

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, 2024

**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, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the Government’s basic financial statements, and have issued our report thereon dated June 30, 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	Qualified
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 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); Lonesome Dove Petroleum Co. (LDPC); 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, LDPC, and MFSPSC which are 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
2024-001	Year-End Close Process and Financial Deficit
2024-002	Revenue and Receivables
2024-003	Grants Management
2024-004	Capital Assets and Related Expenditures
2024-005	Recording of Liabilities
2024-006	Management of the Medicaid Program
2024-007	Unemployment Insurance Trust Fund
2024-008	Workers Compensation Program
2024-009	Payroll, Related Accruals, and Other Expenditures
2024-010	Bank Accounts
2024-011	Other Postemployment Benefits Obligation
2024-012	Accounting Standards Implementation
2024-013	Irregularities Related to Procurement Activities
2024-014	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
2024-015	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 audit disclosed an instance of suspected fraud that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-013. Our opinion is not modified with respect to this matter. The results of our tests also disclosed other 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
2024-016	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.

June 30, 2026



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 of 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, 2024. 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
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
Supplemental Nutrition Assistance Program Cluster (SNAP)	10.551, 10.561	Qualified
WIC Grants to States - Infrastructure Disaster Relief	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
Emergency Supplemental Historic Preservation Fund	15.957	Adverse
Unemployment Insurance	17.225	Adverse
Federal Transit Cluster	20.507	Unmodified
COVID-19 - Emergency Rental Assistance Program	21.023	Unmodified
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Adverse
Construction Grants for Wastewater Treatment Works	66.418	Adverse
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Qualified
Special Education Cluster (IDEA)	84.027A, 84.027X	Qualified
Consolidated Grant to the Outlying 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	Qualified
Head Start Cluster	93.356, 93.600	Qualified
Child Care Development Block Grant (CCDF) Cluster	93.575	Adverse
Social Services Block Grant	93.667	Qualified
Children's Health Insurance Program (CHIP)	93.767	Adverse
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified

Adverse Opinions on Eight 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, 2024.



Qualified Opinions on Twelve 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, 2024.

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, 2024.

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 standards 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 Eight 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	2024-025



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	2024-026
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2024-027
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2024-028
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Eligibility	2024-039
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Procurement and Suspension and Debarment	2024-040
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Subrecipient Monitoring	2024-042
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Special Tests and Provisions - Wage Rate Requirements	2024-043
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2024-044
Labor	17.225	Unemployment Insurance	Eligibility	2024-045
Labor	17.225	Unemployment Insurance	Reporting	2024-046
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	2024-047
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2024-050
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Cash Management	2024-055



Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Reporting	2024-056
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Subrecipient Monitoring	2024-057
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	2024-090
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2024-095
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2024-095
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	2024-097
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2024-098
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2024-099
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2024-101

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 Twelve 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	2024-019
Agriculture	10.578	WIC Grants to States - Infrastructure Disaster Relief	Procurement and Suspension and Debarment	2024-022
Agriculture	10.578	WIC Grants to States - Infrastructure Disaster Relief	Reporting	2024-023
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2024-030
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2024-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2024-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2024-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2024-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2024-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2024-037
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Cash Management	2024-038
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2024-051
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Cash Management	2024-059



Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2024-062
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Indirect Cost	2024-063
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2024-064
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2024-065
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Period of Performance	2024-066
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Procurement and Suspension and Debarment	2024-067
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Payroll Activities	2024-068
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Indirect Cost	2024-069
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2024-070
Education	84.403A	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment	2024-071
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2024-072
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2024-073
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Indirect Cost	2024-074
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Equipment and Real Property Management	2024-075
Education	84.425H	COVID - 19 - Education Stabilization Fund	Reporting	2024-076
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2024-077



Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Allowable Costs/Cost Principles - Payroll Activities	2024-078
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2024-079
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2024-081
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2024-085
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2024-086
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Reporting	2024-087
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Health and Safety Requirements	2024-088
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Fraud Detection and Repayment	2024-089
Health and Human Services	93.667	Social Services Block Grant	Reporting	2024-093
Health and Human Services	93.775, 93.778	Medicaid Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2024-094
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2024-103

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 Table IV 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/ Period of Performance	2024-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2024-020
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2024-029
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment	2024-033
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Reporting	2024-041
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	2024-048
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles - Non-Payroll Activities	2024-053
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles - Payroll Activities	2024-054
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Allowable Costs/Cost Principles - Payroll Activities	2024-058
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Period of Performance	2024-060



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
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Non-Payroll Activities	2024-061
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2024-082
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2024-083
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2024-084
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2024-092
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2024-096
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2024-102

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 items 2024-033 and 2024-048. 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, and as identified in Table V below, to be material weaknesses.

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2024-017
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2024-019
Agriculture	10.578	WIC Grants to States - Infrastructure Disaster Relief	Cash Management	2024-021
Agriculture	10.578	WIC Grants to States - Infrastructure Disaster Relief	Procurement and Suspension and Debarment	2024-022
Agriculture	10.578	WIC Grants to States - Infrastructure Disaster Relief	Reporting	2024-023
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities	2024-025



Table V - 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	2024-026
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2024-027
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2024-028
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2024-030
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2024-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2024-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment	2024-033
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2024-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2024-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2024-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2024-037
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Cash Management	2024-038



Table V - Material Weaknesses in Internal Control Over Compliance

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Eligibility	2024-039
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Procurement and Suspension and Debarment	2024-040
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Reporting	2024-041
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Subrecipient Monitoring	2024-042
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Special Tests and Provisions - Wage Rate Requirements	2024-043
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2024-044
Labor	17.225	Unemployment Insurance	Eligibility	2024-045
Labor	17.225	Unemployment Insurance	Reporting	2024-046
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	2024-047
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	2024-048
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2024-050
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2024-051



Table V - Material Weaknesses in Internal Control Over Compliance

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	Subrecipient Monitoring	2024-052
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Cash Management	2024-055
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Reporting	2024-056
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Subrecipient Monitoring	2024-057
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Cash Management	2024-059
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Non-Payroll Activities	2024-061
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2024-062
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Indirect Cost	2024-063
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2024-064
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2024-065
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Period of Performance	2024-066
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Procurement and Suspension and Debarment	2024-067
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Payroll Activities	2024-068
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Indirect Cost	2024-069



Table V - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2024-070
Education	84.403A	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment	2024-071
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2024-072
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2024-073
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Indirect Cost	2024-074
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Equipment and Real Property Management	2024-075
Education	84.425H	COVID - 19 - Education Stabilization Fund	Reporting	2024-076
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2024-077
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Allowable Costs/Cost Principles - Payroll Activities	2024-078
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2024-079
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2024-081
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2024-082
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2024-083
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2024-084



Table V - 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	93.575	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2024-085
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2024-086
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Reporting	2024-087
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Health and Safety Requirements	2024-088
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Fraud Detection and Repayment	2024-089
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	2024-090
Health and Human Services	93.667	Social Services Block Grant	Reporting	2024-093
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2024-095
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2024-096
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2024-094



Table V - 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	93.775, 93.778	Medicaid Cluster	Eligibility	2024-095
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2024-096
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	2024-097
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2024-098
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2024-099
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2024-101
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2024-102
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2024-103

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 VI below, to be significant deficiencies:



Table VI - 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/ Period of Performance	2024-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2024-020
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2024-029
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2024-049
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles - Non-Payroll Activities	2024-053
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles - Payroll Activities	2024-054
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Allowable Costs/Cost Principles - Payroll Activities	2024-058
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Period of Performance	2024-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2024-080
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2024-091
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2024-092



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, 2024, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated June 30, 2026, which contained a qualified opinion on the financial statements of the general fund and federal grants fund opinion unit, a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, 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.

