. 77, *Tax Abatement Disclosures*. Adoption of GASB 77 provides essential information about the nature and magnitude of reductions in tax revenues resulting from tax abatement programs.

Effective for the fiscal year ended September 30, 2022, the Government is required to implement GASB Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Effective for the fiscal year ended September 30, 2023, the Government is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Under this Statement, a government is required to recognize a right-to-use subscription asset-an intangible asset-and corresponding subscription liability.

Condition - The Government did not perform an assessment to analyze the impact that implementing GASB 77, GASB 87, and GASB 96 would have on its financial statements.

Cause - There is an absence of a formal process or oversight mechanism to ensure the timely assessment and analysis of the impact of new accounting standards, specifically GASB 77, GASB 87, and GASB 96 on the Government's financial statements.

Effect or Potential Effect - This oversight could result in unpreparedness for compliance with new accounting standards and may lead to potential inaccuracies in financial reporting. Such deficiencies may adversely affect the reliability of the Government's financial statements and its ability to meet regulatory requirements.

Recommendation - We recommend that the Government conduct a comprehensive assessment to evaluate the impact of implementing GASB 77, GASB 87, and GASB 96 on its financial statements. This assessment should include a detailed analysis of the requirements and implications of these standards to ensure accurate and compliant financial reporting.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in FY 2026. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-013: Irregularities related to Procurement Activities

Criteria - As defined by Government Auditing Standards, which are issued by the U.S. Government Accountability Office (GAO), Management should design control activities to achieve objective and respond to risks, including proper authorization and segregation of duties. Through the implementation of control activities by adopting appropriate policies and procedures that define expectations and guide operations to safeguard government assets to mitigate potential fraud and irregularities.

As outlined in auditing standards issued by the American Institute of Certified Public Accounts (AICPA) AU-C 250, *Considerations of laws and Regulations in an Audit of Financial Statements*, Management is responsible for ensuring that the government's operations comply with all applicable laws and regulations and have established and maintain policies and procedures designed to prevent and detect noncompliance. Management should be aware of which laws and regulations are relevant and applicable to the Government's operations especially those that have a direct and material effect on the financial statements.

Procurement is governed by Title 31, Chapter 23, Sections 231 - 251, of the Virgin Islands Code which states the various types and requirements for procuring goods and services. The Department of Property and Procurement is the agency primarily responsible for all acquisitions of goods and services.

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement (DPP), then in effect. When creating a requisition or purchase order, all necessary supporting documentation must be attached in the ERP system; this includes the required quotes and a justification letter signed by the User Agency head and approved by the Commissioner of Property and Procurement, if required.

The Government has established comprehensive policies and procedures for the processing of expenditures, including purchase orders, invoice processing, approvals, segregation of duties, and documentation of transactions. These internal controls are designed to safeguard assets and reduce the risk of errors and misappropriation.

Condition - In 2024, an inquiry was conducted by the United States Department of Justice into potential criminal activities associated with three members of the management team members of the government and formal indictments followed. Management performed an investigation into the matter and, we observed the following:

- Invoice were dated prior to the purchase order approval date for one hundred and twelve (112) out of hundred -and ninety-eight (198) transactions.
- No evidence was available that a request for proposal (RFP) was initiated for forty-four (44) out of forty-five (45) purchase orders over the \$50,000 policy threshold.
- A single individual approved multiple levels for payment remittance for forty-nine (49) out of one hundred and ninety-eight (198) transactions.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

- As required by the procurement policy, no evidence was available to show that three quotes were requested and obtained prior to the awards for nineteen (19) out of twenty-four (24) purchase orders above \$10,000.
- No contract was provided to verify the terms and conditions of the contract for twenty-five (25) out of thirty (30) purchase orders above \$50,000.
- No evidence that a payment remittance was fully approved for seven (7) out of one hundred and ninety-eight (198) transactions.
- No documentation was available to clarify and understand purpose of transaction outside the invoice. The contract, bid, RFP information and grants requests were not available to support compliance with procurement and/or payment policies and processes for twelve (12) out of one hundred and ninety-eight (198) transactions.
- Invoices provided do not contain the information to clarify the prices or services provided for twenty-nine (29) out of one hundred and ninety-eight (198) transactions.
- The purchase order description does not match the invoice description for nine (9) out of one hundred and ninety-eight (198) transactions.
- The amount invoiced from and paid to the vendor is greater than the amount listed on the purchase order for three (3) out one hundred and ninety-eight (198) transactions.
- The purchase of goods and/or services was not for any documented business purpose for one (1) out of one hundred and ninety-eight (198) transactions.

Cause - The Government did not retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and procedures to support the transactions and limitation on the availability of finance personnel.

Effect or Potential Effect - Failure to retain necessary supporting documentation and adhere to established procurement laws, regulations, policies and procedures may result in noncompliance with procurement regulations. This deficiency increases the risk of improper or unauthorized purchases, reduces transparency and accountability in the procurement process, and may lead to audit findings or other regulatory noncompliance.

Recommendation - We recommend that the Government evaluate its policies and procedures to ensure all necessary supporting documentation - such as purchase orders, contracts, and vendor profiles - is retained to support adherence to internal policies and regulatory requirements. Management should implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-014: Procurement Regulations

Criteria - Procurement is governed by *Title 31, Chapter 23, Sections 231 - 251*, of the Virgin Islands Code, which states the various types and requirements for procuring goods and services. The Department of Property and Procurement is the agency primarily responsible for all acquisitions of goods and services.

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement (DPP), then in effect. When creating a requisition or purchase order, all necessary supporting documentation must be attached in the ERP system; this includes the required quotes and a justification letter signed by the User Agency head and approved by the Commissioner of Property and Procurement, if required.

Condition - We sampled and selected eighty-eight (88) purchase orders and sixty-nine (69) contract files and noted the following:

- Fifteen (15) missing purchase order (PO) numbers during sequence testing. Management explained that these PO numbers were missing in 2023 but did not provide any report or supporting details to confirm they were unused. Additionally, there is no formal procedure in place to document unused PO numbers or the reasons for their omission. Accordingly, BDO cannot conclusively verify the completeness of the PO population.
- Twelve (12) purchase orders from twelve (12) different vendors where the files did not contain the requisite documentation to provide evidence that the purchase order met the stated requirements.
- Eight (8) purchase orders from two (2) vendor appeared to be split purchase orders where adequate supporting documentation were not available to determine if purchase order splitting occurred.
- We were unable to conclusively verify completeness of the fiscal year 2023 contract population as the GVIBUY website does not appear to be updated timely.
- Twenty-five (25) instances where executed contract files did not contain requisite documentation to provide evidence that the respective procurement met stated requirements.
- Sixteen (16) instances where adequate supporting documentation were not available to determine whether the first invoice was generated before the date of contract execution.

Cause - The Government did not retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and procedures.

Effect or Potential Effect - Failure to retain necessary supporting documentation and adhere to established policies and procedures may result in noncompliance with procurement regulations. This deficiency increases the risk of improper or unauthorized purchases, reduces transparency and accountability in the procurement process, and may lead to audit findings or other regulatory consequences.

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Recommendation - We recommend that the Government retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management should implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. We also recommend that management implement a formal process to ensure all executed contracts are timely included on GVIBUY.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will strengthen its procurement processes by retaining all required documentation, regularly reviewing compliance, and implementing a formal process to ensure all executed contracts are promptly uploaded to GVIBUY. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-015: Information Technology (IT) Environment

User Access and Administration

Criteria - Logical security for user access and user administration are critical components of overall information security strategy. These elements focus on ensuring that only authorized individuals have access to information systems and data, thereby protecting sensitive information from unauthorized access, misuse, or breaches.

Condition - We noted the following during our procedures over user access and change management:

- There are no formal re-certifications of user access security rights performed for the following Windows domains and applications:

Windows Domain:

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

Applications:

- Timeforce
- MUNIS
- VIDOLA\$
- VITAX
- ScanOptics
- MMIS
- Capture
- Ventiv
- RawData
- CARIBS
- VIBES

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

Windows Domain:

- Department of Labor
- Department of Human Services

Applications:

- VIDOLA\$
- VIBES

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

- Evidence was not available to demonstrate that there is a formal change management policy on the Bureau of Internal Revenue operating system and VITAX application.
- There was a new access request where the access granted did not match the requested and approved access permission on the Department of Labor operating system and VIDOLAS application.

Cause - These conditions appear to be the result of insufficient oversight and a lack of established policies and procedures for user access management, password security, and change management across key operating systems and applications.

Effect or Potential Effect - The absence of formal re-certifications of user access security rights, lack of strong password and account lockout configurations, and insufficient evidence of formal change management policies significantly increase the risk of unauthorized access to sensitive systems and data. These deficiencies may result in the exposure of confidential information, potential misuse or alteration of critical data, and increased vulnerability to security breaches.

Recommendation - The Government should evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government should assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

Views of Responsible Officials: The Government concurs with the auditor's findings and recommendations. The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-016: Noncompliance with Laws and Regulations

A. Collateral of Depository

Criteria - Collateralization provides an avenue of recovery in the unlikely event of the failure of a bank or financial institution holding government deposits. Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e., surety bonds or letters of credit) by depositories is an important safeguard for government deposits. Further, in the event of a failure of a bank, the Federal Deposit Insurance Corporation (FDIC) will honor the collateralization agreement if the agreement is valid and enforceable under applicable law.

Virgin Islands Code Section 3304, *Collateral of Depository*, requires depositories to pledge collateral that is satisfactory to the Commissioner of Finance, to secure governmental deposits held with that institution. It is recommended that margin levels should be at least 102%, depending on the liquidity and volatility of the collateral pledged.

Condition - During our review of the Government's collateral of depository reports, we noted that not all cash accounts of the Government and its component units are included in the report to be collateralized. Additionally, for one (1) out of twelve (12) months, the collateral held at Banco Popular de Puerto Rico bank was less than deposit balance.

Cause - The Government does not appear to have adequate policies and procedures to ensure compliance with stated requirements.

Effect or Potential Effect - Failure to meet the required margin levels constitutes non-compliance with regulatory requirements and internal policies, potentially leading to penalties or sanctions. Also, under collateralization of all cash accounts with depositories can cause a violation of the code and potential loss of the Government assets if a financial institution were to fail.

Recommendation - We recommend that the Government implement policies and procedures to ensure all cash accounts for the Government and its component units are in compliance with the stated requirements. Additionally, we recommend the Government implement procedures to regularly monitor and ensure that collateral levels consistently meet or exceed deposit balances at all financial institutions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

B. Landfill Consent Decrees

Criteria - Closure and post-closure directives related to landfills are regulated by various Federal laws, including requirements by the United States Environmental Protection Agency (EPA). As such, the Government is required to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure.

Condition - During our procedures, we noted several instances of noncompliance with EPA decrees concerning the Anguilla and Bovoni landfills. These matters include various health and safety risks, failure to submit required reports, and incomplete installation of the groundwater monitoring system around the perimeter of the Anguilla landfill.

Cause - The Government does not appear to have adequate policies and procedures to comply with EPA decrees concerning the Anguilla and Bovoni landfills.

Effect or Potential Effect - Noncompliance with the consent decree timetables can result in the accrual of penalties at specified rates.

Recommendation - We recommend that the Government allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Establishment of a Medical Malpractice Trust Fund

Criteria - In accordance with subsection (a) of Virgin Islands Code (V.I. Code) Section 27, in lieu of procuring a group insurance policy, the Commissioner of Health is authorized to self-insure health care providers against claims arising from the rendering or failure to render medical care or services, as well as claims for injury or death to patients resulting from the activities of health care providers.

Additionally, the establishment of a Medical Malpractice Risk Management Trust Fund (the Fund) is required to provide coverage against professional medical malpractice liability. This Fund must be managed by a licensed broker or brokerage firm, with the investment plan subject to the approval of the Medical Malpractice Action Review Committee. A maximum of 1% of the proceeds from the Fund may be used by the Territorial Office of Risk Management for administrative purposes, as defined within the V.I. Code. Interest accruing on the Fund must be retained or redeposited into the Fund.

Condition - We noted that the Government has not established a separate trust fund.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Cause - The Government does not appear to have adequate policies and procedures in place to ensure compliance the requirement to establish a Medical Malpractice Trust Fund.

Effect or Potential Effect - The failure to set up a separate trust fund may lead to non-compliance with legal or regulatory requirements, potentially resulting in penalties or sanctions.

Recommendation - We recommend that the Government establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management should develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Compliance with Legislative Appropriation

Criteria - The Legislature of the Virgin Islands passed an Act 8920 (Bill No. 35-0380), which appropriates funds received under settlement agreements related to Estate of Jeffery E. Epstein and a settlement agreement with Leon Black for various projects and initiatives to enhance community services, mental health resources, infrastructure, and economic development in the U.S. Virgin Islands. Act 8920 includes the establishment of the Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund. No amounts in these funds are available for expenditure or disbursement except as authorized or appropriated by Legislature.

In addition, Act 8694 (Bill No.34-0368) requires the establishment of Opioid Abatement Fund and an Opioid Abatement Fund Committee to oversee the use of monies in the fund to mitigate the impacts of the opioid epidemic in the Virgin Islands, including, but not limited to, expending access to opioid use disorder prevention, intervention, treatment, and recovery options. The Opioid Abatement Fund includes all monies, payments, proceeds, attorneys' fees and costs or other things of received by the Government each year through verdict, judgment, compromise, or settlement of any case or controversy relating to the manufacturing, marketing, distribution, promotion, or dispensing of opioids; monies appropriated or transferred to the fund by the Legislature; and gifts, donations, grants, bequests, and other monies received by the Territory on the fund's behalf.

Condition - During fiscal year 2023, the Government received approximately \$97.0 million under settlement agreements related to Estate of Jeffery E. Epstein and \$1.45 million under Opioid Abatement settlements. We noted that the Government has not established:

- The Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund, as required by Act 8920.
- The Opioid Abatement Fund and the Opioid Abatement Fund Committee to oversee the use of monies from the fund, as required by Act 8694.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Cause - The Government does not appear to have adequate policies and procedures in place to ensure compliance with the requirement established under Act 8920 and Act 8694.

Effect or Potential Effect - The failure to comply may lead to non-compliance with legal or regulatory requirements, potentially resulting in penalties or sanctions.

Recommendation - We recommend that the Government establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management should develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish separate Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Finding 2023-017: Not Used

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding 2023-018: Not Used

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section III - Federal Award Findings and Questioned Costs

Finding Number: 2023-019
Prior Year Finding Number: 2022-020
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Agriculture	Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

ALN: 10.551, 10.561

Award #: Various

Award Period: 10/01/21 - 09/30/22

10/01/22 - 09/30/23

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 1,798 payroll disbursements and noted the following:

- 34 instances in which DHS did not consistently apply the funding allocation. The hours that should have been split 50/50 between federal and local were charged 100% to the program.
- 5 instances in which the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 1 instance in which the employee timesheet was not provided for the pay cycle tested.
- 1 instance in which the employee timesheet was not approved by personnel authorized to do so.
- 4 instances in which COVID-19 telework hours were not split 50/50 as required by the employees' funding allocation and charged 100% to the program.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs - Not Determinable.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 were \$3,942,422. The amount sampled is \$168,409. The known amount of inconsistencies noted is \$53,501.

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - DHS does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation - We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-020
Prior Year Finding Number: 2022-021
Compliance Requirement: Matching, Level of Effort, Earmarking

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Agriculture	Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.551, 10.561
Award #: Various
Award Period: 10/01/21 - 09/30/22
10/01/22 - 09/30/23

Criteria - CFR Section 200.303, *Internal Controls*, (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its matching process.

Further, 2 CFR Section 200.306 provides detailed criteria for acceptable matching costs. The basic criteria for acceptable matching costs include costs that are necessary and reasonable for accomplishment of program objectives and are allowed under 2 CFR Part 200, Subpart E (Cost Principles).

Condition - We found that DHS was unable to readily exhibit and provide evidence that it met the matching requirement or monitored compliance with the matching requirement.

Questioned Costs - Not determinable.

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

Effect - DHS is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with matching requirements, there is an increased risk that matching will not be properly applied and funding could be jeopardized.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement. Further, lack of monitoring of the match requirement appears to be the result of significant personnel turnover and lack of staffing.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-021
Prior Year Finding Number: 2022-022
Compliance Requirement: Special Tests and Provisions - EBT Card Security

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

ALN: 10.551, 10.561

Award #: Various

Award Period: 10/01/21 - 09/30/22

10/01/22 - 09/30/23

Criteria - CFR Section 200.303, *Internal Controls*, Section (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its EBT Card Security process.

Per 7 CFR Section 274.8(b)(3), System Security, as an addition to or component of the Security Program required of Automated Data Processing (ADP) Systems, the State or Territory agency shall ensure that a certain electronic benefits transfer (EBT) security requirements are established. As such, DHS is required to maintain adequate security over, and documentation/records for EBT cards, to prevent their theft, embezzlement, loss damage, destruction, unauthorized transfer, negotiation, or use.

Condition - DHS contracted with Fidelity National Information Service (FIS) for the issuance and security of the EBT cards; however, it is DHS' ultimate responsibility to ensure the contractor has controls in place to maintain adequate security over, and documentation/records of EBT cards.

We sampled 8 out of 24 monthly card reconciliations and found 3 reconciliations with differences between new/replacements issued cards status report and the actual new/replacements cards issued. Specifically, we identified differences of 2 new cards and 1 replacement card issued.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs - None.

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The reconciliations sampled reported 451 new cards and 1,659 replacement cards issued.

Effect - Without adequate internal controls to ensure compliance with EBT card security requirements, there is an increased risk that the inventory of EBT cards will not be properly maintained and accounted for which can lead to noncompliance with laws, regulations, and the provision of the grant agreement.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure adequate safeguarding and documentation of EBT cards.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that DHS strengthen formal policies and procedures to maintain adequate security, documentation, and records over EBT Cards to ensure internal controls over EBT cards security are operating effectively.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. A Standard Operating Procedures and Procedures (SOPP) document is being developed to outline the EBT Reconciliation process. Additionally, a Director of Support Services will be hired to oversee and review all reports. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-022
Prior Year Finding Number: 2022-023
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (VIDE)

Child Nutrition Cluster

ALN: 10.555, 10.559, 10.582

Award #: 1VI300308, 4VI300308, 4VI308908

Award Period: 10/01/2021 - 09/30/2022

10/01/2022 - 09/30/2023

10/01/2022 - 09/30/2024

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 20 of 196 payroll disbursements and noted the following:

- 11 instances where the approved timesheet for the pay period selected was not available for review.
- 20 instances where VIDE did not provide support that time and effort is charged in accordance with A-87 requirements.
- 4 instances where the NOPA provided did not include any evidence that the employee was approved to be federally reimbursed for the project code utilized in the payroll register.
- 4 instances where the employee's pay rate in the approved NOPA provided did not agree with the pay rate in the payroll register.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - \$10,789.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was \$196,740. The amount sampled is \$21,572. The known amount of the instances of inconsistent funding allocation is \$10,789.

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation - We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program. To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-023
Prior Year Finding Number: N/A
Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (VIDE)

Child Nutrition Cluster

ALN: 10.555, 10.559, 10.582

Award #: 1VI300308, 4VI300308, 4VI308908

Award Period: 10/01/2021 - 09/30/2022

10/01/2022 - 09/30/2023

10/01/2022 - 09/30/2024

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, a non-federal entity may charge to the Federal award, allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency. Unless the federal awarding agency or pass-through entity authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award (2 CFR section 200.344(b)).

Condition - During our testing of costs incurred throughout the year, we sampled and selected 40 disbursements and found one instance where the disbursement was paid outside the extended liquidation period of the grant award. The expenditure in question was paid 18 days after the approved extended liquidation period ending May 5, 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the period of performance compliance requirement.

Questioned Costs - \$30,733.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total non-payroll expenditures charged to the program in fiscal year 2023 were \$3,524,322. The amount sampled is \$873,942. The known amount of the instances of noncompliance is \$30,733.

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

Cause - VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable liquidation provisions.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for adhering to liquidation provisions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will enforce strict protocols for grant closeout and liquidation. To achieve this, VIDE will establish an internal hard stop deadline for invoice submission, requiring that all invoices for expiring grants be submitted to the Fiscal Office no later than 45 days prior to the federal liquidation deadline to provide a necessary buffer to resolve vendor disputes and process payments before the federal cutoff. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-024
Prior Year Finding Number: 2022-024
Compliance Requirement: Cash Management

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women,
Infants, and Children (WIC)
ALN: 10.557
Award #: Various
Award Period: Various

Criteria - The WIC program is subject to the provisions of the Cash Management Improvement Act (CMIA). (42 USC 1786(h)(8)(J); 7 CFR section 246.15(a)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 60 out of 349 drawdowns and noted the following:

- 60 drawdown requests did not contain evidence of review and approval; and
- 5 drawdowns did not adhere to the CMIA average clearance of zero days for payroll activities. In all instances, funds were drawn 1 day in advance of the related payroll payment.

Questioned Costs - None.

Context - This is a condition identified per review of the DOH's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were \$4,488,679. The amount sampled is \$1,296,470. Total amount of drawdowns with compliance exceptions is \$117,231.

Effect - Without proper review and oversight drawdowns may not be in compliance with the CMIA Agreement and cash management compliance requirements.

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

Recommendation - We recommend that the DOH reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Health (DOH) updated drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to require signatures or initials on all supporting documents, certifying proper review. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-025
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,
Infants, and Children (WIC)

ALN: 10.557

Award #: Various

Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 9 out of 86 procurement transactions, we noted the following:

- 1 procurement that did not have supporting documentation to verify the method of procurement, selection of the contract type and basis for the contract price.
- 2 procurements did not contain evidence that a quotation was obtained prior to selection of the vendor.
- 1 procurement where no supporting documentation was available for review.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was \$314,776. Total amount sampled was \$40,332. The known amount of exceptions is \$29,256.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - DPP could inadvertently contract 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 - DPP 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 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOH will collaborate with DPP to strengthen internal controls and ensure compliance with federal procurement regulations. DOH will also encourage DPP to review records retention policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-026
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 12 out of 30 drawdowns and noted that all 12 drawdown requests did not contain evidence of review and approval.

Questioned Costs - None.

Context - This is a condition identified per review of the DOH's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were \$3,317,520. The amount sampled is \$2,992,269.

Effect - Without proper review and oversight drawdowns may not be in compliance with the cash management compliance requirements.

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

Recommendation - We recommend that the DOH reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted internally or externally. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-027
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Health (DOH)

WIC Grants to States (WGS)

ALN: 10.578

Award #: 1VI700748

Award Period: 07/01/19 - 12/31/23

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Further, non-Federal entity must comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project or obtain waiver.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 5 out of 13 procurement transactions, we noted the following:

- 1 procurement transaction did not contain sufficient supporting documentation to validate adherence to procurement policy.
- 1 procurement transaction did not contain evidence that a quotation and justification letter was obtained prior to selection of the vendor.
- 2 procurements did not include Buy America domestic preference provisions in the agreement or obtained a BABA waiver.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs - None.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was \$3,133,788. Total amount sampled was \$3,100,835. The known amount of exceptions is \$3,096,961.

Effect - DPP could inadvertently contract 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 - DPP 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 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To ensure that the WIC program is included in all processes and receive all documents and correspondence relating to WIC Special Funding as a secondary oversight of the transactions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-028
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - 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.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 4 out of 8 financial and progress reports and noted the following:

- 2 financial reports where there was no evidence of submission and review by the authorized reviewer. Additionally, sufficient supporting documentation was not available to validate accounting basis used in reporting the data and the respective financial information agreed with accounting records.
- 2 progress reports did not contain evidence that the report was reviewed by an authorized reviewer prior to submission.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample.

Effect - The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Health will create an internal control procedure to indicate proper review and approval of the SF-425 excel print out from the electronic USDA FPRS System. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-029
Prior Year Finding Number: 2022-026
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program: U.S. Department of Defense
Government Department/Agency: Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)

Projects

ALN: 12.401

Award #: W9127P-23-2-1001, W9127P-22-2-1001

Award Period: 10/01/2021 - 09/30/2022

10/01/2022 - 09/30/2023

Criteria - CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 60 out of 652 payroll transactions and noted the following:

- 1 instance where health insurance costs continued to be charged to the program after the employee retired, with no related time and effort.
- 1 instance where the employee pay rate did not agree to the pay rate listed on their NOPA form.
- 7 instances where the timesheet for the pay period selected was not provided.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles compliance requirements.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with the specified requirements using a statistically valid sample. The total amount of payroll expenditures charged to the program during fiscal year 2023 were \$1,810,965 and the total amount of our sample was \$188,082. The known amount of the exceptions amounted to \$26,694.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Cause - OTAG does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles stipulations.

Recommendation - We recommend that OTAG improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-030
Prior Year Finding Number: 2022-027
Compliance Requirement: Cash Management and Reporting

Program: U.S. Department of Defense
Government Department/Agency: Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 - 09/30/2022
10/01/2022 - 09/30/2023

Criteria - U.S. Department of the Treasury (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Subpart A of those regulations requires state recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down federal funds (funding techniques) for federal programs listed in the Assistance Listing that meet the funding threshold for a major federal assistance program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred.

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. SF-270, *Request for Advance or Reimbursement Report*, is required to be filed in connection with cash drawdowns.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We were unable to verify the completeness of the SF-270 (cash management and reporting) population. As a result, we were unable to test compliance and internal controls over compliance related to the cash management and reporting compliance requirements.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

Effect - OTAG is not in compliance with the stated provisions. Inaccurate information may have been reported to the Federal government in the absence of required reconciliations and reviews.

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

Recommendation - We recommend that OTAG reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-031
Prior Year Finding Number: 2022-028
Compliance Requirement: Matching, Level of Effort, Earmarking

Program: U.S. Department of Defense
Government Department/Agency: Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 - 09/30/2022
10/01/2022 - 09/30/2023

Criteria - According to the Master Cooperative Agreement Section 303, *Cost Sharing*, cost sharing requirements are found in a grantees individual Cooperative Agreements. The Government has various cost-sharing requirements within their Cooperative Agreements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - OTAG was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement. Therefore, we were unable to determine if the matching requirement has been met or if the expenditures being claimed towards the matching requirement are allowable activities/costs.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the matching compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

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

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

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-032
Prior Year Finding Number: 2022-029
Compliance Requirement: Period of Performance

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)

Projects

ALN: 12.401

Award #: W9127P-23-2-1001, W9127P-22-2-1001

Award Period: 10/01/2021 - 09/30/2022

10/01/2022 - 09/30/2023

Criteria - National Guard Bureau O&M cooperative agreements (CA) are funded with one-year appropriations. By policy, only state costs obligated during the period of the federal fiscal year or period of performance identified in the CA are reimbursable. (National Guard Regulation (NGR) 5-1, chapters 3 and 11).

The recipient shall not request reimbursement for any expenditure it made before the date that all required parties execute the Master Cooperative Agreement (MCA) unless the United States Property & Fiscal Officer (USPFO) expressly authorizes expenditures made during the funding period, but prior to the date of final signature, the parties may also agree on a specific start or effective date (NGR 5-1, Chapter 11).

Within 90 days after the end of the federal fiscal year or upon termination of the CA, whichever is earlier, the recipient shall promptly deliver to the USPFO a final accounting of all funding and disbursements under the agreement for the fiscal year (NGR 5-1, Chapter 11).

If unliquidated claims and undisbursed obligations arising from the recipient's performance of the CA will remain 90 days after the close of the federal fiscal year, the recipient shall provide a detailed listing of uncleared obligations and a projected timetable for their liquidation and disbursement no later than 31 December. The USPFO shall then set an appropriate new timetable for the recipient to submit its final accounting (NGR 5-1, Chapter 11).

Costs incurred in a federal fiscal year, which are not disclosed by the recipient within 90 days of the end of the federal fiscal year, except costs associated with unliquidated claims and undisbursed obligations arising from the recipient's performance of the CA that the recipient has reported, shall not be eligible for reimbursement by NGB. The USPFO may extend the 90-day limit for good cause shown (NGR 5-1, Chapter 11).

Additionally, a non-federal entity may charge to the Federal award, allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 163 out of 1,533 transactions and noted the following:

- 21 instances where transactions were charged to the incorrect grant award.
- 34 instances where the transaction was paid outside the liquidation period.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the period of performance compliance requirements.

Questioned Costs - \$384,389.

Context - This is a condition identified per review of OTAG's compliance with the specified requirements using a statistically valid sample. The total amount expenditures subject to sampling were \$4,170,938 and the total amount of our sample was \$937,482. The known amount of the exceptions amounted to \$384,389.

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

Cause - OTAG did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations.

Recommendation - We recommend that OTAG strengthen its processes with respect to setting up and charging expenditures between various grant awards. We also recommend that OTAG enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-033
Prior Year Finding Number: N/A
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of the Interior

Fish and Wildlife Cluster

ALN: 15.605, 15.611

Award #: Various

Award Period: Various

Government Department/Agency:

Department of Planning and Natural Resources

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 620 payroll disbursements and noted the following:

- 8 instances where the approved timesheet for the pay period selected were not available for review.
- 10 instances where an employees assigned project code documented on the Notice of Personnel Action was not a project code associated with the grant. Additionally, the payroll register reflected a different project code for these transactions.
- 1 instance with a variance between the hours reported on the payroll register and the hours reported on the Detail Check History.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - \$38,914.

Context - This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was \$1,572,926. The amount sampled is \$165,134. The value of transactions with exceptions totaled \$38,914.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - The Government does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation - We recommend that the Government reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. We recognize that these findings highlight areas where improvements are necessary to ensure better compliance with applicable policies and regulations governing payroll and grant management. We are committed to implementing corrective actions and enhancing the internal controls to prevent recurrence. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-034
Prior Year Finding Number: N/A
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural
Resources

Fish and Wildlife Cluster

ALN: 15.605, 15.611

Award #: Various

Award Period: Various

Criteria - Per 2 CFR section 200.313, *Equipment*, 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.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for the Government. DPP was unable to provide an accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2023.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2023 totaled \$259,076.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Asset Management Division (AMD) adheres to Federal equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). In 2022, AMD inventoried four agencies, ensuring compliance with Federal regulations. The completed Standard Operation Policies and Procedures (SOPP) are pending approval, crucial for enhancing internal controls. Training sessions for fixed assets employees are planned, and additional staff will be needed to support the initiative effectively. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-035
Prior Year Finding Number: 2022-030
Compliance Requirement: Cash Management

Program:

U.S. Department of the Interior

Economic, Social, and Political Development of the
Territories

ALN: 15.875

Award #: Various

Award Period: Various

Government Department/Agency:

Department of Planning and Natural
Resources

Virgin Islands Energy Office

Criteria - US Department of the Treasury (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Subpart A of those regulations requires state recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down federal funds (funding techniques) for federal programs listed in the Assistance Listing that meet the funding threshold for a major federal assistance program under the CMIA. The CMIA agreement for this program stipulates a reimbursement method with 7-day clearance.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed 23 out of 109 drawdowns and noted the following:

- No supporting invoices were available for review for 2 drawdowns.
- No supporting documentation was available for review for 1 drawdown.
- Documentation confirming receipt of the funds was not available for review for 2 drawdowns.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2023 drawdown requests were \$8,059,011. Total amount sampled is \$4,705,168. The total amount of the exceptions is \$1,023,933.

Effect - The Government is not in compliance with the stated provisions.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that the Government reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures to ensure compliance with stated provisions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-036
Prior Year Finding Number: 2022-031
Compliance Requirement: Equipment and Real Property Management

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of the Interior	Various

Economic, Social, and Political Development of the
Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria - Per 2 CFR section 200.313, *Equipment*, 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.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The Government's Department of Property and Procurement (DPP) maintains the equipment register for the Government. DPP was unable to provide an accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2023.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2023 totaled \$1,452,046.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-037
Prior Year Finding Number: 2022-032
Compliance Requirement: Procurement and Suspension and Debarment

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development of the
Territories

ALN: 15.875

Award #: Various

Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 15 out of 78 procurement transactions, we were unable to obtain the contract files for 4 procurement transactions to validate adherence to procurement policy. In addition, we noted 5 procurements did not include the following:

- Contract file documents showing the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.
- The procurement provides full and open competition.
- Documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.
- Cost or price analysis in connection with procurement action, including contract modifications and that this analysis supported the procurement action.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Questioned Costs - None.

Context - This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was \$4,159,155. Total amount sampled was \$2,948,589. The known amount of exceptions is \$2,336,143.

Effect - DPP could inadvertently contract 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 - DPP 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 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-038
Prior Year Finding Number: 2022-033
Compliance Requirement: Reporting

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development of the
Territories

ALN: 15.875

Award #: Various

Award Period: Various

Criteria - 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.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 18 out of 164 financial and performance reports and noted the following:

- 6 financial reports and 4 performance reports were not available for review.
- 3 financial reports where sufficient supporting documentation were not available to validate that the respective financial information agreed with the underlying records.
- 2 performance reports did not contain evidence of review or approval before submission.

Additionally, the Government did not submit FFATA reports where subawards were made for more than \$30,000 for fiscal year 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample.

Effect - The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-039
Prior Year Finding Number: N/A
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of the Interior

Economic, Social, and Political Development of the
Territories

ALN: 15.875

Award #: Various

Award Period: Various

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Criteria - A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements - Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk - Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor - Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 2 of 4 subrecipients and found the following:

- No supporting documentation of monitoring the subawards and evaluating the risk of noncompliance for each subrecipient.
- No evidence that pass-through entity verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F.
- No supporting documentation if the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient.

Additionally, there was no evidence of review of performance and special reports, as no supporting documentation was available for review by the pass-through entity for 1 of the 2 subrecipients tested.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 were \$341,920. The total amount of our sample totaled \$131,920.

Effect - Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause - DPNR does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation - We recommend that DPNR implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, subrecipient and compliance monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-040
Prior Year Finding Number: 2022-034
Compliance Requirement: Activities Allowed or Unallowed

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

ALN: 17.225

Award #: Various

Award Period: Various

Criteria - In accordance with the Uniform Guidance in 2 CFR Section Part 200, 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 Uniform Guidance and extend such policies to all sub-recipients. 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 sub-recipients.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - VIDOL was unable to provide reconciled accounting information relating to the majority of the Unemployment Insurance Trust Fund accounts. As such, we are unable to conclude on the fiscal and administrative requirements with respect to expending and accounting for all funds related to the Unemployment Insurance program.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the above referenced compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the 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 does not appear to have adequate policies and procedures in an effort to adequately administer the expending and accounting for all funds.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-041
Prior Year Finding Number: 2022-035
Compliance Requirement: Eligibility

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

ALN: 17.225

Award #: Various

Award Period: Various

Criteria - Public Law 112-96 Sec. 2101 requires that as a condition of eligibility for regular compensation, a claimant must be able to work, available to work, legally authorized to work in the United States and actively seeking work. Claimants must meet other conditions of eligibility for Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC) and Federal Pandemic Unemployment Compensation (FPUC).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 60 out of 4,741 unemployment claim files and noted the following:

- 1 instance where VIDOL was not able to provide evidence that the claimant met the criteria for participating in the UI program but had received benefits during the year. Benefits paid to the individual during 2023 totaled \$6,832.
- 2 instances where VIDOL was not able to provide evidence to confirm benefit payments were discontinued when the eligibility period expired.

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate claims charged to the program.

Questioned Costs - \$6,832.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total amount of unemployment claims charged to the program during fiscal year were \$5,125,575. The total amount sampled is \$81,571. The known amount of the exceptions is \$6,832.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirm that only eligible participants are receiving benefits they are entitled to.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-042
Prior Year Finding Number: 2022-036
Compliance Requirement: Reporting

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

ALN: 17.225

Award #: Various

Award Period: Various

Criteria - 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 the program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 28 out of 103 financial, performance and special reports required to be submitted. We noted the following reports did not have supporting documentation available for review:

- 2 ETA 191, Financial Status of UCFE/UCX reports
- 4 ETA 2112, UI Financial Transaction Summary
- 2 ETA 2208A, Quarterly UI Above-Base Report
- 4 ETA 9050, Time Lapse of All First Payments except Workshare
- 4 ETA 9052, Nonmonetary Determination Time Lapse Detection
- 4 ETA 9055, Appeals Case Aging - Lower and Higher Authority Appeals

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

Questioned Costs - None.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample.

Effect - VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-043
Prior Year Finding Number: 2022-038
Compliance Requirement: Special Tests and Provisions - UI Reemployment Programs (WPRS and RESEA)

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

ALN: 17.225

Award #: Various

Award Period: Various

Criteria - The UI program serves as one of the principal “gateways” to the workforce system. It is often the first workforce program accessed by individuals who need workforce services. The WPRS and RESEA programs service as UI’s primary programs that facilitate the reemployment needs of UI claimants.

RESEA is authorized by Section 306 of the Social Security Act and builds on the success of both WPRS and RESEA’s predecessor, the former UI Reemployment and Eligibility Assessment (REA) program. RESEA uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. RESEA is a voluntary program and under certain circumstances may be designed to also satisfy WPRS requirements. Operating guidance for the RESEA program is updated annually. UIPL 7-19 provides RESEA operating guidance for FY 2019.

Per 2 CFR section 200.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition - During our testing of VIDOL’s compliance with UI Reemployment Programs, we found VIDOL did not submit the 9129 Quarterly RESEA reports.

Further, it appears controls are not designed to ensure the timely and proper submission of required reports.

Questioned Costs - None.

Context - This is a condition identified per review of VIDOL’s compliance with the specified requirements.

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

Cause - VIDOL does not appear to have adequate control over maintenance of the underlying documentation used in preparing various reports.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-044
Prior Year Finding Number: 2022-042
Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment

Program:

U.S. Department of the Treasury

Government Department/Agency:

Office of Management and Budget
(OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Criteria - Recipients may use CSLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (codified as 42 USC 802 and 42 USC 803 respectively), Treasury's Interim Final Rule and Final Rule at 31 CFR sections 35.7 and 35.8.