June 30, 2026

**Schedule of Expenditures
of Federal Awards**

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$	66,612
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	\$ 126,655	241,001
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525	001561211	72,508	72,508
Child Nutrition - Technology Innovation Grant	10.541			13,376
<u><i>SNAP Cluster</i></u>				
Supplemental Nutrition Assistance Program (SNAP)	10.551			72,308,337
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,915,837
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			13,700
<i>Total SNAP Cluster</i>				77,237,874
<u><i>Child Nutrition Cluster</i></u>				
National School Lunch Program (NSLP)	10.555			2,561,050
COVID-19 - National School Lunch Program (NSLP)	10.555			148,740
Summer Food Service Program for Children (SFSPC)	10.559			2,589,865
Fresh Fruit and Vegetable Program (FFVP)	10.582			15,319
<i>Total Child Nutrition Cluster</i>				5,314,974
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			4,793,942
Child and Adult Care Food Program (CACFP)	10.558			118,545
State Administrative Expenses for Child Nutrition	10.560			371,828
<u><i>Food Distribution Cluster</i></u>				
Emergency Food Assistance Program (Administrative Costs)	10.568			45,900
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			10,894
<i>Total Food Distribution Cluster</i>				56,794
WIC Grants to States - Infrastructure Disaster Relief	10.578			2,019,006
Child Nutrition Discretionary Grants Limited Availability	10.579			106,781
Urban and Community Forestry Program	10.675	001561211		80,014
Forest Legacy Program	10.676			9,586
Forest Stewardship Program	10.678			66,656
Soil and Water Conservation	10.902			71,201
Total U.S. Department of Agriculture			199,163	90,640,698

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	1,451,011	1,475,880
Broadband Equity, Access, and Deployment Program	11.035			21,744
<i>Economic Development Cluster</i>				
Economic Adjustment Assistance	11.307			3,000
Interjurisdictional Fisheries Act of 1986	11.407			1,122
Coastal Zone Management Administration Awards	11.419	0169363814	371,579	1,029,807
Cooperative Fishery Statistics	11.434			132,163
Southeast Area Monitoring and Assessment Program	11.435			121,488
COVID-19 - Unallied Management Projects	11.454	0169363814		5,074
Habitat Conservation	11.463	0169363814	82,860	82,860
Meteorologic and Hydrologic Modernization Development	11.467			452,360
Unallied Science Program	11.472	0169363814		65,868
Office for Coastal Management	11.473			2,000
Coral Reef Conservation Program	11.482		184,922	542,893
Total U.S. Department of Commerce			2,090,372	3,936,259
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			3,300,690
U.S. Department of the Interior				
<i>Fish and Wildlife Cluster</i>				
Sport Fish Restoration Program	15.605		9,926	1,264,337
Wildlife Restoration and Basic Hunter Education	15.611		131,058	1,972,125
<i>Total Fish and Wildlife Cluster</i>				<u>3,236,462</u>
Cooperative Endangered Species Conservation Fund	15.615	160342882	20,000	53,729
Sportfishing and Boating Safety Act	15.622	160342882	78,800	95,321
Coastal	15.630			12,479
State Wildlife Grants	15.634		6,954	119,446

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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	279,191	6,024,723
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			393,529
				6,418,252
Historic Preservation Fund Grants-In-Aid	15.904	160342882		382,437
Outdoor Recreation Acquisition, Development and Planning	15.916			6,280
Emergency Supplemental Historic Preservation Fund	15.957	160342882	6,964,757	7,336,833
Total U.S. Department of the Interior			7,490,686	17,661,239
U.S. Department of Justice				
Juvenile Justice and Delinquency Prevention	16.540			16,200
Crime Victim Assistance	16.575	829924047	1,096,316	1,108,481
Crime Victim Compensation	16.576			50,330
Violence Against Women Formula Grants	16.588	829924047	671,130	683,027
Residential Substance Abuse Treatment for State Prisoners	16.593			69,240
State Criminal Alien Assistance Program	16.606			142,162
Project Safe Neighborhoods	16.609		5,919	6,409
Public Safety Partnership and Community Policing Grants	16.710			556,798
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	392,814	853,157
Total U.S. Department of Justice			2,166,179	3,485,804
U.S. Department of Labor				
Labor Force Statistics	17.002			412,741
Compensation and Working Conditions	17.005			31,678
<i>Employment Service Cluster</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,113,706
Jobs for Veterans State Grant	17.801			113,201
<i>Total Employment Service Cluster</i>				1,226,907
Unemployment Insurance	17.225			7,308,524
COVID-19 - Unemployment Insurance	17.225			361,709
				7,670,233
Senior Community Service Employment Program	17.235			792,457

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Labor (continued)				
<i>WIOA Cluster</i>				
WIOA Adult Program	17.258			686,889
WIOA Youth Activities	17.259			982,823
WIOA Dislocated Worker Formula Grants	17.278			1,156,488
<i>Total WIOA Cluster</i>				2,826,200
Work Opportunity Tax Credit Program (WOTC)	17.271			20,051
Temporary Labor Certification for Foreign Workers	17.273			9,999
WIOA Adult, Dislocated Worker and Youth Outlying Areas Consolidated Grants	17.290			87,523
Occupational Safety and Health State Program	17.503			180,401
Total U.S. Department of Labor			-	13,258,190
U.S. Department of Transportation				
Highway Planning and Construction	20.205			25,159,654
<i>FMCSA Cluster</i>				
Motor Carrier Safety Assistance Program	20.218			162,425
<i>Federal Transit Cluster</i>				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			7,831,893
COVID -19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			632,462
<i>Total Federal Transit Cluster</i>				8,464,355
Public Transportation Emergency Relief Program	20.527			23,165
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	147287705		1,748,465
Total U.S. Department of Transportation			-	35,558,064
U.S. Department of the Treasury				
COVID-19 - Emergency Rental Assistance Program	21.023		5,512,187	5,512,187
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		17,962,334	96,163,541
Total U.S. Department of Treasury			23,474,521	101,675,728
National Foundation on the Arts and Humanities				
Promotion of the Arts Partnership Agreements	45.025	135962475	370,280	370,280
Grants to States	45.310			53,372
Total National Foundation on the Arts and Humanities			370,280	423,652

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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				
Multipurpose Grants to States and Tribes	66.204			6,210
Construction Grants for Wastewater Treatment Works	66.418	138919282	4,524,909	6,410,177
Water Quality Management Planning	66.454			450
Regional Wetland Program Development Grants	66.461	138919282	39,641	39,847
Capitalization Grants for Drinking Water State Revolving Fund	66.468	138919282	3,860,135	3,989,465
Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600			14,776
Performance Partnership Grants	66.605	138919282		616,402
Pollution Prevention Grants Program	66.708	138919282	343,562	343,562
Hazardous Waste Management State Program Support	66.801			110,628
State and Tribal Response Program Grants	66.817			276,409
Total U.S. Environmental Protection Agency			8,768,247	11,807,926
U.S. Department of Energy				
State Energy Program	81.041			372,654
Weatherization Assistance for Low-Income Persons	81.042			459,450
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128			4,456
Total U.S. Department of Energy			-	836,560
U.S. Department of Education				
COVID-19 - American Rescue Plan - Adult Education - Basic Grants to States	84.002A			270,413
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA, Part B)	84.027A			8,214,094
COVID-19 - American Rescue Plan - Individuals with Disabilities Education Act	84.027X			201,606
<i>Total Special Education Cluster (IDEA)</i>				8,415,700
State Vocational Rehabilitation Services	84.126A			1,788,301
Independent Living Services for Older Individuals Who are Blind	84.177B			18,486
Special Education - Grants for Infants and Families	84.181			352,430
Special Education - Grants for Infants and Families - Infant & Toddlers/Families (Part C)	84.181A			13,263
				365,693