The following activities are not permitted under CSLFRF:

- Offset a reduction in net tax revenue (applicable to states and territories)
- Deposits into pension funds (applicable to all recipients except Tribes)
- Debt service or replenishing financial reserves (e.g., "rainy day funds") (applicable to all recipients)
- Satisfaction of settlements and judgements (applicable to all recipients)
- Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

Recipients may use payments from CSLFRF to:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In mid-2024, an inquiry was conducted by the United States Department of Justice (“DOJ”) into potential criminal activity associated with three individuals, each of whom were senior GVI officials working in their respective capacities as Director/Commissioner of the U.S. Virgin Islands Office of Management and Budget, Virgin Islands Police Department, and Department of Sports, Parks, and Recreation. As of January 2025, the DOJ filed formal indictments against the these now former USVI officials (collectively the “Indicted Individuals”).

The DOJ alleged that the Indicted Individuals were involved in activities associated with bribery, specifically providing, or attempting to provide, accelerated approval of contracts and payments on invoices to a vendor, Mon Ethos Pro Support, LLC. The court cases are on-going. In 2023, Mon Ethos Pro Support, LLC was paid \$60,387 from Coronavirus State and Local Fiscal Recovery Funds, which are considered questioned costs.

Further, internal controls over compliance do not appear to be operating effectively to ensure compliance with the allowable activities and procurement compliance requirements.

Questioned Costs - \$60,387.

Context - This is a condition identified per review of current events and specific transactions related to the vendor identified in the DOJ indictment.

Effect - Fraudulent transactions associated with a Federal program can lead to an assessment of penalties, claw back of federal funds and termination of awards. Further, an ineffective control system related to procuring of vendors and submission of allowable costs that could ultimately lead to disallowed costs for the major programs.

Cause - OMB does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and procurement standards. Specifically, there appears to be a lack of monitoring controls and an appropriate level of review and approval of transactions prior to charging costs to a federal program.

Recommendation - We recommend that OMB evaluate its policies and procedures to ensure appropriate internal controls in order to comply with federal regulations relating to the procurement of goods and services and review current records retention policies.

Views of Responsible Officials - The Government concurs with the auditor’s findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The planned corrective actions are presented in the Government’s Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-045
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:

U.S. Department of the Treasury

Government Department/Agency:

Office of Management and Budget
(OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Criteria - Recipients may use payments from SLFRF to replace lost public sector revenue to provide government services. Recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

Under the Final Rule, recipients can elect a one-time “standard allowance” of \$10.0 million (not to exceed the recipient’s award amount) to spend on the “provision of government services” during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the “provision of government services.”

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The Government opted to calculate the lost revenue for the years 2020, 2021, 2022, and 2023 using the formula provided in the Final Rule. We reviewed the revenue loss calculation and noted that there was no evidence of review of the calculation.

Questioned Costs - None.

Context - This is a condition identified per review of OMB’s compliance with the specified requirements.

Effect - Without adequate internal controls to ensure compliance with earmarking requirements, there is an increased risk that earmarking requirements will not be properly applied, and funding could be jeopardized.

Cause - OMB does not appear to have adequate policies and procedures to ensure consistent review and monitoring of the requirements.

Recommendation - We recommend that OMB improve internal controls to ensure adherence to federal regulations to the earmarking requirements by deploying resources that are given responsibility to ensure periodic monitoring and review of the earmarking requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Moving forward, OMB will enhance its internal controls to ensure all procedural documentation is thoroughly reviewed and approved, with clear evidence of such approval. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-046
Prior Year Finding Number: 2022-043
Compliance Requirement: Procurement and Suspension and Debarment

Program:

U.S. Department of the Treasury

Government Department/Agency:

Office of Management and Budget
(OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Criteria - Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in sections 602I and 603I of the Act and Treasury's Interim Final Rule and Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. Specifically, a state must follow the same policies and procedures it uses for procurements from its non-federal funds and comply with 2 CFR sections 200.321, 200.322, and 200.323. States must also ensure that every contract includes the applicable contract clauses required by 2 CFR section 200.327.

Per Procurement Manual, User Agencies are required to submit a written justification letter to DPP, which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source, and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement. As such, please provide the justification letter for these three Task Order Contracts.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 10 out of 99 procurement transactions, we noted 5 transactions where documentation demonstrating compliance with the VI Procurement Laws were not available for review.

Further, internal controls over compliance do not appear to be designed to ensure relevant procurement documentation is retained to demonstrate compliance with the procurement compliance requirements.

Questioned Costs - None.

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Context - This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. Total amount of the procurement transactions was \$32,835,869. The total amount of the samples was \$5,210,713. The known amount of the exceptions is \$4,507,396.

Effect - OMB could inadvertently contract 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 - OMB 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 OMB 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures. Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition. User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-047
Prior Year Finding Number: 2022-044
Compliance Requirement: Reporting

Program:

U.S. Department of the Treasury

Government Department/Agency:

Office of Management and Budget
(OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Criteria - There are two types of reporting requirements for the CSLFRF program:

Project and Expenditure Report: Report on financial data, projects funded, expenditures, and contracts and subawards over \$50,000, and other information. Project and Expenditure Reports are due on a regular, recurring basis after the Interim Reports. The reporting frequency and deadlines vary by type of recipient and total allocation amount.

Recovery Plan Performance Report: The Recovery Plan Performance Report (the "Recovery Plan") will provide information on the projects that large recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to Treasury.

In addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - Of the 5 reports submitted during the fiscal year, we selected the following reports to review:

- Projects and Expenditures Report - Quarter Ended December 31, 2022
- Projects and Expenditures Report - Quarter Ended March 31, 2024
- Recovery Plan Performance Report - Year ended June 30, 2023

We found all reports did not contain evidence of review and approval prior to submission. Further, we noted all reports contained inaccurate data.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - OMB is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-048
Prior Year Finding Number: 2022-045
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of Treasury

Government Department/Agency:

Office of Management and Budget
(OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Criteria - A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements - Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk - Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor - Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 10 of 21 subrecipients and found no evidence the subrecipient monitoring workbook was reviewed by the American Rescue Plan Act (ARPA) Grants Administrator.

Questioned Costs - None.

Context - This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 were \$104,779,873. The total amount of our sample totaled \$89,247,731.

Effect - Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause - OMB does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation - We recommend that OMB implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-049
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (VIDE)

Special Education Cluster

ALN: 84.027A, 84.027X

Award #: Various

Award Period: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Furthermore, CFR 200.113 requires that an applicant, recipient, or subrecipient of a Federal award must promptly disclose, in writing, whenever it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code, or a violation of the civil False Claims Act, in connection with the Federal award (including any activities or subawards thereunder). The disclosure must be made to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable).

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 40 of 2,573 payroll disbursements and noted 2 instances where the employee's pay rate in the approved Notice of Personnel Action provided did not agree with the pay rate in the payroll register.

Additionally, a fraud incident related to falsified payroll timesheet entries charged to this program was discovered and investigated during the year. It was discovered that bus driver timesheets were being approved with falsified time entries. An analysis conducted by VIDE determined the amount of theft to be \$5,221. This incident was not disclosed or reported to the Federal awarding agency as required.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Questioned Costs - \$5,221.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was \$5,744,863. The amount sampled is \$102,945.

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review was completed prior to charging costs to a federal program.

Recommendation - We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll transactions. Additionally, fraud incident should be reported to the appropriate federal awarding agency in accordance with mandatory disclosure requirements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is taking immediate action to align payroll controls with our established fiscal improvement plan and to institutionalize a mandatory federal reporting protocol for fraud. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-050
Prior Year Finding Number: 2022-046
Compliance Requirement: Equipment and Real Property Management

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027A, 84.027X
Award #: Various
Award Period: Various

Criteria - Per the Uniform Guidance in 2 CFR Section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of the 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 date including the date of disposal and sale price of the property.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs - None.

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

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

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation - We recommend that VIDE 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 personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. We recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions. VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-051
Prior Year Finding Number: 2022-047
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027A, 84.027X
Award #: Various
Award Period: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, Internal Controls, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Further, in accordance with the Uniform Guidance in 2 CFR Section 200.306, a State may not reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement.

Additionally, an LEA can use not more than 15% of the amount of federal Part B funds the LEA receives for any fiscal year (less any amount by which it reduces its expenditures under 20 USC 1413(a)(2)(C)) (see III.G.2.1.b.(6) in this section), in combination with other funds, to develop and implement, early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f); 34 CFR section 300.226).

Condition - We reviewed the level of effort calculations and noted the following:

- At the Local Education Agency (LEA) level, we noted that although the two LEAs appeared to meet the required financial support thresholds on the per child basis based on the level of effort compliance requirement, we were unable to verify the number of students for each LEA.
- At the State Education Agency (SEA) level, we were unable to review documentation that included the approval /certification of the amounts in the Maintenance of Financial support at the State Education level. In addition, although the calculation shows that VIDE met the Maintenance of Effort at the State level, we were unable to review documentation that would allow us to verify the number of students served in the current year.

We reviewed the earmarking documentation and noted the following:

- At the State Education Agency (SEA) level, for the non-ARP grant, we were unable to verify the total numbers of students and the number of students in poverty. We were therefore unable to confirm that the allocation of the remaining funds to the LEA agreed with the relative numbers of children living in poverty.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the level of effort and earmarking compliance requirement.

Questioned Costs - Not determinable.

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

Effect - VIDE is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with level of effort requirements and earmarking, there is an increased risk that level of effort and earmarking requirements will not be properly applied, and funding could be jeopardized.

Cause - VIDE did not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of the requirements.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the level of effort and earmarking requirements at the SEA and LEA levels by deploying resources that are given the responsibility to ensure periodic monitoring and compliance of the level of effort and earmarking requirements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number 2023-052
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program: U.S. Department of Education
Government Department/Agency: Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 40 of 4,518 payroll disbursements and noted the following:

- 18 instances where the approved timesheet for the pay period selected were not available for review.
- 2 instances where the per diem support were not readily identifiable.
- 1 instance where the employee's pay rate in the approved NOPA provided did not agree with the pay rate in the payroll register.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was \$7,738,716. The amount sampled is \$95,985.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation - We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is taking immediate action to align payroll controls with the established fiscal improvement plan. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number 2023-053
Prior Year Finding Number: 2022-049
Compliance Requirement: Equipment and Real Property Management

Program: U.S. Department of Education
Government Department/Agency: Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria - Per the Uniform Guidance in 2 CFR Section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of the 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 date including the date of disposal and sale price of the property.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs - Not determinable.

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

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

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation - We recommend that VIDE 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 personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number 2023-054
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 40 out of 354 procurement transactions, we noted 2 transactions in which the approved Short Form Contract required for service-related procurement were not available for review.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs - None.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was \$6,434,229. Total amount sampled was \$1,428,065. The known amount of exceptions is \$95,120.

Effect - VIDE could inadvertently contract 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 - VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the procurement of services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE recognizes that the unavailability of approved Short Form Contracts during the audit indicates a gap in record retention and file maintenance. To address this, the Business Office will not process any payment voucher for service-related procurements unless the approved Short Form Contract is attached to the ERP transaction as a mandatory supporting document. To ensure records are maintained and readily available for future reviews, the Procurement Division will digitize all executed Short Form Contracts and upload them to the department's centralized SharePoint repository immediately upon execution. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number 2023-055
Prior Year Finding Number: 2022-050
Compliance Requirement: Reporting

Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (VIDE)

Consolidated Grant to the Outlying Areas

ALN: 84.403A

Award #: Various

Award Period: Various

Criteria - 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.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities, receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - VIDE failed to submit subaward data to fulfill the Transparency Act reporting requirements for the first tier subawards of \$30,000 or more.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs - None.

Context - This is a condition per review of VIDE's compliance with reporting requirements. In fiscal year 2023, VIDE passed through approximately \$842,000 to 9 subrecipients.

Effect - VIDE is not in compliance with reporting requirements as it failed to provide evidence of identifying and reporting Transparency Act reporting requirements.

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

Recommendation - We recommend that VIDE should implement policies, procedures and controls that will comply with all required laws, guidelines, and requirement under the award.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-056
Prior Year Finding Number: 2022-052
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Education	Department of Education (VIDE)

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)

ALN: 84.425A

Award #: S425A200004, S425A210004

Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)

ALN: 84.425X

Award #: S425X210004

Award Period: 04/08/2021 - 09/30/2024

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records;
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - For ALN 84.425 subprogram A and X, we sampled and selected 60 of 6,465 payroll expenditures and noted the following:

- 29 instances where the timesheet for the pay period selected were not available for review.
- 1 instance where the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 1 instance where the check detail payment support was not available for review.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the activities allowed or unallowed and allowable costs/cost principles compliance requirements.

Questioned Costs - \$74,108.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to program in fiscal year 2022 is \$9,237,083. Total amount sampled is \$116,136. The known amount of the exceptions is \$74,108.

Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work on multiple activities or cost objectives, a distribution of salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of VIDE in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-057
Prior Year Finding Number: 2022-053
Compliance Requirement: Reporting

Program:

U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)

ALN: 84.425A

Award #: S425A200004, S425A210004

Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)

ALN: 84.425H

Award #: S425H200003, S425H210003

Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)

ALN: 84.425X

Award #: S425X210004

Award Period: 04/08/2021 - 09/30/2024

Government Department/Agency:

Department of Education (VIDE)
Office of Management and Budget
(OMB)

Criteria - 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.

Specifically for this program, the CARES Act 15011(b)(2) requires institution receiving funds under ESF II-Governor and ESF II-SEA to submit the required quarterly reports to the Secretary at such time and manner and containing such information as the Secretary may require.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Furthermore, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Condition - We reviewed OMB and VIDE's compliance with the reporting requirements and noted the following:

- OMB was unable to provide evidence of submission of the annual performance review report, quarterly progress update reports, and FFATA reports for ALN 84.425, subprogram H.
- Amounts included in the annual performance review report for ALN 84.425, subprograms A and X, did not agree to supporting documents provided.
- The annual performance review report for ALN 84.425, subprograms A and X, did not contain evidence that the report was reviewed and approved prior to submission.

Further, it does not appear that the controls in place are operating at a level of precision to ensure the timely filing of reports.

Questioned Costs - None.

Context - This is a condition identified per review of OMB and VIDE's compliance with the specified requirements using a statistically valid sample.

Effect - Failure to properly track all reporting requirements, including the due dates of those reports, could result in missed or late reporting. This could also lead to a reduction in funding due to noncompliance with the terms of the Federal award.

Cause - The internal controls established for submission of reporting requirements did not fully operate as designed causing late submission and not in compliance with reporting requirements under the Transparency Act related to the program's subrecipients.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-058
Prior Year Finding Number: N/A
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of Education

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

Government Department/Agency:

Department of Education (VIDE)
Office of Management and Budget
(OMB)

Criteria A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements - Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk - Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor - Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 10 out of 27 subrecipients and noted that, all 10 samples where VIDE and OMB failed to provide the evidence of monitoring and reviewing sub-grantee to ensure effective management of sub-awards.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements or proper identification of subrecipients.

Questioned Costs - None.

Context - This is a condition identified per review of VIDE and OMB's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 was \$4,220,685. The total amount of our sample totaled \$3,051,101.

Effect - VIDE and OMB are not in compliance with the stated provisions. Failure to properly identify and monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause - VIDE and OMB do not have internal controls in place to properly identify and monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation - We recommend that VIDE and OMB implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. During the period under review, gaps in documentation and monitoring were impacted by staff turnover, leadership transitions, and programmatic shifts, which limited the consistency and precision of subrecipient oversight across programs. In response, Office of Federal Grants (OFG) has taken steps to reinforce its role as the pass-through entity and to formalize monitoring expectations and processes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-059
Prior Year Finding Number: 2022-054
Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (VIDE)

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)

ALN: 84.425A

Award #: S425A200004, S425A210004

Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governors I and II)

ALN: 84.425H

Award #: S425H200003, S425H210003

Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)

ALN: 84.425X

Award #: S425X210004

Award Period: 04/08/2021 - 09/30/2024

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per Compliance Supplement, the State or Territory or agency receiving financial assistance under ESF-SEA I and ESF-Governor I, must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency, consortium, or entity makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency, consortium, or entity must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served. For the programs under ESF-SEA, ESF II-SEA, ESF-Governor, ESF II- Governor will ensure equitable services will be provided to students and teachers in non-public elementary and secondary schools in the same manner provided under section 8501 of the Elementary and Secondary Education Act (ESEA).

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Condition - We sampled and selected 9 out of 27 non-public schools for VIDE and noted following:

- VIDE was not able to provide documentation that they reviewed the planned services and communication.
- Computation by VIDE of the amount allocated to nonpublic schools did not contain evidence of review and approval.
- VIDE did not provide the Affirmation of Consultation/Intent to Participate for 9 out of 27 nonpublic schools consulted.
- VIDE did not provide documentation to support that the educational services that were planned were provided.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the special tests and provisions requirements.

Questioned Costs - None.

Context - This is a condition identified per review of OMB and VIDE's compliance with the specified requirements using a statistically valid sample.

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

Cause - OMB and VIDE do not appear to have an effective system in place to ensure consistent and systematic review of documentation and file maintenance.

Recommendation - We recommend that OMB and VIDE implement policies, procedures, and controls that will ensure equitable services are provided to eligible private school children and their teachers and other educational personnel. OMB and VIDE should also review its record retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-060
Prior Year Finding Number: 2022-055
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (VIDE)

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)

ALN: 84.425A

Award #: S425A200004, S425A210004

Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - American Rescue Plan - Outlying Areas

State Educational Agency (ARP-OA SEA)

ALN: 84.425X

Award #: S425X210004

Award Period: 04/08/2021 - 09/30/2024

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the Department of Labor regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition - We reviewed VIDE's compliance with the wage rate requirements and noted the following:

- VIDE did not implement a formal process for the wage rate requirements compliance for fiscal year 2023.
- We randomly selected 3 contracts for classroom and office repair services and determined it did not indicate a provision that the contractor complies with wage rate requirements.
- VIDE did not provide the certified payrolls required to be submitted by the contractor.

Further, it does not appear that there are controls in place to ensure compliance with the special tests and provisions compliance requirements.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements not using a statistically valid sample.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - VIDE is not in compliance with the stated provisions. There is potential that contractor or subcontractors could have paid their employees less than the prevailing wage rates established by the Department of Labor.

Cause - VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Recommendation - We recommend the VIDE implement policies, procedures, and controls that will ensure adherence to Federal regulations related to wage rate requirements, and to ensure that responsible project management personnel obtain and review the required certified payroll reports for each week in which contract work is performed.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance. Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-061
Not used.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-062

Prior Year Finding Number: N/A

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster

ALN: 93.356, 93.600

Award #: Various

Award Period: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 42 out of 520 non-payroll transactions, we noted 1 instance in which the expenditure was not approved by the personnel authorized to do so.

Questioned Costs - None.

Context - This is a condition identified per review of the DHS' compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program were \$6,751,631. Total amount sampled is \$4,475,308. The known amount of the exceptions is \$441,706.

Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure internal controls are consistently and diligently applied.

Recommendation - We recommend that DHS improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. A workflow is established to ensure the proper review and processing of Accounts Payables payments. This includes a level of approval by the Chief Financial Officer. Any transactions \$50,000 and above require approval by the Agency Head or their Designee. The workflow is then automatically released to the Department of Finance for review, approval and check processing. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-063

Prior Year Finding Number: N/A

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster

ALN: 93.356, 93.600

Award #: Various

Award Period: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition - During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 2,941 payroll disbursements and noted 1 instance where fringe benefits were incorrectly charged to the program.