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Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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)				
Innovative Approaches to Literacy: Promise Neighborhoods Comprehensive Literacy State Development	84.215K			55,795
Consolidated Grant to the Outlying Areas	84.371C			177,435
Student Support and Academic Enrichment Program	84.403A		472,820	16,668,238
Stronger Connection Grant (SCG)	84.424			17,594
	84.424F			65,692
				83,286
<i>COVID-19 - Education Stabilization Fund</i>				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			12,954,094
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H		821,699	4,933,539
COVID-19 - American Rescue Plan - State Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			31,370,759
<i>Total COVID-19 - Education Stabilization Fund</i>				49,258,392
Total U.S. Department of Education			1,294,519	77,101,739
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404			136,968
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
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			754,572
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 Recue Plan for Nutrition Services Under Title III-C of the Old Americans Act	93.045			145,014
<i>Total Aging Cluster</i>				899,586

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Health and Human Services (continued)				
Public Health Emergency Preparedness	93.069			517,322
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			35,769
Maternal and Child Health Federal Consolidated Programs	93.110			314,213
COVID-19 - Maternal and Child Health Federal Consolidated Programs	93.110			450,980
				<u>765,193</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			98,237
Emergency Medical Services for Children	93.127			182,941
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			124,110
Injury Prevention and Control Research and State and Community Based Programs	93.136			57,465
Projects for Assistance in Transition from Homelessness (PATH)	93.150	001560155		6,500
Grants to States for Loan Repayment	93.165			366,256
Family Planning-Services	93.217			924,359
COVID-19 - Family Planning-Services	93.217			182,396
				<u>1,106,755</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			93,029
Early Hearing Detection and Intervention	93.251			208,832
Immunization Cooperative Agreements	93.268			954,109
COVID-19 - Immunization Cooperative Agreements	93.268			415,061
				<u>1,369,170</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,292,141
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			4,084,148
				<u>5,376,289</u>
Behavioral Risk Factor Surveillance System	93.336			192,329
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			59,148
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			51,539
				<u>110,687</u>

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Health and Human Services (continued)				
<u>Head Start Cluster</u>				
Head Start Disaster Recovery	93.356			12,552,918
Head Start	93.600			8,447,016
COVID-19 - Head Start	93.600			149,790
<i>Total Head Start Cluster</i>				21,149,724
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			343,097
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT)				
Health Department Response to Public Health or Healthcare Crises	93.391			1,019,341
Congressional Directives	93.493			1,897,000
Public Health Training Centers Program	93.516			776,362
Marylee Allen Promoting Safe and Stable Families	93.556			311,578
Temporary Assistance for Needy Families (TANF)	93.558			1,596,625
COVID-19 - Temporary Assistance for Needy Families (TANF)	93.558			(9,000)
				1,587,625
Payments to Territories - Adults	93.560			987,000
Child Support Services	93.563			6,442,850
Low Income Home Energy Assistance Program (LIHEA)	93.568			85,688
COVID-19 - Consolidated Appropriations Act				
Low Income Home Energy Assistance (LIHEA)	93.568			105,225
				190,913
<u>Child Care Development Block Grant (CCDF) Cluster</u>				
Child Care and Development Block Grant	93.575			2,124,710
COVID-19 - Child Care and Development Block Grant	93.575			10,171,402
<i>Total CCDF Cluster</i>				12,296,112