We found the employer share of fringe benefits charged to the program with no associated time and effort by the employee. The employee retired and the fringe benefit continued to be charged to the program subsequent to retirement.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs - \$4,688.

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 were \$7,037,992. The amount sampled is \$150,246. The known amount of instances of noncompliance is \$4,688, which represents the fringe benefits charged to the program for the entire fiscal year with no associated time and effort by the employee.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - DHS does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation - We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has incorporated into its internal controls a step to ensure that the accounts, in retrospect, are reconciled to the actual Flex earning report. DHS intends on meeting with the Department of Finance to identify the nuances that create postings to occur contrary to the Flex Earning Report account coding. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-064
Prior Year Finding Number: 2022-058
Compliance Requirement: Equipment and Real Property Management

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Health and Human Services	Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria - Real property, equipment, and intangible property, that are acquired or improved with a federal award must be held in trust by the nonfederal entity as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The HHS awarding agency may require the nonfederal entity to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a federal award and that use and disposition conditions apply to the property (45 CFR section 75.323 and 45 CFR section 1303 - Subpart E).

Real property acquired or improved under a federal award must be used for the authorized purpose so long as it is needed for that purpose, during which time the HSA may not dispose of, replace or encumber the property without prior ACF approval (45 CFR section 75.318; 45 CFR section 75.308(c)(1)(xi)).

Equipment acquired under a federal award must be used for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project. A HSA may not dispose of, replace, or encumber title to equipment without prior ACF approval (45 CFR section 75.319; 45 CFR section 75.308(c)(1)(xi)).

Property records must be maintained for equipment acquired under a federal award that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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 stated requirements. Further, no physical inventory of equipment was taken in the previous two years.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-065
Prior Year Finding Number: 2022-059
Compliance Requirement: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria - 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.

More specifically for the program, in accordance with the compliance supplement, the states and territories are required to submit to the Federal administering agency, the Administration for Children and Families (ACF), the SF-429 *Real Property Status Report* and SF-429 *A General Reporting* on an annual basis 90 days after the end of the reporting period and the SF-428, SF-428 B, and if needed, SF-428 *S Tangible Personal Property Report* at closeout 90 days after the grant closes.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 4 out of 14 special reports required to be submitted during the fiscal year and noted program personnel did not ensure 4 SF-429 reports were prepared and submitted to the federal grantor agency as prescribed.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Context - This is a condition identified per review of DHS' compliance with the specified requirements not using a statistically valid sample.

Effect - DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Cause - It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Recommendation - We recommend that DHS strengthen its process with respect to ensuring proper retention, monitoring, and review of the required reports by an appropriate official.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-066
Prior Year Finding Number: 2022-060
Compliance Requirement: Special Test and Provision - Protection of Federal Interest in Real Property and Facilities

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria - Head Start uses specific terms related to real property and facilities, which are defined at 45 CFR section 1305.2, including construction, facility, federal interest, major renovation, and modular unit.

Facilities activities (purchase, construction, major renovation, subordination of a federal interest, refinancing, and disposition) are initiated through the submission of Form SF429 (cover sheet) and applicable attachments B (Request to Acquire, Improve or Furnish) or C (Disposition or Encumbrance Request).

With written prior approval from ACF, a HSA may use Head Start funds to purchase, construct, or renovate (major) a facility, including using Head Start funds to pay ongoing purchase costs which include principal and interest on approved loans (45 CFR sections 1303.40 through 1303.44).

A HSA that uses Head Start funds to purchase real property or purchase, construct, or renovate (major) a facility appurtenant to real property (either owned or leased) must record a Notice of Federal Interest (also referred to as "reversionary interest") (45 CFR sections 1303.46). The Notice of Federal Interest must include the required language content from 45 CFR section 1303.47(a) and be properly recorded in the official real property records for the jurisdiction where the facility is or will be located. A similar Notice of Federal Interest is required for leased facilities on land the HSA does not own (45 CFR section 1303.47(b)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - Based on audit procedures performed, we identified 5 of 8 facilities with major repairs that did not have evidence of the required Notice of Federal Interest.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - There is a risk that lack of compliance with the stated requirements can result in significant fiscal issues that may put the Head Start program they administer at risk along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with protection of Federal interest in real property and facilities.

Recommendation - We recommend that DHS strengthen and improve internal controls to ensure adherence to Federal regulations related to protection of Federal interest in real property and facilities. This includes incorporating the necessary internal controls to ensure the Notice of Federal Interest is obtained when required.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-067
Prior Year Finding Number: 2022-061
Compliance Requirement: Special Tests and Provisions - Program Governance

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria - A Head Start Agency (HAS) must share accurate and regular financial information with the governing body and the policy council, including monthly financial statements, including credit card expenditures and the financial audit (42 USC 9837(d)(2)(A) and (E)).

Head Start governing body has a legal and fiscal responsibility for the HSA. The governing body's responsibilities include approving financial management, accounting, and reporting policies, and compliance with laws and regulations related to financial statements, including the:

- approval of all major financial expenditures of the agency;
- annual approval of the operating budget of the agency;
- selection (except when a financial auditor is assigned by the state under state law or is assigned under local law) of independent financial auditors; and
- monitoring of the agency's actions to correct any audit findings and of other action necessary to comply with applicable laws (including regulations) governing financial statement and accounting practices (42 USC 9837(c)(1)(E)(iv)(VII)(aa) through (dd)).

The auditee has provided training and technical assistance to the governing body and policy council to support understanding of financial information provided to them and support effective oversight of the Head Start award (42 USC 9837(d)(3)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - When evaluating DHS' compliance with the above-mentioned compliance requirements, we found the following:

- DHS was unable to validate that they provided training and technical assistance to the governance board during the fiscal period under review.
- Financial information is not shared with the governing board monthly. We observed financial information being shared quarterly.
- We found no discussion by the governing board relating to monitoring of DHS' actions to correct audit findings.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Questioned Costs - None.

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

Effect - There is a risk that lack of compliance with the stated requirements can result in significant fiscal issues that may put the Head Start program they administer at risk along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with program governance.

Recommendation - We recommend that DHS strengthen and improve internal controls to ensure adherence to Federal regulations related to program governance training and technical assistance to governing body and policy council. There should be regular training that will enable the governing body to perform its legal, fiscal, and oversight responsibilities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular trainings are now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-068
Prior Year Finding Number: 2022-064
Compliance Requirement: Eligibility

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria - DHS must have in place procedures for documenting and verifying eligibility in accordance with the Federal requirements, as well as the specific eligibility requirements selected by the Territory in its approved Plan.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - The CCDF program appears to have policies and procedures in place for eligibility determinations and childcare provider voucher preparation and distribution. However, DHS was unable to provide a complete listing of childcare provider voucher distributions that includes relevant information to test eligibility of recipients. As a result, it appears DHS did not perform a reconciliation of the benefits paid to eligible participants and the expenditures recorded in the general ledger.

Further, internal controls were not operating at a level of precision to ensure compliance with the eligibility compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS's compliance with the specified requirements and general compliance principles. Approximately \$1.0 million was expended for child care vouchers.

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

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

Recommendation - We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-069
Prior Year Finding Number: 2022-065
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

CCDF Cluster

ALN: 93.575, 93.489

Award #: Various

Award Period: Various

Criteria - The annual appropriations law for CCDF Discretionary Funds (Assistance Listing 93.575), the CARES Act (Pub. L. No. 116-136), and the CRRSA Act (Pub. L. No. 116-260) all specify that funds shall be used to supplement, not supplant State general revenue funds for child care assistance for low-income families. Funds appropriated by the ARP Act (Pub. L. No. 117-2) shall be used to supplement and not supplant other federal, state, and local public funds expended to provide child care services for eligible individuals.

In accordance with the Compliance Supplement, the State or Territory:

- May not spend on administrative costs more than five percent of total CCDF awards expended (i.e., the total of Assistance Listings 93.575, 93.596, and 93.489 with the exception of any ARP Act stabilization funds and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (42 USC 9858c(c)(3)(C); Pub. L. no. 116-20; CFR section 98.52).
- Quality Earmark - For FY 2020 and succeeding fiscal years, states and territory Lead Agencies must spend on quality activities, as provided in the state/territorial plan, not less than nine percent of CCDF funds expended (i.e. the total of Assistance Listing 93.575, 93.596, and 93.489 with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (45 CFR section 98.53). States and territory Lead Agencies must spend at least an additional three percent on quality improvement for infants and toddlers (45 CFR section 98.50(b)).
- Direct Spending Earmarks - (1) From the aggregate amount of Discretionary funds (Assistance Listing 93.575) and Disaster Relief funds (Assistance Listing 93.489) provided for a year (with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds used for construction or major renovation), state Lead Agencies, territory Lead Agencies, as well as those tribal Lead Agencies with allocations of at least \$250,000 must reserve funds for administrative costs (described above) and the minimum amount required for quality activities (described above). (2) From the remainder, the Lead Agency must use not less than 70 percent to fund direct services. In addition, states and territories must spend not less than 70 percent of the Mandatory and federal and state share of Matching funds (Assistance Listing 93.596) to provide child care assistance to families who: (a) receive Temporary Assistance for Needy Families (TANF); (b) are attempting through work activities to transition of TANF; and (c) are at risk of becoming dependent on TANF (45 CFR section 98.50(e) and (f)).

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Direct spending requirements do not apply to supplemental funds provided by the CARES Act (Pub. L. No. 116-136), the CRRSA Act (Pub. L. No. 116-260) and the ARP Act (Pub. L. No. 11702).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We discussed with management the process to ensure compliance with the level of effort requirement noting they do not appear to have adequate policies and procedures to monitor and ensure compliance with level of effort requirements.

In addition, for one project that ended during the fiscal year, management was unable to provide a final ACF-696 Financial Reporting Form for State and Territory Child Care and Development Fund (CCDF) Lead Agencies that reconciled to accounting records. As such we are unable to determine if the Administrative, Quality and Direct Spending earmarks for this project have been met.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

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

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic monitoring of the requirements.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS acknowledges the need to strengthen policies, procedures, and monitoring controls to ensure consistent compliance with the Child Care and Development Fund (CCDF) matching, level of effort, and earmarking requirements, as well as to ensure that final financial reporting fully reconciles to accounting records. DHS also emphasizes maintaining internal controls to support timely, accurate federal reporting. While the Child Care program does not require local matching funds, DHS will include the GVI-approved spending plan (in addition to ERP budget journals) with audit submissions so auditors can readily confirm any applicable matching requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-070
Prior Year Finding Number: 2022-067
Compliance Requirement: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

CCDF Cluster

ALN: 93.575, 93.489

Award #: Various

Award Period: Various

Criteria - Pursuant to CCDF regulations at 45 CFR 98.65(g), and as part of the terms and conditions of the grant award, States and Territories are required to complete and submit a quarterly financial status report (ACF-696). The form must be submitted quarterly (reports are due 30 days after the end of the quarter). States must submit quarterly reports for each federal fiscal year until all funds are expended or when the liquidation period expires. Since CCDF funds are awarded each federal fiscal year, a Lead Agency might submit multiple separate quarterly ACF-696 forms for multiple overlapping grant award years simultaneously.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 9 reports of 31 reports expected to be filed during the fiscal year. During our testing, we found the following:

- 8 financial reports had not been submitted in a timely manner, ranging from 95 to 399 days late.
- 1 financial report that did not appear to be submitted as required.
- 8 financial reports where we could not determine if the amounts reported were complete and accurate.

Further, internal controls were not operating at a level of precision to ensure compliance with the reporting compliance requirement.

Questioned Costs - None.

Context - This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample.

Effect - DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-071
Prior Year Finding Number: 2022-068
Compliance Requirement: Special Tests and Provisions - Health and Safety Requirements

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Health and Human Services	Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria - As part of their CCDF plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to health and safety. These requirements must address 11 specific areas—including first aid and CPR, safe sleeping practices, and administration of medication—and child care workers must be trained in these areas (42 USC 9858c(c)(2)(I); 45 CFR section 98.41).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled and selected 9 of 66 child care providers and noted no evidence of monitoring of the child care service providers for applicable minimum health and safety requirements.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. The total amount of child care expenditures charged to the program were \$1,020,396. Total amount sampled is \$315,509.

Effect - DHS is not in compliance with the stated provisions. 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 consistent and systematic monitoring of requirements.

Recommendation - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the health and safety requirements are documented throughout the fiscal year.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-072
Prior Year Finding Number: 2022-069
Compliance Requirement: Special Tests and Provisions - Fraud Detection and Repayment

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Health and Human Services	Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria - Lead Agencies shall recover childcare payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud (45 CFR section 98.60). The Lead Agency must correctly identify and report fraud and take steps to recover payment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - While DHS has a procedure for identifying and recovering payments resulting from fraud, via its internal audit process, it was unable to evidence that such audit(s) had been conducted during the fiscal year.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

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

Effect - There may be prolonged, ongoing cases of unnecessary utilization and fraud that may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Recommendation - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance with fraud detection and repayment requirements throughout the fiscal year. 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, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-073
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria - To be qualified to receive ARP Act stabilization funds, a provider on the date of application for the award must either be: (1) open and available to provide child care services, or (2) closed due to public health, financial hardship, or other reasons relating to the COVID-19 public health emergency. In addition, the provider must either (1) be eligible to serve children who receive CCDF subsidies at the time of application for stabilization funds, or (2) be licensed, regulated, or registered in the state, territory, or tribe as of March 11, 2021 and meet applicable state and local health and safety requirements at the time of application for stabilization funds. In their application for stabilization funds, a child care provider must certify:

- a. That the provider will, when open and providing services, implement policies in line with guidance and orders from corresponding state, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the CDC.
- b. For each employee, the provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.
- c. The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected a sample of 10 of 45 child care providers that received ARP Act stabilization funds. During our testing, we were not provided evidence to substantiate that the child care providers selected for testing were eligible to receive ARP Act stabilization funds.

Further, internal controls were not operating effectively to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. The total amount of ARP Act stabilization expenditures charged to the program were \$14,833,930. Total amount sampled is \$4,572,894.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Effect - DHS is not in compliance with the stated provisions. 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 consistent and systematic monitoring of requirements.

Recommendation - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the ARP Act stabilization provider eligibility requirements throughout the fiscal year.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-074
Prior Year Finding Number: 2022-071
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Social Services Block Grant

ALN: 93.667

Award #: Various

Award Period: Various

Criteria - CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 60 of 1,380 payroll transactions and noted the following:

- 2 instances in which the project code on an employee's Notice of Personnel Action (NOPA), which is used to record time and effort to the appropriate grant, was expired and had not been updated. During the fiscal year, program personnel did make adjustments to ensure the employee's time and effort was recorded to the correct grant.
- 1 instance in which the hours noted per the employee's timesheet did not agree to the hours in the payroll register.

We also sampled 60 of 251 non-payroll transactions and noted the following:

- 18 expenditures that do not seem to conform to DHS requirements for disbursing program funds.
- 6 instances where the approved requisition was not available for review.
- 1 instance where the invoice date is prior to the date of the Purchase Order.
- 1 instance where no supporting documentation was available for review other than the approved requisition.

Questioned Costs - Not determinable.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of compliance with the specified requirements using a statistically valid sample.

Total amount of payroll expenditures charged to the program in fiscal year 2023 were \$3,343,590. Total amount sampled is \$180,273. The known amount of the exceptions is \$408.

Total amount of non-payroll expenditures charged to the program in fiscal year 2023 were \$2,551,775. Total amount sampled is \$1,004,88. The known amount of the exception is \$388,742.

Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation - We recommend that DHS improve internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll and non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-075
Prior Year Finding Number: 2022-072
Compliance Requirement: Period of Performance

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Social Services Block Grant

ALN: 93.667

Award #: Various

Award Period: Various

Criteria - A Non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Additionally, the Uniform Guidance in 2 CFR Section 200.344(b), states that unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 10 out of 91 expenditures recorded during the grant's liquidation period. We found 6 expenditures that were charged to the grant during the liquidation period and incurred outside the period of availability. Such expenditures totaled \$7,081.

Additionally, internal controls do not appear to be operating at a level of precision to ensure grant expenditures are charged to the correct grant and within the allowable period of performance.

Questioned Costs - \$7,081.

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of expenditures subject to sampling were \$56,385. Total amount sampled is \$12,211.

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that DHS strengthen its process with respect to charging expenditures between various grant awards. We also recommend that DHS enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-076
Prior Year Finding Number: 2022-073
Compliance Requirement: Reporting

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria - 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.

More specifically for the program, in accordance with the compliance Supplement, the states and territories are required to submit to the Federal administering agency, the Office of Community Services (OCS), SF-425 'Federal Financial Report' and an annual 'Post Expenditure Report' (42 USC 1397e) no later than six months following the close of the fiscal year. Further, in accordance with OCS SSBG Supplemental Terms and Conditions, SSBG is required to submit an interim and final SF-425 report covering Year 1 and the entire 2-year of the project period, 90 days following Year 1 (FFY 1) and 90 days following the end of Year 2 (FFY 2), respectively.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 2 out of 4 financial (SF-425) and special (Post-Expenditure) reports and noted the following:

- 1 financial report was not available for review.
- For 1 special report, we noted no evidence of the date the report was prepared, reviewed, and submitted to the Federal grantor. Additionally, we were not able to agree the key line item of the report to the underlying records.

Additionally, internal controls do not appear to be operating at a level of precision to ensure federal reports are prepared accurately, reviewed and submitted timely, and maintained for inspection.

Questioned Costs - None.

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

Effect - DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Cause - It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Recommendation - We recommend that DHS strengthen its process with respect to ensuring proper retention, monitoring, and review of the required reports by an appropriate official.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Currently, there is a collaboration with Federal Partners to consolidate reporting in the Payment Management System portal, as there is no single report for the SSBG as required. Report requests are currently inconsistent with one consolidated grant. Additionally, pre and post expenditures are submitted through the portal, accompanied by a submission log. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-077
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of Health and Human Services	Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 - 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 - 09/30/2023

Criteria - Federal funds can be used only for Medicaid and CHIP benefit payments (as specified in the state plan, federal regulations, or an approved waiver/demonstration), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for the establishment and operation of state MFCUs (42 CFR 435.10, 440.210, 440.220, and 440.180). Payments may only be made to providers determined by the SMA to be eligible to participate in the Medicaid program.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - DHS was unable to provide a reconciliation of claims paid between the Medicaid Management Information System (MMIS) and the general ledger, which is used to prepare the Schedule of Expenditures of Federal Awards (SEFA).

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles compliance requirement.

Questioned Costs - Not determinable.

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

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will strengthen internal controls by implementing clearer, auditable reconciliation processes to support SEFA preparation and demonstrate compliance. DHS will continue coordinating with auditors and stakeholders to ensure required documentation is received and compliance can be readily determined. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-078
Prior Year Finding Number: 2022-075
Compliance Requirement: Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Children's Health Insurance Program

ALN: 93.767

Award #: 2205VQ5021

Award Period: 10/01/2021 - 09/30/2023

Criteria - Plan and eligibility requirements must comply with various Federal requirements. The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with the State Plan under Title XIX of the Social Security Act, Section 4.7, *Maintenance of Records*, the Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provisions of medical assistance, and administrative costs, statistical, fiscal and other records necessary for reporting and accountability.

Condition - In our review of 60 out of 34,534 participant case files, we noted 29 instances where there was no documentation to support the eligibility determinations made.

Questioned Costs - Not determinable.

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

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-079
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 - 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 - 09/30/2023

Criteria - The state is required to pay part of the costs of providing Medicaid and CHIP services and part of the costs of administering the program. The percentage of federal funding is determined based on the amount of the expenditure and the application of the FMAP that is determined for each state using a formula set forth in section 1905(b) of the Act (42 USC 1396d), or other applicable federal matching rates specified by the statute. In particular, the matching rates for states' administrative expenditures authorized by the Act are found in section 1903(a) of the Act (42 USC 1396b).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - DHS was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement. Therefore, we were unable to determine if the matching requirement has been met.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles and matching compliance requirements.

Questioned Costs - Not determinable.

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

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-080
Prior Year Finding Number: 2022-076
Compliance Requirement: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Children's Health Insurance Program

ALN: 93.767

Award #: 2205VQ5021

Award Period: 10/01/2021 - 09/30/2023

Criteria - 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.

In accordance with the Compliance Supplement, the State or Territory is required to submit CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program*, thirty days after the end of the quarter.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed 2 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted the reports did not contain evidence of review or approval.

Questioned Costs - None.

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

Effect - DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

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

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-081
Prior Year Finding Number: 2022-077
Compliance Requirement: Special Tests and Provisions - Utilization Control and Program Integrity

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Criteria - The state plan must provide methods and procedures to safeguard against unnecessary utilization of care and services. In addition, the state must have (1) methods of determining criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Credible allegations of provider fraud must be referred to the state MFCU or an appropriate law enforcement agency in states with no certified MFCU (42 CFR Part 455.21).

The SMA 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 SMA may conduct this review directly or may contract with an independent entity (42 CFR 456.5, 456.22 and 456.23).

In addition, the SMA as required per Section 1902(a)(68) - [42 USC 1396a(a)(68)] False Claims Education must ensure that providers and contractors receiving or making payments of at least \$5 million annually under a state's Medicaid program have (a) established written policies for all employees (including management) about the Federal False Claims Act, whistleblower protections, administrative remedies, and any pertinent state laws and rules; (b) included as part of these policies detailed provisions regarding detecting and preventing fraud, waste, and abuse; and (c) included in any employee handbook a discussion of the False Claims Act, whistleblower protections, administrative remedies, and pertinent state laws and rules.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - Upon investigation, DHS was not able to provide evidence of compliance with the above referenced compliance requirements. Specifically, we found the following:

- No evidence of a method of determining criteria for identifying suspected fraud cases.
- No evidence of a method for investigating these cases.
- No evidence of procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Further, we noted DHS had not provided evidence of established and used written criteria for evaluating the appropriateness and quality of Medicaid services, including procedures for the ongoing post-payment review.

Additionally, DHS did not provide evidence they ensure that providers and contractors receiving or making payments of at least \$5 million annually under a state's Medicaid program have (a) established written policies for all employees (including management) about the Federal False Claims Act, whistleblower protections, administrative remedies, and any pertinent state laws and rules; (b) included as part of these policies detailed provisions regarding detecting and preventing fraud, waste, and abuse; and (c) included in any employee handbook a discussion of the False Claims Act, whistleblower protections, administrative remedies, and pertinent state laws and rules.

Finally, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Context - This is a condition identified per review of DHS' compliance with the 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 appear to 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 and 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-082
Prior Year Finding Number: 2022-078
Compliance Requirement: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Criteria - The SMA pays for inpatient hospital services and long-term care facility services through the use of rates that are economic and efficient and are in accordance with the state plan. To the extent the state pays reconciled costs, the SMA must provide for the filing of uniform cost reports for each participating provider in order to establish payment rates. The SMA must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the state plan (42 CFR 447.253).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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. DHS awarded a contract in August 2017 for the audit of these cost reports; however, we noted that DHS had not received any audited cost reports for fiscal year 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Context - This is a condition identified per review of DHS' compliance with the 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 appear to have adequate policies and procedures in place for the provision of audited cost reports of its participating providers.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services intends to shift the responsibility of Cost Reports internally to the Fiscal Office, under the supervision of Director of Audit and Compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-083
Prior Year Finding Number: 2022-079
Compliance Requirement: Special Tests and Provisions - ADP Risk Analysis and System Security Review

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Criteria - SMAs must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate and cost-effective safeguards are incorporated into new and existing systems. SMAs must perform risk analyses whenever significant system changes occur. SMAs shall review the ADP system security 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 SMA shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR 95.621).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DHS performed two ADP Risk Analysis and System Security Reviews for the systems that support the Medicaid Programs. A SOC1, Type 2 review was performed over the MMIS system covering the period October 1, 2022 through September 30, 2023 as well as a Cybersecurity review released in September 2024. Both reviews were performed by third-party organizations.

Upon review of the reports, we noted the following:

- The SOC1, Type 2 contained a qualified opinion stating that controls were not operating effectively to prevent unauthorized changes to the application and supporting infrastructure.
- The Cybersecurity review was performed outside of fiscal year 2023. Additionally, the conclusion reached noted several critical vulnerabilities that need immediate attention.

We did not note any analysis performed by DHS to assess the risk of the opinion qualification over their internal control environment nor the steps being taken to remedy the critical vulnerabilities noted in the Cybersecurity review.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Context - This is a condition identified per review of DHS' compliance with the 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 perform and review a risk analysis and system security review for all systems that support the Medicaid program. 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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has conducted an overall cybersecurity risk assessment for entire IT infrastructure. The strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-084
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Provider Eligibility

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2015 - 09/30/2023

Children's Health Insurance Program

ALN: 93.767

Award #: 2205VQ5021

Award Period: 10/01/2021 - 09/30/2023

Criteria – Medicaid – In order to receive Medicaid payments, providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program (42 CFR 431.107 and 447.10; and Section 1902(a)(9) of the Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR Part 455, Subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the Medicaid program (see 42 CFR 455.436).

CHIP – In order to receive CHIP payments, CHIP providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the CHIP program (42 CFR 457.900); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR 457.990(a), cross referencing 455.107). CHIP managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Guidance was provided to states in the Medicaid Provider Enrollment Compendium (MPEC) to enroll CHIP providers into their Medicaid programs to ensure that they meet federal requirements. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the CHIP program (42 CFR 457.990, 42 CFR 455 Subpart E).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled 20 of 194 providers that provided Medicaid and CHIP services during fiscal year 2023. DHS was unable to provide documentation that the providers selected were:

- screened, licensed, and enrolled in accordance with the state plan and the requirement of 42 CFR 455 Subpart E.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

- comply with the requirements of the state plan, including the disclosure requirement of 42 CFR 455 Subpart B.
- comply with the requirements of the state plan, including the disclosure requirements of 42 CFR 455 Subpart B and Section 1.4 of the MPEC.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - Not determinable.

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

Effect - DHS is not in compliance with the stated provisions. 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 documentation is maintained and available to be inspected.

Recommendation - We recommend that DHS implement policies and procedures to ensure provider enrollment documentation is maintained and available for inspection.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-085
Prior Year Finding Number: 2022-081
Compliance Requirement: Reporting

Program:

U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially
Declared Disasters)

ALN: 97.036

Award#: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR

Award Periods: 09/20/2017 - 09/07/2026

09/07/2017 - 09/16/2025

04/02/2020 - 05/11/2023

Government Department/Agency:

Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Criteria - Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 11 projects with first-tier subawards greater than \$30,000 and found that internal controls over compliance with FFATA reporting provisions had not been implemented.

Questioned Costs - None.

Context - This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect - Lack of internal controls over compliance may lead to material noncompliance with stated provision.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. A formalized process for the preparation and submission of financial and performance reports is now established, with clearly defined roles and responsibilities. The Disaster Program Financial Specialist is tasked with preparing the reports quarterly and submitting them to the Territorial Public Assistance Officer for review. The reports and associated certifications will be placed in a centralized database. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-086
Prior Year Finding Number: 2022-082
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially
Declared Disasters)

ALN: 97.036

Award#: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR

Award Periods: 09/20/2017 - 09/07/2026

09/07/2017 - 09/16/2025

04/02/2020 - 05/11/2023

Government Department/Agency:

Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Criteria - A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements - Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk - Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor - Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

2. Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 8 of 27 subrecipients and found the following:

- 4 instances where we were unable to obtain subrecipient agreements.
- 8 instances with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements or proper identification of subrecipients.

Questioned Costs - None.

Context - This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 was \$134,242,935. The total amount of our sample totaled \$124,398,401.

Effect - VITEMA is not in compliance with the stated provisions. Failure to properly identify and monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause - VITEMA does not have internal controls in place to properly identify and monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation - We recommend that VITEMA implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the Recipient, the Territory is responsible for notifying the Subrecipient when federal funds are obligated and providing them with a subrecipient agreement outlining the program's terms and conditions. The Disaster Program Financial Specialist is responsible for ensuring that the subrecipient agreement is signed by both the Applicant and the Governor's Authorized Representative and provided to the Territorial Public Assistance Officer. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-087
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:
U.S. Department of Homeland Security

Government Department/Agency:
Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Homeland Security Grant Program
ALN: 97.067
Award#: Various
Award Periods: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

As directed by section 2008(b)(2) of the Homeland Security Act of 2002 (codified as amended at 6 USC 609(b)(2)), all personnel and personnel-related costs, including those of intelligence analysts and operational overtime, are allowed up to 50 percent of HSGP funding without time limitation placed on the period of time that such personnel can serve. FEMA may provide a waiver at the request of the recipient to allow personnel expenses to exceed 50 percent of the amount awarded.

Condition - It appears that controls do not exist, such as monitoring controls, to ensure VITEMA is in compliance with the earmarking requirements at the end of each grant period.

Questioned Costs - None.

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

Effect - An ineffective control system related to monitoring of earmarking requirements can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause - VITEMA does not appear to have adequate policies and procedures to ensure compliance with the earmarking requirements and ensure that an appropriate level of monitoring is completed prior to closing out of the grant.

Recommendation - We recommend that VITEMA reevaluate and improve internal controls to ensure each grant is monitored throughout its life to ensure compliance with the earmarking requirement at the end of a grants period of performance.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. This information is documented in BSIR as part of the submittal process and does not allow for the submittal of reporting if not verified to meet this requirement. VITEMA will also document this information when preparing the SF 425 report by including this information in the notes section of this report. This will be conducted on a quarterly basis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Finding Number: 2023-088
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Program:

U.S. Department of Homeland Security

Homeland Security Grant Program

ALN: 97.067

Award#: Various

Award Periods: Various

Government Department/Agency:

Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Criteria - Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 2 of 3 projects with first-tier subawards greater than \$30,000 and found the following:

- No evidence of review of the reporting prior to submission.
- We are unable to verify the timeliness of FFATA reporting.
- We are unable to agree amounts reported to adequate source documentation.

Questioned Costs - None.

Context - This is a condition identified per review of VITEMA’s compliance with the specified requirements using a statistically valid sample.

Effect - A lack of internal controls over compliance may lead to material noncompliance with stated provision.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VITEMA's Deputy Director of Grants Management will review the FFTA information and validate that the information is true and correct based on the amount approved by DHS and sub-recipient agreement. This FFTA document will be signed and dated by the Deputy Director of Grants Management within the 30 days of required enrollment. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Management's Appendices

Summary Schedule of Prior Audit Findings

GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS

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DEPARTMENT OF FINANCE

Appendix A
Summary Schedule of Prior Audit Findings

Section I - Financial Statement Findings

Finding 2022-001, 2021-002, 2020-002, 2019-002, 2018-002, 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process and Financial Deficit

Timeliness and Methodology of Close Process

Current Status: Repeated. Finding 2023-001 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with Departments and Agencies (D&A) will be essential through setting expectations, establishing realistic goals, and providing support. GVI does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2023-001 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Appendix A

Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Corrective Action Plan: The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise.

For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices.

Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year 2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads).

Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.

Journal Entries

Current Status: Repeated. Finding 2023-001 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.

Finding 2022-002, 2021-003, 2020-003, 2019-003, 2018-003, 2017-004, 2016-002, 2015-002 and 2014-003: Revenue and Receivables

Reconciliation of Subsidiary Registers

Current Status: Repeated. Finding 2023-002 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: - The Government will ensure that the general ledger accounts are reconciled to the detailed records on a quarterly basis.

Appendix A

Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Tax Return Processing Method

Current Status: Repeated. Finding 2023-002 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.

Real Property Tax

Current Status: Repeated. Finding 2023-002 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties.

Other Revenues

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-003, 2021-004, 2020-004, 2019-004, 2018-004, 2017-005, 2016-003, 2015-003 and 2014-004: Grants Management

Control Systems Over the Schedule of Expenditures of Federal Awards

Current Status: Repeated. Finding 2023-003 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance.

Appendix A

Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Key improvements from the system to include:

- Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system.
- Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions.
- Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness.
- Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations.
- Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions.
- Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting.

Immediate corrective actions aligned with the audit's recommendations will include:

- Quarterly reviews of ALN, expenditures, and cash receipts postings to grants.
- Continuous reconciliations of SEFA with departments and agencies.
- Enhanced documentation, monitoring, and training for all grant management staff.
- Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.

Federal Grants and Contributions

Current Status: Repeated. Finding 2023-003 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Appendix A Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Corrective Action Plan: The Government will ensure that receivables are tracked by each individual Government agency by performing the following:

- Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred.
- Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government.
- Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.

Federal Grants Accounting

Current Status: Repeated. Finding 2023-003 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues. A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources.

Monthly reconciliations between Treasury's cash receipts records and OMB Federal Grants Management Unit (FGMU) will be performed to detect and correct discrepancies on a timely manner. In addition, the Accounting Division will conduct a comprehensive review of the working trial balance to identify and correct object code misclassifications, particularly for Asset Recovery Fund transactions previously reported as federal grant revenues.

Report Submission

Current Status: Repeated. Finding 2023-003 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will:

- Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date).

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- Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders.
- Government-wide Standard Operating Policies and Procedures will be developed to provide a uniform and consistent approach across all agencies in Grant Management, Fixed Assets, Fraud Waste and Abuse (FWA), Cash Management and with an automated training schedule requirement through a training platform.
- Supplemental detail for example cheat sheets, checklists, and training guides will be developed based on the Government-wide Standard operating policies and procedures (SOPP).
- All staff involved in the audit and reporting process will receive annual training on federal grant management and reporting requirements.

Finding 2022-004, 2021-005, 2020-005, 2019-005, 2018-005, 2017-002, 2017-006, 2016-004, 2015-004 and 2014-005: Capital Assets and Related Expenditures

Record Keeping

Current Status: Repeated. Finding 2023-004 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary.

Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.

Reconciliation and Review of Subsidiary Registers

Current Status: Repeated. Finding 2023-004 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

Construction in Progress (CIP) Monitoring

Current Status: Repeated. Finding 2023-004 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.

Capital Assets Impairment Process

Current Status: Repeated. Finding 2023-004 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Capital Assets - Business-Type Activities

Current Status: Repeated. Finding 2023-004 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual.

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Finding 2022-005, 2021-006, 2020-006, 2019-006, 2018-006, 2017-007, 2016-005, 2015-005 and 2014-006: Recording of Liabilities

Retroactive Pay Liability

Current Status: Repeated. Finding 2023-005 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Medical Malpractice Liability

Current Status: Repeated. Finding 2023-005 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.

Health Insurance Accrual

Current Status: Corrective action was taken. Finding not repeated in current year.

Accounts Payable

Current Status: Repeated. Finding 2023-005 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices.

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Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage. The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.

Landfill Closure and Post Closure Costs Liability

Current Status: Repeated. Finding 2023-005 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.

Quality of Census Data

Current Status: Repeated. Finding 2023-005 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.

Income Tax Refunds Payable

Current Status: Repeated. Finding 2023-005 F.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Plan Funding Considerations

Current Status: Repeated. Finding 2023-005 G.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Finding 2022-006, 2021-007, 2020-007, 2019-007, 2018-007, 2017-008, 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Current Status: Repeated. Finding 2023-006.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. DHS consider this a high-priority initiative that will provide much-needed revenues to the coffers.

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Finding 2022-007, 2021-008, 2020-008, 2019-008, 2018-008, 2017-009, 2016-007, 2015-007 and 2014-008: Unemployment Insurance Trust Fund

Account Reconciliation Process

Current Status: Repeated. Finding 2023-007.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Finding 2022-008, 2021-009, 2020-009, 2019-009, 2018-009, 2017-010, 2016-008, 2015-008 and 2014-011: Workers Compensation Program

Plan Valuation Methodology

Current Status: Repeated. Finding 2023-008.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Finding 2022-009, 2021-011, 2020-011, 2019-011, 2018-011, 2017-002, 2017-011, 2016-011, 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures

Payroll Expenditures

Current Status: Repeated. Finding 2023-009 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: The Payroll Unit will monitor accrual liabilities bi-annually.

Transactions with Personnel

Current Status: Repeated. Finding 2023-009 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.

Reporting for Expenditures

Current Status: Repeated. Finding 2023-009 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Lack of monthly reconciliations at the D&A creates untimely adjustments in the system. Accordingly, the Government will:

- Require CFOs to generate Flexible Period Reports of all final balances by the 30th of the following month, which will allow D&As the opportunity to enter, release, and obtain approval for journal entries.
- Create a workflow in the ERP system for general journals to assign responsibility to CFOs for timely adjustments and to support the requirement to provide Flexible Period Reports.
- Have the DOF Accounting Operations Manager and Director of Accounting work with Tyler Technologies to evaluate options for tracking timeliness within the ERP system.

Formalize Emergency Payroll Procedures

Current Status: Repeated. Finding 2023-009 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes.

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This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Finding 2022-010, 2021-012, 2020-012, 2019-012, 2018-012, 2017-012, 2016-010, 2015-010 and 2014-002: Bank Accounts

Strengthen Controls Over Bank Reconciliations

Current Status: Repeated. Finding 2023-010 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.

Cash Pooling and Allocation(s)

Current Status: Repeated. Finding 2023-010 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.

Check Sequences

Current Status: Repeated. Finding 2023-010 C.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable - Check Run Manager.

Finding 2022-011, 2021-010, 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Actuarial Valuation

Current Status: Repeated. Finding 2023-011 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP.

Administration and Recordkeeping

Current Status: Repeated. Finding 2023-011 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.

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Update of Mortality Tables

Current Status: Repeated. Finding 2023-011 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.

Finding 2022-012: Accounting Standards Implementation

Current Status: Repeated. Finding 2023-012.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.

Finding 2022-013: Irregularities related to Procurement Activities

Current Status: Repeated. Finding 2023-013.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Finding 2022-014, 2021-017, 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2023-014.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY.

Finding 2022-015, 2021-013, 2020-013, 2019-013, 2018-013, 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology (IT) Environment

User Access and Administration

Current Status: Repeated. Finding 2023-015.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training by February 28, 2026.

Finding 2022-016, 2021-014, 2020-014 and 2019-014: Collateral of Depository

Current Status: Repeated. Finding 2023-016 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts.

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Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.

Finding 2022-017, 2021-015, 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2023-016 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Finding 2022-018, 2021-016, 2020-016, 2019-016, 2018-015, 2017-015, 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2023-016 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Finding 2022-019, 2021-018, 2020-018, 2019-018, 2018-017 and 2017-017: Casino Control Commission

Current Status: Corrective action was taken. Finding not repeated in current year.