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Health and Human Services (continued)				
State Court Improvement Program	93.586			107,031
Community-Based Child Abuse Prevention Grant	93.590			57,320
Grants to States for Access and Visitation Programs	93.597			99,821
Stephanie Tubbs Jones Child Welfare Services Program	93.645			35,672
Social Services Block Grant	93.667			6,884,763
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671			151,413
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			5,256
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			2,995
Children's Health Insurance Program (CHIP)	93.767			6,141,108
Medicare Prescription Drug Coverage	93.770			508,677
<i>Medicaid Cluster</i>				
State Medicaid Fraud Control Units	93.775			423,105
Medical Assistance Program (Medicaid; Title XIX)	93.778			137,737,988
<i>Total Medicaid Cluster</i>				138,161,093
Opioid STR	93.788			(1,819)
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			958,770
COVID-19 - Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			144,485
				1,103,255
National Bioterrorism Hospital Preparedness Program	93.889			330,909
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			668,742
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			583,461
HIV Prevention Activities-Health Department Based	93.940			923,416
Block Grants for Community Mental Health Services	93.958			361,135
COVID-19 - Block Grants for Community Mental Health Services	93.958			81,397
				442,532
Block Grants for Substance Use Prevention, Treatment, and Recovery Services	93.959			516,799
COVID-19 - Block Grants for Substance Use Prevention, Treatment, and Recovery Services	93.959			206,799
				723,598
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967			988,018

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

<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 Health and Human Services (continued)				
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			226,089
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			534,757
				760,846
Preventive Health and Health Services Block Grant	93.991			211,010
Maternal and Child Health Services Block Grant to the States	93.994			1,531,503
				-
Total U.S. Department of Health and Human Services				218,932,692
Corporation for National and Community Service				
<i>Foster Grandparent/Senior Companion Cluster</i>				
Foster Grandparent Program (FGP)	94.011			56,173
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	75,707	76,656
Boating Safety Financial Assistance	97.012			454,603
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	194,161,499	378,501,944
Hazard Mitigation Grant Program (HMGP)	97.039	825544042	16,168,684	19,244,792
Emergency Management Performance Grants	97.042			706,985
COVID-19 - Emergency Management Performance Grants	97.042			35,801
				742,786
Homeland Security Grant Program (HSGP)	97.067	825544042	35,895	1,327,859
Earthquake State Assistance	97.082			48,591
				-
Total U.S. Department of Homeland Security			210,441,785	400,397,231
Total Expenditures of Federal Awards			\$ 256,295,752	\$ 979,209,613

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, 2024, 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 \$72,308,337) and the food cost (ALN 10.557 in the amount of \$3,252,642) 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 2024, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$713,531 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)	\$ 5,159,650
Federal UI Benefits (Administration)	2,510,583
<hr/>	
Total	\$ 7,670,233

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, 2024, 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 April 2026, federal assistance awarded to the Territory included \$22.1 billion in FEMA Public Assistance grants, \$77.3 million in Federal Highway grants, \$233.1 million in FEMA Hazard Mitigation grants, \$1.9 billion in Community Development Block Grants, and \$251.0 million in other grants for a total of \$24.5 billion dollars.

Global Pandemic and Economic Relief Legislation

Through January 2026, 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

As the result of an investigation by the United States Department of Justice, three members of the Government's management team were convicted 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, 2024, 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, 2024

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	Qualified
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? X Yes No
- Significant deficiency(ies) identified? X Yes None reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

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

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

<u>Assistance Listing</u>	<u>Major Federal Program or Cluster</u>	<u>Opinion</u>
<u>Number(s)</u>		
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Qualified
10.578	WIC Grants to States - Infrastructure Disaster Relief	Qualified

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Assistance Listing

<u>Number(s)</u>	<u>Major Federal Program or Cluster</u>	<u>Opinion</u>
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
15.957	Emergency Supplemental Historic Preservation Fund	Adverse
17.225	Unemployment Insurance	Adverse
20.507	Federal Transit Cluster	Unmodified
21.023	COVID-19 - Emergency Rental Assistance Program	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Adverse
66.418	Construction Grants for Wastewater Treatment Works	Adverse
66.468	Capitalization Grants for Drinking Water State Revolving Fund	Qualified
84.027A, 84.027X	Special Education Cluster (IDEA)	Qualified
84.403A	Consolidated Grant to the Outlying Areas	Qualified
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Qualified
93.356, 93.600	Head Start Cluster	Qualified
93.575	Child Care Development Block Grant (CCDF) Cluster	Adverse
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program (CHIP)	Adverse
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Qualified