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Section II - Federal Award Findings (By Program)

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

ALN: 10.551, 10.561

Award #: 4VI400408

Award Year: 10/01/20 - 09/30/21

10/01/21 - 09/30/22

Finding 2022-020 and 2021-019: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2023-019.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: Provisional Payroll Codes are requested (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.(2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal for certification by the CFO. (4) NOPA's are updated with the provisional codes.

Finding 2022-021 and 2021-020: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-020.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.

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Finding 2022-022, 2021-021, 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions - EBT Card Security

Current Status: Repeated. Finding 2023-021.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program has drafted a Standard Operating Procedures and Procedures (SOPP) document to outline the EBT Reconciliation process, once the internal review is completed, it will be submitted to the cognizant agency for approval. Additionally, onboarding a Director of Support Services will provide the required compliance and oversight for the EBT card security.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (DOE)

Child Nutrition Cluster
ALN: 10.555, 10.559
Award #: 1VI300308
Award Year: 10/01/2017 - 09/30/2018

Finding 2022-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2023-022.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE acknowledges the audit finding regarding the Child Nutrition Cluster payroll and concurs with the recommendation. Because this is a recurring finding from prior year 2022-023, VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program. To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. Furthermore, VIDE will implement a control where the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed to match the action against the approved grant application or staffing list and ensure the project code and pay rate are accurate before the payroll cycle begins. To address the unavailability of timesheets, the program will implement a strict reconciliation protocol wherein the Program Director or designee will verify that the payroll register aligns with approved timesheets prior to performing the drawdown and posting.

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These timesheets will then be digitally archived in a centralized SharePoint repository organized by pay period to ensure that time and effort documentation is securely retained and immediately available for audit review. To support these new protocols, mandatory training will be conducted for relevant staff and supervisors on these new timesheet procedures, federal time and effort requirements, and the new NOPA reconciliation workflow. Finally, the Office of Fiscal and Administrative Services will conduct monthly spot checks of the SharePoint repository and ERP logs to measure the effectiveness of these controls.

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,
Infants, and Children (WIC)

ALN: 10.557

Award #: Various

Award Year: Various

Finding 2022-024 and 2021-022: Cash Management

Current Status: Repeated. Finding 2023-024.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health concurs with the auditor's findings and recommendations. To address this, DOH revised drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.

Finding 2022-025: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

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Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance

(O&M) Projects

ALN: 12.401

Award #: W9127P-22-2, W9127P-21-2

Award Year: 10/01/2020 - 09/30/2021

10/01/2021 - 09/30/2022

Finding 2022-026, 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles - Payroll Activities and Period of Performance

Current Status: Repeated. Finding 2023-029.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement.

Finding 2022-027, 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management and Reporting

Current Status: Repeated. Finding 2023-030.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.

Finding 2022-028, 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-031.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: The Government concurs with the finding. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year.

Finding 2022-029, 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: Repeated. Finding 2023-032.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring.

Finding 2022-027, 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2023-030.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.

Program:

U.S. Department of the Interior

Government Department/Agency:

Various

Economic, Social, and Political Development
of the Territories

ALN: 15.875

Award #: Various

Award Year: Various

Finding 2022-030, 2021-025, 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2023-035.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. To address documentation gaps and mitigate risks associated with staff turnover, the department will implement a Naming Convention and File Structure Standard. This will ensure all supporting documentation (invoices, receipts, confirmations) is stored in a consistent, organized manner to facilitate quick retrieval of documents during audits or compliance reviews and secure storage to maintain integrity and accessibility. Training will be provided to all staff on updated SOPPs and documentation standards.

Finding 2022-031, 2021-026, 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-036.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements.

Finding 2022-032: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2023-037.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced.

Finding 2022-032, 2021-027, 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2023-038.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award.

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Year: Various

Finding 2022-034, 2021-028, 2020-028, 2019-033, 2018-038, 2017-071, 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2023-040.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

Finding 2022-035 and 2021-029: Eligibility

Current Status: Repeated. Finding 2023-041.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention.

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VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. VIDOL staff will collaborate with USDOL for technical assistance and data validation to ensure eligibility and record maintenance.

Finding 2022-036 and 2021-030: Reporting

Current Status: Repeated. Finding 2023-042.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The UI Division will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

Finding 2022-037 and 2021-031: Special Tests and Provisions - Employer Experience Rating

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-038, 2021-033 and 2020-029: Special Tests and Provisions: UI Reemployment Programs: (WPRS and RESEA)

Current Status: Repeated. Finding 2023-043.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. VIDOL will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is implementing a RESEA case management system for reporting and program services, currently in the testing and configuration phase. This case management system will serve as the official system for documenting all services provided to RESEA claimants participating in the program.

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Program:

U.S. Department of the Treasury

COVID-19 - Coronavirus Relief Fund

ALN: 21.019

Award #: N/A

Award Year: 03/02/2020 - 12/31/2021

Government Department/Agency:

Office of Management and Budget
(OMB)

Finding 2022-039: Period of Performance

Current Status: OMB has strengthened its expenditure review and approval procedures to ensure that all costs are incurred within the authorized period of performance. A detailed review is required including expenditure date against the grant period prior to approval and payment. Additionally, entries require a multilevel review for compliance before it reached the Department of Finance for payment. These enhanced controls are designed to ensure expenditures are properly reviewed and authorized in compliance with Federal grant regulations.

Finding 2022-040, 2021-035 and 2020-031: Reporting

Current Status: OMB has implemented enhanced reporting safeguards to ensure the accuracy, timeliness, and proper documentation of all required reports. These measures include the establishment of a formal reporting calendar to track due dates and deliverables, the designation of a primary staff member responsible for preparing and submitting reports, and granting multiple team members access for review and verification prior to submission. These controls are designed to strengthen accountability, improve timeliness, and ensure that supporting documentation is properly maintained to substantiate all reports submitted to the Federal Government.

Finding 2022-041, 2021-036 and 2020-032: Subrecipient Monitoring

Current Status: OMB acknowledges the finding and has since implemented formal subrecipient monitoring documents and procedures applicable to all grants received. These measures ensure that subrecipient risk assessments are conducted prior to award, and ongoing monitoring is performed throughout the grant period. The new procedures establish clear responsibilities, documentation requirements, and review protocols to ensure compliance with all subrecipient monitoring requirements.

Program:

U.S. Department of the Treasury

COVID-19 - Coronavirus State and Local Fiscal Recovery
Funds

ALN: 21.027

Award #: N/A

Award Period: 03/03/2021 - 12/31/2024

Government Department/Agency:

Office of Management and Budget
(OMB)

Finding 2022-042: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment

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Current Status: Repeated. Finding 2023-044.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The Government has developed detailed policies and procedures to ensure compliance with federal regulations, including internal controls for subrecipient vetting, documentation, monitoring of expenditures, and clear communication regarding non-compliance. Efforts are underway to finalize overarching policies, such as a Fraud, Waste, and Abuse policy with a whistleblower process. Robust internal controls have been established, including regular financial reviews, segregation of duties, and staff training. Additionally, a monitoring and evaluation framework has been set up through the OMB Compliance Unit, supported by an Audit Committee, to assess and improve the effectiveness of controls. Regular training sessions are provided to all staff involved in grant management to ensure they understand and adhere to compliance requirements.

Finding 2022-043 and 2021-038: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2023-046.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures. Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition. User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement.

Finding 2022-044, 2021-039: Reporting

Current Status: Repeated. Finding 2023-047.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23.

Finding 2022-045: Subrecipient Monitoring

Current Status: Repeated. Finding 2023-048.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. For revenue replacement projects, Treasury's Final Rule FAQ (13.14) states that these funds do not create subrecipient relationships, thus exempting them from the Single Audit Act due to the absence of a federal program or purpose.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 84.027X)
Award #: Various
Award Periods: Various

Finding 2022-046 and 2021-041: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-050.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE acknowledges the recurring finding regarding Equipment and Real Property Management and concurs with the recommendation. VIDE recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions.

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VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. Additionally, VIDE is clarifying the role of the Fixed Asset Management Division to ensure they perform the mandatory post-delivery validation as a secondary check to confirm the location, condition, and accuracy of the data recorded by Procurement, thereby ensuring the hand-off between divisions is complete and documented. Due to recent staffing changes, VIDE will conduct mandatory “Roles and Responsibilities” training wherein the Assistant Commissioner will oversee training for Fixed Asset staff regarding validation protocols and the Deputy Commissioner of Fiscal and Administrative Services will oversee training for Procurement staff regarding intake and tagging. VIDE is also updating the data fields within its asset tracking system to strictly mandate the inclusion of all data points required by 2 CFR 200.313, including acquisition date, cost, percentage of federal participation, and ultimate disposition data. Furthermore, the Procurement Division and Fixed Asset Division will conduct quarterly inventory reconciliations to ensure the physical assets match the property records, with any discrepancies identified resolved within 30 days of the audit. Finally, the Fixed Asset Director will submit a “Monthly Asset Status Report” to the Assistant Commissioner for operational review, with a copy submitted to the Deputy Commissioner of Fiscal and Administrative Services for audit compliance tracking, detailing new acquisitions, validation status, and explicitly reporting on any instances where the dual-control process was not followed.

Finding 2022-047, 2021-042 and 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-051.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor’s findings and recommendations. VIDE acknowledges need to enhance monitoring and internal controls. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Periods: Various

Finding 2022-048 and 2021-043: Cash Management

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2022-049 and 2021-044: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-053.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates.

Finding 2022-050, 2021-045 and 2020-038: Reporting

Current Status: Repeated. Finding 2023-055.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. Roles and responsibilities of involved personnel will be clearly defined. VIDE will enhance existing system or implement a new system for tracking subawards and provide comprehensive training to staff. Data verification and validation procedures will be strengthened, with formal processes for reviewing data accuracy before submission and regular reconciliations to ensure consistency. Mandatory training sessions will ensure all personnel understand FFATA requirements and new reporting procedures.

Finding 2022-051: Subrecipient Monitoring

Current Status: Corrective action was taken. Finding not repeated in current year.

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Program:

U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)

ALN: 84.425A

Award #: S425A200004, S425A210004

Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)

ALN: 84.425H

Award #: S425H200003, S425H210003

Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)

ALN: 84.425X

Award #: S425X210004

Award Period: 04/08/2021 - 09/30/2024

Government Department/Agency:

Department of Education (VIDE)
Office of Management and Budget
(OMB)

Finding 2022-052 and 2021-046: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2023-056.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. Additionally, VIDE will strengthen rate verification processes with a standardized checklist for comparing NOPA rates with payroll system rates, requiring payroll staff to complete it at each pay cycle and maintain a discrepancy tracker. Mandatory training sessions will be conducted for employees and supervisors to ensure understanding of the new policies, covering timesheet completion, rate verification, and adherence to guidelines.

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Finding 2022-053 and 2021-049: Reporting

Current Status: Repeated. Finding 2023-057.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. This includes implementing a structured review and approval process for all performance and special reports, ensuring they are vetted by appropriate officials. Additionally, training will be provided to all staff involved in report preparation and submission.

Finding 2022-054 and 2021-051: Special Tests and Provisions - Participation of Private School Children

Current Status: Repeated. Finding 2023-059.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is committed to addressing issues related to the participation of private school children in the COVID-19 Education Stabilization Fund. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children.

Finding 2022-055: Special Tests and Provisions: Wage Rate Requirements

Current Status: Repeated. Finding 2023-060.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance.

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Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious Diseases

ALN: 93.323

Award #: NU50CK000507

Award Year: 08/01/19 - 07/31/24

Finding 2022-056: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-057 and 2017-061: Equipment and Real Property Management

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start Cluster

ALN: 93.356, 93.600

Award #: Various

Award Periods: Various

Finding 2022-058, 2021-053, 2020-041, 2019-052, 2018-049, 2017-041, 2016-021, 2015-030 and 2014-028: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-064.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.

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Finding 2022-059: Reporting

Current Status: Repeated. Finding 2023-065.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

Finding 2022-060: Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities

Current Status: Repeated. Finding 2023-066.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

Finding 2022-061 and 2021-054: Special Tests and Provisions - Program Governance

Current Status: Repeated. Finding 2023-067.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular training is now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. Technical Assistance from the Region II TA team assists the Head Start program in meeting this requirement.

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Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

CCDF Cluster

ALN: 93.575

Award #: 1701VICCDF, 1801VICCDF, 1901VICCDF

Award Year: 10/01/2016 - 09/30/2022

Finding 2022-062: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-064, 2020-046 and 2019-047: Eligibility

Current Status: Repeated. Finding 2023-068.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff.

Finding 2022-065: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-069.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is in the process of finalizing corrective actions to address the conditions noted and to enhance compliance across all CCDF funding sources:

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1. **Formalization of Policies and Procedures:**
DHS will develop and document written policies and procedures governing compliance with CCDF administrative cost caps, quality earmarks, direct services requirements, and level of effort provisions. These procedures will define roles, monitoring responsibilities, documentation standards, and supervisory review requirements.
2. **Strengthened Monitoring Throughout the Fiscal Year:**
DHS has already implemented periodic monitoring throughout the fiscal year to track administrative, quality, and direct service expenditures against federal requirements, rather than relying solely on final year reporting. Monitoring includes monthly reconciliation of expenditures to accounting records in addition to reoccurring monthly meetings jointly with Program and Fiscal to align plans with outcomes.
3. **Improved Financial Reporting Controls:**
DHS now ensure that all required ACF 696 Financial Reporting Forms are prepared accurately, fully reconciled to the general ledger, and retained in accordance with record keeping requirements. Any discrepancies identified during reconciliation are reviewed and resolved prior to final submission.
4. **Designation of Compliance Oversight Responsibility**
DHS has onboarded a Federal Grants Financial Analyst dedicated to the Child Care program in September of 2024. Additionally, in August 2025, a Director of Audit and Compliance was also onboarded. This will allow for a closer collaboration with the external auditors in ensuring compliance with documentation to support audit and federal review.

These corrective actions are intended to strengthen DHS's internal control framework, improve documentation and monitoring processes, and ensure sustained compliance with CCDF matching, level of effort, and earmarking requests.

Finding 2022-066: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-067: Reporting

Current Status: Repeated. Finding 2023-070.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor.

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Finding 2022-068: Special Tests and Provisions - Health and Safety Requirements

Current Status: Repeated. Finding 2023-071.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes.

Finding 2022-069: Special Tests and Provisions - Fraud Detection and Repayment

Current Status: Repeated. Finding 2023-072.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: An internal programmatic audit process is actively utilized, involving the exchange of caseloads between workers. Eligibility and subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

ALN: 93.563

Award #: 2001VICSES, 2101VICES, 2201VICSES

Award Year: 10/01/2019 - 09/30/2020

10/01/2020 - 09/30/2021

10/01/2021 - 09/30/2022

Finding 2022-070, 2021-055, 2020-042, 2019-041, 2017-063 and 2016-038: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrected.

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Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Social Services Block Grant

ALN: 93.667

Award #: Various

Award Year: Various

Finding 2022-071, 2021-056 and 2020-051: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Current Status: Repeated. Finding 2023-074.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notice's of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process. (2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal certification by the CFO, (4) NOPAS are updated with the provisional codes.

Finding 2022-072, 2021-057 and 2020-053: Period of Performance

Current Status: Repeated. Finding 2023-075.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance.

Finding 2022-073 and 2021-058: Reporting

Current Status: Repeated. Finding 2023-076.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report in the Payment Management System financial reporting module. All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants. Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Year: 10/01/2015 - 09/30/2022

Finding 2022-074, 2021-061, 2020-057, 2019-057 and 2018-057: Allowable Costs/Cost Principles - Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-075, 2021-062, 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2023-078.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files.

Finding 2022-076, 2021-063, 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2023-080.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.

Finding 2022-077, 2021-064, 2020-061, 2019-061, 2018-065, 2017-055, 2016-028, 2015-040, 2014-033, 2013-018 and 2012-15: Special Tests and Provisions - Utilization Control and Program Integrity

Current Status: Repeated. Finding 2023-081.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.

Finding 2022-078, 2021-065, 2020-062, 2019-062, 2018-066, 2017-052, 2016-025, 2015-036, 2014-035, 2013-019 and 2012-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2023-082.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of the Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed, and subsequently the utilization of a template for quick calculation. We consider this a high-priority initiative that will provide much-needed revenues to the coffers. Once the contract has been executed, goal is to be up-to-date within 6-9 months.

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Finding 2022-079, 2021-066, 2020-063, 2019-063, 2018-067 and 2017-054: Special Tests and Provisions - ADP Risk Analysis and System Security Review

Current Status: Repeated. Finding 2023-083.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department understands the importance of System Security and recognizing its weaknesses and vulnerabilities. In lieu of this, we have conducted an overall cybersecurity risk assessment for entire IT infrastructure. The Department's strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews.

Finding 2022-080, 2021-069 and 2020-068: Special Tests and Provisions - Medicaid National Correct Coding Initiative

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:

U.S. Department of Homeland Security

Government Department/Agency:

Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Disaster Grants - Public Assistance (Presidentially Declared
Disasters)

ALN: 97.036

Award #: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR

Award Year: 09/20/2017 - 09/07/2026

09/07/2017 - 09/16/2025

04/02/2020 - 05/11/2023

Finding 2022-081, 2021-072, 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2023-085.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: In accordance with 2CFR #200.303 federal recipients VITEMA/ODR must create internal controls that provide reasonable assurance that FFATA reporting requirements are met. Currently, internal controls have been established to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA). On a monthly basis, the Disaster Program Administrative Assistant is responsible for obtaining the P5 report from the Grants Manager and entering all project with obligated funds exceeding \$30,000 into the SAM.gov database, formerly FSRS.gov. The report must be submitted by the end of the following month. Once the data is entered, the Territorial Public Assistance Officer reviews the submission and, upon the verification, certifies that the information has been accurately reported in the federal database. The reports and associated certifications will be placed in a centralized database.

Finding 2022-082: Subrecipient Monitoring

Current Status: Repeated. Finding 2023-086.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the recipient, it is the territory's responsibility to notify the Subrecipient when the federal funds are obligated and provide them with a subrecipient agreement which outlines the terms and conditions of the program. The Disaster Program Financial Specialist is responsible for obtaining the subrecipient agreement and ensure it has been signed by the Applicant/Subrecipient and Governor's Authorized Rep and later provided to the Territorial Public Assistance Officer (TPAO). As such, no funds will be disbursed until the Subrecipient signs and returns the agreement. These agreements are saved in a centralized location for documentation and audit purposes. In accordance with the 2CFR #200 Subpart F, all Subrecipients must comply with applicable audit requirements because the applicant is in the receipt of federal funding. Under 2CFR #200.500 Subpart F applies to any non-federal entity that expends \$750,000 or more in federal awards during a fiscal year. Subrecipients meeting this threshold are required to undergo a single audit or a program specific audit for that fiscal year. The TPAO will review audit requirements during the applicant's briefing and will incorporate these requirements into the Subrecipient Agreement.

Program:

U.S. Department of Homeland Security

Hazard Mitigation Grant Program

ALN: 97.039

Award #: FEMA-4335-DR, FEMA-4340-DR-VI

Award Periods: 09/20/2017 - 09/30/2027

09/07/2017 - 11/30/2025

Government Department/Agency:

Virgin Islands Territorial Emergency
Management Agency (VITEMA)

Finding 2022-083 and 2021-074: Reporting

Current Status: Corrective action was taken. Finding not repeated in current year.

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Program:

U.S. Department of Commerce

Bipartisan Budget Act of 2018

ALN: 11.022

Award #: NA19NOS0220008, NA19NOS0220001,
NA19NMF0220004

Award Year: 10/01/2018 - 09/30/2023

04/01/2019 - 03/31/2021

08/01/2019 - 07/31/2024

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Finding 2021-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: On-going implementation. The Department of Planning & Natural Resources is continuing its efforts to ensure that all necessary payroll adjustments are completed accurately and in time.

Program:

U.S. Environmental Protection Agency

Drinking Water State Revolving Fund Cluster

ALN: 66.468

Award #: Various

Award Year: Various

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

Finding 2021-040, 2020-036 and 2019-036: Allowable Costs/Cost Principles - Payroll Activities

Current Status: On-going implementation. The Department of Planning & Natural Resources is in the process of hiring fiscal staff that will be responsible for preparing, updating, and maintaining the necessary documentation needed for the program to update Notice of Personnel Action's (NOPAs).

Program:

U.S. Department of Health and Human Services

Children's Health Insurance Program

ALN: 93.767

Award #: Various

Award Year: 10/01/2015 - 09/30/2022

Government Department/Agency:

Department of Human Services (DHS)

Finding 2021-060 and 2020-055: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2023-084.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions.

Program:

U.S. Department of Homeland Security

Government Department/Agency:

Department of Labor (VIDOL)

COVID-19 - Presidential Declared Disaster Assistance to
Individuals and Households - Other Needs
ALN: 97.050
Award #: 4513DRVISPLW
Award Period: 08/1/2020 - 12/27/2021

Finding 2021-075: Activities Allowed or Unallowed - Non-Payroll Activities

Current Status: On-going implementation. VIDOL concurs with finding and is constantly monitoring lost wage transactions and is focused on making improvements to eliminate finding.

Finding 2021-076: Cash Management

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-077: Eligibility

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is committed to training UI staff on self-certifications and benefit payment calculation to ensure compliance with program requirements.

Finding 2021-078: Period of Performance

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-079: Reporting

Current Status: On-going implementation. VIDOL concurs with this finding and have since assigned the Director of IT to help facilitate the accuracy and timeliness of reports.

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Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (DOE)

Immediate Aid to Restart School Operations

ALN: 84.938A

Award #: S938A180004

Award Periods: 05/14/2018 - 09/30/2021

Finding 2020-039: Allowable Costs/Cost Principles - Indirect Cost Activities

Current Status: In accordance with CFR 200.511, no further action is warranted. Two years have passed since the audit report in which the finding occurred was submitted to the FAC. The federal agency is not currently following up on the audit finding and a management decision was not issued.

Corrective Action Plan

**OFFICE OF
THE COMMISSIONER**

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**GOVERNMENT OF
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DEPARTMENT OF FINANCE

**Appendix B
Corrective Action Plan**

Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-001: Year-End Close Process and Financial Deficit			
A. Timeliness and Methodology of Close Process	DOF-Commissioner's Office; Executive Assistant Commissioner, Audit Lead (under the Commissioner of Finance); Executive Assistant Commissioner (Lead for CFO Executive Order no. 480-2017 under the Commissioner of Finance), DOF Directors; Benham and Hodge, CPA (Extended Accounting Team). OMB-Director's Office; OMB Compliance Unit Lead; and Federal Manager. DPP- Commissioner's Office; Fixed Asset Team; and Procurement Team. D&As - all CFOs, lead fiscal personnel,	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with Departments and Agencies (D&A) will be essential through setting expectations, establishing realistic goals, and providing support. GVI does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
	Commissioners, Directors, Managers, and Supervisors		
B. Components Units Reporting	Department of Finance Management, specifically, the Executive Assistant Commissioner	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report.
C. Deficits in Unrestricted Net Position	OMB Director and DOF Commissioner	On-going	<p>The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise.</p> <p>For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices.</p> <p>Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year 2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads).</p>

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.
D. Government Insurance Fund	The management team of Department of Labor (DOL) and DOF, specifically, the Executive Assistant Commissioner of Finance	On-going	Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses.
E. Journal Entries	Management Information System (MIS) Director and Accounting and Financial Reporting Director	On-going	Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.
Finding 2023-002: Revenue and Receivables			
A. Reconciliation of Subsidiary Registers	Management Team of Bureau of Internal Revenue (IRB)	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis.

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Finding	Contact	Estimated Completion Date	Corrective Action
B. Tax Return Processing Method	The management team of the Bureau; specifically, the Computer Operations and Processing Branches	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.
C. Real Property Tax	The management team of the Office of the Lieutenant Governor (LGO)	On-going	Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties.
D. Recording of Notes Receivables	Treasury Director and Executive Assistant Commissioner, DOF	Fiscal Year 2026	The Government will ensure that the general ledger accounts are reconciled to detailed supporting records on a regular basis. In addition, the Government will strengthen controls over receivables, which includes an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, to help prevent audit adjustments at year-end.
Finding 2023-003: Grants Management			
A. Control Systems Over the Schedule of Expenditures of Federal Awards	Amplifund implementation - OMB's Federal Grant Management and Compliance Unit and Executive Order Enforcement, DOF Executive team members	Immediate, Amplifund 1st phase scheduled to be implemented by Fiscal Year 2026	The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance.

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			<p>Key improvements from the system to include:</p> <ul style="list-style-type: none"> • Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system. • Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions. • Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness. • Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations. • Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions. • Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting. <p>Immediate corrective actions to aligned with the audit's recommendations will include:</p>

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Government of the United States Virgin Islands
Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> • Quarterly reviews of ALN, expenditures, and cash receipts postings to grants. • Continuous reconciliations of SEFA with departments and agencies. • Enhanced documentation, monitoring, and training for all grant management staff. • Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.
B. Federal Grants and Contributions	The management team of OMB Compliance Unit and DOF Treasury team	On-going	<p>The Government will ensure that receivables are tracked by each individual Government agency by performing the following:</p> <ul style="list-style-type: none"> • Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred. • Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government. • Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.
C. Federal Grants Accounting	DOF Treasury and Accounting Divisions, OMB FGMU, and departmental and agency program managers and CFOs.	On-going	The DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues.

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources. Monthly reconciliations between Treasury's cash receipts records and OMB Federal Grants Management Unit (FGMU) will be performed to detect and correct discrepancies on a timely manner. In addition, the Accounting Division will conduct a comprehensive review of the working trial balance to identify and correct object code misclassifications, particularly for Asset Recovery Fund transactions previously reported as federal grant revenues.
D. Report Submission	The OMB Management team	Fiscal Year 2026	<p>The Government will:</p> <ul style="list-style-type: none"> • Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date). • Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders. • Government-wide Standard Operating Policies and Procedures will be developed to provide a uniform and consistent approach across all agencies in Grant Management, Fixed Assets, Fraud Waste and Abuse (FWA), Cash Management and with an automated training schedule requirement through a training platform. • Supplemental detail for example cheat sheets, checklists, and training guides will be developed based on the Government-wide Standard operating policies and procedures (SOPP).

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> • All staff involved in the audit and reporting process will receive annual training on federal grant management and reporting requirements.
Finding 2023-004: Capital Assets and Related Expenditures			
A. Record Keeping	Capital Asset Coordinators, in collaboration with the Treasury Director and/or designee	Immediately	<p>The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary.</p> <p>Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.</p>
B. Reconciliation and Review of Subsidiary Registers	Management team of DOF Accounting and Financial Reporting Division	On-going	<p>The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.</p>
C. Construction in Progress (CIP) Monitoring	Capital Asset Coordinator, Director of Accounting, DPW	Second quarter of Fiscal Year 2026	<p>Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that</p>

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	Fiscal Director, and DPW Assistant Commissioner		appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.
D. Capital Assets Impairment Process	Management team of DPP and DOF	On-going	The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.
E. Capital Assets - Business-Type Activities	Capital Asset Coordinator and Benham and Hodge, CPA	Second quarter of Fiscal Year 2026	The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual.
Finding 2023-005: Recording of Liabilities			
A. Retroactive Pay Liability	DOF and Division of Personnel (DOP) management, including the Payroll Director	On-going	Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected.

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			In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.
B. Medical Malpractice Liability	The Commissioner, Department of Health	On-going	The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.
C. Accounts Payable	Director of Accounting, Accounting Operation Manager, Chief Accounts Payable, and Financial Accounting Analyst	On-going	<p>The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices.</p> <p>Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage. The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.</p>

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D. Landfill Closure and Post-Closure Costs Liability	The Management Team of Waste Management Authority and DOF	On-going	The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.
E. Completeness and Accuracy of Census Data	DOF management, specifically, the Executive Assistant Commissioner	On-going	The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.
F. Income Tax Refunds Payable	DOF management team	On-going	The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.
G. Plan Funding Considerations	The Government Financial Team	On-going	The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.
Finding 2023-006: Management of the Medicaid Program			

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Cost Report Audits, System Security Review, and Approvals	Chief Financial Officer, DHS and Program Administrator, DHS	On-going	The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. DHS consider this a high-priority initiative that will provide much-needed revenues to the coffers.
Finding 2023-007: Unemployment Insurance Trust Fund			
Account Reconciliation Process	DOL management team	On-going	The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.
Finding 2023-008: Workers Compensation Program	DOF management, specifically the Executive Assistant Commissioner	On-going	The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.
Finding 2023-009: Payroll, Related Accruals, and Other Expenditures			
A. Payroll Expenditures	Director of Payroll	September 2026	The Payroll Unit will monitor accrual liabilities bi-annually.

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B. Transactions with Personnel	Executive Assistant Commissioner and Director of Accounting and Financial Reporting	Fiscal Year 2026	The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.
C. Reporting for Expenditures	DOF Directors, Managers, and Supervisors	Fiscal Year 2026	<p>Lack of monthly reconciliations at the D&A creates untimely adjustments in the system. Accordingly, the Government will:</p> <ul style="list-style-type: none"> • Require CFOs to generate Flexible Period Reports of all final balances by the 30th of the following month, which will allow D&As the opportunity to enter, release, and obtain approval for journal entries. • Create a workflow in the ERP system for general journals to assign responsibility to CFOs for timely adjustments and to support the requirement to provide Flexible Period Reports. • Have the DOF Accounting Operations Manager and Director of Accounting work with Tyler Technologies to evaluate options for tracking timeliness within the ERP system.
D. Formalize Emergency Payroll Procedures	Director of Payroll	Fiscal Year 2026	The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.
Finding 2023-010: Bank Accounts			

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Finding	Contact	Estimated Completion Date	Corrective Action
A. Strengthen Controls Over Bank Reconciliations	DOF Treasury Division, Accounting Division, and Commissioner's Office	Fiscal Year 2026	The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.
B. Cash Pooling and Allocation(s)	DOF Treasury Division, Accounting Division, and Commissioner's Office	On-going	<p>DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations.</p> <p>The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.</p>
C. Check Sequences	MIS Check Run Processor, Chief Accounts Payable, Accounting Manager, and Director of Accounting	Fiscal Year 2026	The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable - Check Run Manager.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-011: Other Post Employment Benefit Valuation			
A. Actuarial Valuation	Executive Assistant Commissioner, DOF	On-going	The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP.
B. Administration and Recordkeeping	Management team of DOP and DOF	On-going	The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.
C. Update of Mortality Tables	DOF management team, specifically, the Executive Assistant Commissioner	On-going	The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.
Finding 2023-012: Accounting Standards Implementation	DPP Fixed Asset Unit, Capital Asset Coordinators, Vendor, and Contract Manager (payments)	Fiscal Year 2026	It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-013: Irregularities related to Procurement Activities	DPP management team	Fiscal Year 2026	The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.
Finding 2023-014: Procurement Regulations	DPP Management Team	Fiscal Year 2026	The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY.
Finding 2023-015: Information Technology (IT) Environment			
User Access and Administration	IT DOL, DOF, DHS, IRB (Chief of Computer Operations), and LGO	On-going	<p>The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.</p> <p>IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training by February 28, 2026.</p>

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Finding 2023-016: Noncompliance with Laws and Regulations			
A. Collateral of Depository	Treasury management under the direction of the DOF's executive leadership	Fiscal Year 2026	DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.
B. Landfill Consent Decrees	The Government's Financial Team	On-going	The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.
C. Establishment of a Medical Malpractice Trust Fund	Department of Health Management Team	Fiscal Year 2026	The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.
D. Compliance with Legislative Appropriation	Treasury Director and Executive Assistant Commissioner	Fiscal Year 2026	The Government will establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements.

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			Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.
2023-017: Not used.			
2023-018: Not used.			
2023-019: Allowable Costs/Cost Principles - Payroll Activities	Chief Financial Officer and Deputy Commissioner of Human Resources	October 2024	<p>The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes.</p> <p>Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: Provisional Payroll Codes are requested (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.(2)Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal for certification by the CFO. (4) NOPA's are updated with the provisional codes.</p>
2023-020: Matching, Level of Effort, Earmarking	Chief Financial Officer and Deputy Commissioner of Human Resources	April 2026	While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program.

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			Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.
2023-021: Special Tests and Provisions - EBT Card Security	Program Administrator	April 2026	The Program has drafted a Standard Operating Procedures and Procedures (SOPP) document to outline the EBT Reconciliation process, once the internal review is completed, it will be submitted to the cognizant agency for approval. Additionally, onboarding a Director of Support Services will provide the required compliance and oversight for the EBT card security.
2023-022: Allowable Cost/Cost Principles - Payroll Activities	Program Deputy Commissioner	January 2026	<p>VIDE acknowledges the audit finding regarding the Child Nutrition Cluster payroll and concurs with the recommendation. Because this is a recurring finding from prior year 2022-023, VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program.</p> <p>To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. Furthermore, VIDE will implement a control where the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed to match the action against the approved grant application or staffing list and ensure the project code and pay rate are accurate before the payroll cycle begins.</p> <p>To address the unavailability of timesheets, the program will implement a strict reconciliation protocol wherein the Program Director or designee will verify that the payroll register aligns with approved timesheets prior to performing the drawdown and posting. These timesheets will then be digitally archived in a centralized SharePoint repository organized by pay period to ensure that time and effort documentation is securely retained and immediately available for audit review.</p>

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			To support these new protocols, mandatory training will be conducted for relevant staff and supervisors on these new timesheet procedures, federal time and effort requirements, and the new NOPA reconciliation workflow. Finally, the Office of Fiscal and Administrative Services will conduct monthly spot checks of the SharePoint repository and ERP logs to measure the effectiveness of these controls.
2023-023: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	Program Deputy Commissioner	January 2026	<p>VIDE acknowledges the audit finding regarding the Child Nutrition Cluster Period of Performance and concurs with the recommendation. We recognize that while the cost was incurred during the valid period, the liquidation payment occurred 18 days past the allowable deadline. To prevent recurrence, VIDE will enforce strict protocols for grant closeout and liquidation.</p> <p>To achieve this, VIDE will establish an internal hard stop deadline for invoice submission, requiring that all invoices for expiring grants be submitted to the Fiscal Office no later than 45 days prior to the federal liquidation deadline to provide a necessary buffer to resolve vendor disputes and process payments before the federal cutoff. Additionally, the State Director of Special Nutrition Programs will implement a scheduled notification system to issue closeout alerts to relevant program staff and fiscal support personnel at 90, 60, and 30 days prior to the liquidation deadline, which will trigger the immediate review of open encumbrances and the expediting of pending invoices to ensure the internal hard stop deadline is met. Furthermore, for any valid expenditures remaining unpaid within 30 days of the liquidation deadline, the Fiscal Office will generate a priority payment list and transmit it to the Department of Finance with a high-priority flag to ensure these specific vouchers are processed before the grant period closes. Finally, the Federal Grants Director and the Deputy Commissioner of Fiscal and Administrative Services will review the Grant Expiration Report monthly to identify grants approaching their liquidation deadline and ensure the internal cut-off dates are being adhered to.</p>

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2023-024: Cash Management	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health concurs with the auditor's findings and recommendations. To address this, DOH revised drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.
2023-025: Procurement and Suspension and Debarment	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health (DOH) concurs with the auditor's findings and recommendations. The DOH will work closely with DPP to improve their internal controls to ensure adherence to federal regulations relating to the procurement of goods and services. DOH will encourage DPP to review current records retention policies. To address this, there will be timely coordination and communication with DPP and the Department of Health for the handling and managing of procurement tasks.
2023-026: Cash Management	Commissioner of DOH, Chief Financial Officer	October 2025	DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted internally or externally.
2023-027: Procurement and Suspension and Debarment	Commissioner of DOH, Chief Financial Officer	September 2025	The Department of Health concurs with the Auditor's findings and recommendations. To ensure that the WIC program is included in all processes and receive all documents and correspondence relating to WIC Special Funding as a secondary oversight of the transactions.
2023-028: Reporting	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health will create an internal control procedure to indicate proper review and approval of the SF-425 excel print out from the electronic USDA FPRS System.

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Finding	Contact	Estimated Completion Date	Corrective Action
2023-029: Allowable Costs/Cost Principles - Payroll Activities	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement.
2023-030: Cash Management and Reporting	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.
2023-031: Matching, Level of Effort, Earmarking	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year.
2023-032: Period of Performance	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring.
2023-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	Director of Business Administration	On-going	We acknowledge that some timesheets were currently unavailable because the employees in question are no longer employed at DPNR, and as a result, their user profile is no longer active within the system. We have requested assistance from the Department of Finance in retrieving the necessary timesheets unfortunately, the required information has not yet been provided. DPNR will continue to collaborate with the Department of Finance to ensure the retrieval of any relevant files or reports, and we remain committed to resolving all the findings. We recognize that these findings highlight areas where improvements are necessary to ensure better compliance with applicable policies and regulations governing payroll and grant management.

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Finding	Contact	Estimated Completion Date	Corrective Action
			We are committed to implementing corrective actions and enhancing internal controls to prevent recurrence.
2023-034: Equipment and Real Property Management	Director of Business Administration	On-going	DPNR concurs with the auditor's findings and recommendations. The Asset Management Division (AMD) adheres to Federal equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). In 2022, AMD inventoried four agencies, ensuring compliance with Federal regulations. The completed Standard Operation Policies and Procedures (SOPP) are pending approval, crucial for enhancing internal controls. Training sessions for fixed assets employees are planned, and additional staff will be needed to support the initiative effectively.
2023-035: Cash Management	DPNR Director of Business Administration	December 2026	The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. To address documentation gaps and mitigate risks associated with staff turnover, the department will implement a Naming Convention and File Structure Standard. This will ensure all supporting documentation (invoices, receipts, confirmations) is stored in a consistent, organized manner to facilitate quick retrieval of documents during audits or compliance reviews and secure storage to maintain integrity and accessibility. Training will be provided to all staff on updated SOPPs and documentation standards.
2023-036: Equipment and Real Property Management	Assistant Commissioner	On-going	The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements.

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2023-037: Procurement and Suspension and Debarment	Chief Procurement Officer	On-going	The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced.
2023-038: Reporting	Manager of Federal Grants Management Unit, Agency Heads - Various Departments and Agencies	On-going	The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award.
2023-039: Subrecipient Monitoring	DPNR Director of Business Administration	December 2026	The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, subrecipient and compliance monitoring. Training will be provided to all staff on the SOPPs.
2023-040: Activities Allowed or Unallowed	Unemployment Director	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

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Finding	Contact	Estimated Completion Date	Corrective Action
2023-041: Eligibility	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. VIDOL staff will collaborate with USDOL for technical assistance and data validation to ensure eligibility and record maintenance.
2023-042: Reporting	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The UI Division will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.
2023-043: Special Tests and Provisions - UI Reemployment Programs (WPRS and RESEA)	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. VIDOL will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is implementing a RESEA case management system for reporting and program services, currently in the testing and configuration phase. This case management system will serve as the official system for documenting all services provided to RESEA claimants participating in the program.

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2023-044: Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment	Federal Grants Management Unit and Compliance Unit	September 2025	The Government concurs with the auditor's findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The Government has developed detailed policies and procedures to ensure compliance with federal regulations, including internal controls for subrecipient vetting, documentation, monitoring of expenditures, and clear communication regarding non-compliance. Efforts are underway to finalize overarching policies, such as a Fraud, Waste, and Abuse policy with a whistleblower process. Robust internal controls have been established, including regular financial reviews, segregation of duties, and staff training. Additionally, a monitoring and evaluation framework has been set up through the OMB Compliance Unit, supported by an Audit Committee, to assess and improve the effectiveness of controls. Regular training sessions are provided to all staff involved in grant management to ensure they understand and adhere to compliance requirements.
2023-045: Matching, Level of Effort, Earmarking	Federal Grants Management Unit and Compliance Unit	September 2025	The Government concurs with the auditor's findings and recommendations. OMB recognizes that documentation evidencing the review of the revenue loss calculations for fiscal years 2020, 2021, 2022, and 2023 is not available. Nevertheless, the revenue replacement figures were submitted to Treasury, and the overall report received approval from the Director of OMB, thereby validating the calculation. Moving forward, OMB will enhance its internal controls to ensure all procedural documentation is thoroughly reviewed and approved, with clear evidence of such approval.
2023-046: Procurement and Suspension and Debarment	Federal Grants Management Unit and Compliance Unit	On-going	The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures.

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			Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition. User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement.
2023-047: Reporting	Federal Grants Management Unit and Compliance Unit	September 30, 2025	The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23.
2023-048: Subrecipient Monitoring	Federal Grants Management Unit and Compliance Unit	September 30, 2025	The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. For revenue replacement projects, Treasury's Final Rule FAQ (13.14) states that these funds do not create subrecipient relationships, thus exempting them from the Single Audit Act due to the absence of a federal program or purpose.
2023-049: Allowable Costs/Cost Principles - Payroll Activities	Special Education State Director Deputy Commissioner	January 2026	VIDE acknowledges the audit findings regarding the Special Education Cluster payroll discrepancies and the unreported fraud incident and concurs with the recommendation. VIDE is taking immediate action to align payroll controls with the established fiscal improvement plan and to institutionalize a mandatory federal reporting protocol for fraud. To address the pay rate discrepancies between NOPAs and the payroll register, the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action

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			<p>in the ERP prior to the NOPA being executed. This review matches the action against the approved grant application or staffing list to ensure the pay rate is accurate before the payroll cycle begins. To address fraud reporting, VIDE will implement a Federal Mandatory Disclosure Policy in strict accordance with 2 CFR §200.113 that designates the Office of the Commissioner and the Internal Audit Division as the responsible parties for reporting any credible evidence of fraud, bribery, or gratuity violations to the Federal awarding agency and the OIG.</p> <p>Accordingly, the specific incident cited in the finding regarding the \$5,221 theft related to bus driver timesheets will be immediately reported to the U.S. Department of Education's Office of Inspector General via the online hotline and formal written correspondence to cure the non-compliance. Furthermore, to prevent recurrence of the specific falsified timesheet scheme, VIDE will implement a Service Verification Log for bus drivers and similar service staff wherein supervisors will be required to cross-reference timesheets against daily trip logs or service logs before approving time in the payroll system. Finally, to ensure ongoing compliance, the Office of Fiscal and Administrative Services will conduct monthly spot checks of ERP logs to ensure pre-execution reviews are occurring, and the Internal Audit Division will maintain a log of all investigations to verify that a Notification of Federal Disclosure is attached to any file involving federal funds.</p>
2023-050: Equipment and Real Property Management	Fixed Assets Director	January 2026	<p>VIDE acknowledges the recurring finding regarding Equipment and Real Property Management and concurs with the recommendation. VIDE recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions. VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon</p>

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			<p>physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. Additionally, VIDE is clarifying the role of the Fixed Asset Management Division to ensure they perform the mandatory post-delivery validation as a secondary check to confirm the location, condition, and accuracy of the data recorded by Procurement, thereby ensuring the hand-off between divisions is complete and documented.</p> <p>Due to recent staffing changes, VIDE will conduct mandatory “Roles and Responsibilities” training wherein the Assistant Commissioner will oversee training for Fixed Asset staff regarding validation protocols and the Deputy Commissioner of Fiscal and Administrative Services will oversee training for Procurement staff regarding intake and tagging. VIDE is also updating the data fields within its asset tracking system to strictly mandate the inclusion of all data points required by 2 CFR 200.313, including acquisition date, cost, percentage of federal participation, and ultimate disposition data. Furthermore, the Procurement Division and Fixed Asset Division will conduct quarterly inventory reconciliations to ensure the physical assets match the property records, with any discrepancies identified resolved within 30 days of the audit. Finally, the Fixed Asset Director will submit a “Monthly Asset Status Report” to the Assistant Commissioner for operational review, with a copy submitted to the Deputy Commissioner of Fiscal and Administrative Services for audit compliance tracking, detailing new acquisitions, validation status, and explicitly reporting on any instances where the dual-control process was not followed.</p>
2023-051: Matching, Level of Effort, Earmarking	Special Education State Director Deputy Commissioner	March 2026	<p>The Government concurs with the auditor’s findings and recommendations. VIDE acknowledges need to enhance monitoring and internal controls. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures.</p>

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2023-052: Allowable Costs/Cost Principles - Payroll Activities	Special Education State Director Deputy Commissioner	Immediately	VIDE acknowledges the audit findings regarding the Special Education Cluster payroll discrepancies and concurs with the recommendation. VIDE is taking immediate action to align payroll controls with established fiscal improvement plan. To address the pay rate discrepancies between NOPAs and the payroll register, the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed. This review matches the action against the approved grant application or staffing list to ensure the pay rate is accurate before the payroll cycle begins.
2023-053: Equipment and Real Property Management	Fixed Assets Director	January 2026	The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates.
2023-054: Procurement and Suspension and Debarment	Director of Procurement	Immediately	VIDE acknowledges the audit finding regarding the Consolidated Grant procurement documentation and concurs with the recommendation. VIDE recognizes that the unavailability of approved Short Form Contracts during the audit indicates a gap in record retention and file maintenance. To address this, the Business Office will not process any payment voucher for service-related procurements unless the approved Short Form Contract is attached to the ERP transaction as a mandatory supporting document. To ensure records are maintained and readily available for future reviews, the Procurement Division will digitize all executed Short Form Contracts and upload them to the department's centralized

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			SharePoint repository immediately upon execution. To reinforce these protocols, mandatory refresher training will be conducted for Procurement and Program staff on the new digital archiving requirement and the federal documentation standards for service-related procurements. Finally, the Office of Fiscal & Administrative Services will conduct monthly spot checks of the SharePoint repository to verify that all active service contracts are properly archived and accessible.
2023-055: Reporting	Federal Grants Director	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. Roles and responsibilities of personnel involved will be clearly defined. VIDE will enhance existing system or implement a new system for tracking subawards and provide comprehensive training to staff. Data verification and validation procedures will be strengthened, with formal processes for reviewing data accuracy before submission and regular reconciliations to ensure consistency. Mandatory training sessions will ensure all personnel understand FFATA requirements and new reporting procedures.
2023-056: Allowable Costs/Cost Principles - Payroll Activities	Federal Grants Director	Immediately	The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. Additionally, VIDE will strengthen rate verification processes with a standardized checklist for comparing NOPA rates with payroll system rates, requiring payroll staff to complete it at each pay cycle and maintain a discrepancy tracker.

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Finding	Contact	Estimated Completion Date	Corrective Action
			Mandatory training sessions will be conducted for employees and supervisors to ensure understanding of the new policies, covering timesheet completion, rate verification, and adherence to guidelines.
2023-057: Reporting	Director, Office of Management and Budget (for Subprogram H) Federal Grants Director, VIDE (for Subprograms A & X) Deputy Commissioner of Fiscal and Administrative Services, VIDE (for Subprograms A & X)	Immediately	The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. This includes implementing a structured review and approval process for all performance and special reports, ensuring they are vetted by appropriate officials. Additionally, training will be provided to all staff involved in report preparation and submission.
2023-058: Subrecipient Monitoring	Federal Grants Director	On-Going	VIDE, through the Office of Federal Grants (OFG), acknowledges the finding and concurs with the need to strengthen internal controls related to subrecipient identification, monitoring, and compliance with federal audit requirements, as outlined in 2 CFR Part 200, Subpart F. During the period under review, gaps in documentation and monitoring were impacted by staff turnover, leadership transitions, and programmatic shifts, which limited the consistency and precision of subrecipient oversight across programs. In response, OFG has taken steps to reinforce its role as the pass-through entity and to formalize monitoring expectations and processes. OFG is committed to ensuring that all subrecipient agreements clearly identify the federal award and applicable requirements, including reporting, audit, and compliance obligations under 2 CFR Part 200, Subpart F, in accordance with 2 CFR §§ 200.331 and 200.332. Subrecipient agreements will explicitly outline financial, programmatic, and reporting expectations necessary for VIDE to meet its own federal responsibilities. In addition, OFG is strengthening risk-based subrecipient monitoring practices, including evaluating prior audit results, changes in personnel or systems, and the complexity of subawards to determine the appropriate level of oversight.

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			Monitoring activities will include documented reviews of financial and programmatic reports and follow-up on identified deficiencies, as required. Through these actions, OFG is working to ensure that subrecipients are properly identified, monitored, and supported, and that federal funds are expended in accordance with all applicable statutes, regulations, and award terms.
2023-059: Special Tests and Provisions - Participation of Private School Children	Federal Grants Manager & OMB Compliance Unit	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE is committed to addressing issues related to the participation of private school children in the COVID-19 Education Stabilization Fund. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children.
2023-060: Special Tests and Provisions - Wage Rate Requirements	Director of Procurement	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance. Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance.
2023-061: Not used.			
2023-062: Activities Allowed or Unallowed and	Chief Financial Officer	On-Going	A workflow is established to ensure the proper review and processing of Accounts Payables payments. This includes a level of approval by the Chief Financial Officer.

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Allowable Costs/Cost Principles - Non-Payroll Activities			Any transactions \$50,000 and above require approval by the Agency Head or their Designee. The workflow is then automatically released to the Department of Finance for review, approval and check processing.
2023-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	Chief Financial Officer	March 2026	<p>Once payroll is processed by the Department of Finance, on the payday, a Flex Earnings Report is generated by the staff.</p> <p>A reconciliation is performed to ensure that all employees and their respective fringe benefits are captured and drawn. The Department of Finance posts said payroll. Staffing continues to identify deficiencies in the posting which occur in varying periods after the actual pay day. DHS has incorporated into its internal controls a step to ensure that the accounts, in retrospect, are reconciled to the actual Flex earning report. DHS intends on meeting with the Department of Finance to identify the nuances that create postings to occur contrary to the Flex Earning Report account coding.</p>
2023-064: Equipment and Real Property Management	Chief Financial Officer	April 2026	The Department of Human Services (DHS) maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.
2023-065: Reporting	Program Administrator	January 2026	Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.
2023-066: Special Test and Provision -	Program Administrator	January 2026	Training was provided directly by the Federal Partner to ensure the completion of said reports.

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Protection of Federal Interest in Real Property and Facilities			Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.
2023-067: Special Tests and Provisions - Program Governance	Program Administrator	January 2026	The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular training is now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. Technical Assistance from the Region II TA team assists the Head Start program in meeting this requirement.
2023-068: Eligibility	CCDF Administrator	January 2026	The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff.
2023-069: Matching, Level of Effort, Earmarking	Program Director, Chief Financial Officer and Director of Audit and Compliance	June 2025	DHS is in the process of finalizing corrective actions to address the conditions noted and to enhance compliance across all CCDF funding sources: 1. Formalization of Policies and Procedures DHS will develop and document written policies and procedures governing compliance with CCDF administrative cost caps, quality earmarks, direct services requirements, and level of effort provisions. These procedures will define roles, monitoring responsibilities, documentation standards, and supervisory review requirements.

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			<p>2. Strengthened Monitoring Throughout the Fiscal Year DHS has already implemented periodic monitoring throughout the fiscal year to track administrative, quality, and direct service expenditures against federal requirements, rather than relying solely on final year reporting. Monitoring includes monthly reconciliation of expenditures to accounting records in addition to reoccurring monthly meetings jointly with Program and Fiscal to align plans with outcomes.</p> <p>3. Improved Financial Reporting Controls DHS ensures that all required ACF 696 Financial Reporting Forms are prepared accurately, fully reconciled to the general ledger, and retained in accordance with record keeping requirements. Any discrepancies identified during reconciliation are reviewed and resolved prior to final submission.</p> <p>4. Designation of Compliance Oversight Responsibility DHS has onboarded a Federal Grants Financial Analyst dedicated to the Child Care program in September of 2024. Additionally, in August 2025, a Director of Audit and Compliance was also onboarded. This will allow for a closer collaboration with the external auditors in ensuring compliance with documentation to support audit and federal review. These corrective actions are intended to strengthen DHS's internal control framework, improve documentation and monitoring processes, and ensure sustained compliance with CCDF matching, level of effort, and earmarking requests.</p>
2023-070: Reporting	Chief Financial Officer	January 2026	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor.

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2023-071: Special Tests and Provisions - Health and Safety Requirements	Program Administrator	January 2026	DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes.
2023-072: Special Tests and Provisions - Fraud Detection and Repayment	Program Administrator	April 2026	An internal programmatic audit process is actively utilized, involving the exchange of caseloads between workers. Eligibility and subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.
2023-073: Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	Program Administrator	October 2026	An internal programmatic audit process is actively utilized. Subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.
2023-074: Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Chief Financial Officer	January 2026	The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notice's of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office

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			of Management and Budget through the established process. (2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal certification by the CFO, (4) NOPAS are updated with the provisional codes.
2023-075: Period of Performance	Chief Financial Officer	July 2026	As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance.
2023-076: Reporting	Chief Financial Officer	October 2026	<p>DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report in the Payment Management System financial reporting module.</p> <p>All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants. Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.</p>
2023-077: Allowable Costs/Cost Principles	Program Director and Chief Financial Officer	Immediately	DHS is committed to strengthening internal controls and addressing the auditors' concern related to the reconciliation process and the importance of clear, auditable reconciliation processes that fully support the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and demonstrate compliance with internal control requirements.

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			DHS will continue to collaborate closely with the auditors and other stakeholders in the reconciliation process and SEFA preparation to ensure all affected parties confirm receipt of required documentation so determination of compliance can be readily identified, confirming DHS's commitment to federal funds stewardship. To achieve this, DHS will streamline communication between all parties through a designated point of contact, the Director of Audit & Compliance who onboarded in August 2025, to make certain that necessary documentation is distributed to all stakeholders involved.
2023-078: Eligibility	Director of Operations, Medicaid Director	July 2026	Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files.
2023-079: Matching, Level of Effort, Earmarking	Medicaid Director	July 2026	The ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.
2023-080: Reporting	Medicaid Director	October 2026	Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments.

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			Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.
2023-081: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	July 2026	The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.
2023-082: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	Medicaid Director	July 2026	The Department of Human Services intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of the Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed, and subsequently the utilization of a template for quick calculation. We consider this a high-priority initiative that will provide much-needed revenues to the coffers. Once the contract has been executed, goal is to be up-to-date within 6-9 months.
2023-083: Special Tests and Provisions - ADP Risk Analysis and System Security Review	Medicaid Director, MIS Manager	July 2026	The Department understands the importance of System Security and recognizing its weaknesses and vulnerabilities. In lieu of this, we have conducted an overall cybersecurity risk assessment for entire IT infrastructure. The Department's strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews.
2023-084: Provider Eligibility	Medicaid Director	February 2026	DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions.

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2023-085: Reporting	Territorial Public Assistance Officer	On-going	In accordance with 2CFR #200.303 federal recipients VITEMA/ODR must create internal controls that provide reasonable assurance that FFATA reporting requirements are met. Currently, internal controls have been established to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA). On a monthly basis, the Disaster Program Administrative Assistant is responsible for obtaining the P5 report from the Grants Manager and entering all project with obligated funds exceeding \$30,000 into the SAM.gov database, formerly FRS.gov. The report must be submitted by the end of the following month. Once the data is entered, the Territorial Public Assistance Officer reviews the submission and, upon the verification, certifies that the information has been accurately reported in the federal database. The reports and associated certifications will be placed in a centralized database.
2023-086: Subrecipient Monitoring	Territorial Public Assistance Officer	On-going	The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the recipient, it is the territory's responsibility to notify the Subrecipient when the federal funds are obligated and provide them with a subrecipient agreement which outlines the terms and conditions of the program. The Disaster Program Financial Specialist is responsible for obtaining the subrecipient agreement and ensure it has been signed by the Applicant/Subrecipient and Governor's Authorized Rep and later provided to the Territorial Public Assistance Officer (TPAO). As such, no funds will be disbursed until the Subrecipient signs and returns the agreement. These agreements are saved in a centralized location for documentation and audit purposes. In accordance with the 2CFR #200 Subpart F, all Subrecipients must comply with applicable audit requirements because the applicant is in the receipt of federal funding. Under 2CFR #200.500 Subpart F applies to any non-federal entity that expends \$750,000 or more in federal awards during a fiscal year. Subrecipients meeting this threshold are required to undergo a single audit or a program specific audit for that fiscal year.

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			The TPAO will review audit requirements during the applicant's briefing and will incorporate these requirements into the Subrecipient Agreement.
2023-087: Matching, Level of Effort, Earmarking	Territorial Public Assistance Officer	On-Going	VITEMA concurs with this finding. This information is documented in BSIR as part of the submittal process and does not allow for the submittal of reporting if not verified to meet this requirement. VITEMA will also document this information when preparing the SF 425 report by including this information in the notes section of this report. This will be conducted on a quarterly basis.
2023-088: Reporting	Territorial Public Assistance Officer	On-Going	VITEMA concurs with this finding. VITEMA uses the sub-recipient agreement as the source of documentation for enrollment into FFATA. This agreement is signed by the Director of VITEMA and Sub Recipient. VITEMA's Grant Management staff will upload this information into the FRS/SAMS.GOV system. VITEMA's Deputy Director of Grants Management will review the FFTA information and validate that the information is true and correct based on the amount approved by DHS and sub-recipient agreement. This FFTA document will be signed and dated by the Deputy Director of Grants Management within the 30 days of required enrollment.