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

Yes No

Identification of major federal programs:

Assistance Listing

<u>Number(s)</u>	<u>Major Federal Program or Cluster</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
10.578	WIC Grants to States - Infrastructure Disaster Relief
12.401	National Guard Military Operations and Maintenance (O&M) Projects
15.605, 15.611	Fish and Wildlife Cluster
15.875	Economic, Social, and Political Development of the Territories
15.957	Emergency Supplemental Historic Preservation Fund

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Assistance Listing

<u>Number(s)</u>	<u>Major Federal Program or Cluster</u>
17.225	Unemployment Insurance
20.507	Federal Transit Cluster
21.023	COVID-19 - Emergency Rental Assistance Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
66.418	Construction Grants for Wastewater Treatment Works
66.468	Capitalization Grants for Drinking Water State Revolving Fund
84.027A, 84.027X	Special Education Cluster (IDEA)
84.403A	Consolidated Grant to the Outlying Areas
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.356, 93.600	Head Start Cluster
93.575	Child Care Development Block Grant (CCDF) Cluster
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program (CHIP)
93.775, 93.778	Medicaid Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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, 2024

Section II - Financial Statement Findings

Finding 2024-001: 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.

Additionally, our review of the Government's draft financial statements identified inconsistencies and omissions in note disclosures, as well as classification and presentation issues for certain account balances. Specifically:

- The draft financial statements omitted the required disclosure for refundable advances in the notes.
- Tobacco Settlement Rights receivables and related unearned revenue were improperly presented in the government-wide financial statements instead of the Debt Service Fund, which required an adjustment.
- The effect of blending component units was not appropriately assessed; \$4.9 million of federal revenue and expense should have been reversed based on blending results.
- A transaction of \$18.4 million was presented as repayments of advances funded through a line of credit, rather than as a transfer between funds, which required an adjustment.

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, 2024

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)/Governmental Accounting Standard Board (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. The Government 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, 2024, several of the Government's components did not have audited financial statements nor reported their 2024 financial transactions in the financial statements. These include Virgin Islands Port Authority, Virgin Islands Water and Power Authority, Virgin Islands Economic Development Authority, University of the Virgin Islands, Virgin Islands Waste Management Authority, Governor Juan F. Luis Hospital and Medical Center, Magens Bay Authority, Virgin Islands Housing Finance Authority, Schneider Regional Medical Center, Virgin Islands Waste Management Authority, and Virgin Islands Research and Technology Park Corporation.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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. We noted one of the component units should have been classified as major rather than non-major in accordance with GASB guidance. We also noted that the schedule of due to and due from component units did not reconcile with the amounts presented in the financial statements.

In addition, the Government recorded \$67.3 million as revenue related to repayments of advances funded through the Series 2023 Line of Credit. Based on our review, these amounts appear to be reimbursements from several component units for payments the Government made to provide cash flow support and ease operational cash flow constraints at the component unit level. We were unable to obtain sufficient appropriate audit evidence regarding the nature of these transactions, including whether they meet the criteria for revenue recognition or should be reported as transfers, nor were we able to determine the accuracy and completeness of the amounts recorded.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 coronavirus (COVID-19) pandemic. Collectively, these factors have materially and adversely affected the Government's financial stability.

Cause - The Government continues to face significant financial challenges resulting from long-term structural deficits, increased debt service obligations, limited access to external financing, difficulties in implementing cost-saving measures, and inefficiencies in financial management practices. These factors have substantially impeded the Government's ability to stabilize its financial position and effectively address ongoing fiscal constraints.

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 multi-faceted plan that includes legislative measures to enhance revenue, cost-reduction initiatives, and proposed increases in employee pension contributions.

We further recommend that management continue to develop and implement a comprehensive financial recovery plan to address its continuing financial challenges and improve its overall financial stability. This plan should include strategies to reduce recurring operating losses, strengthen budgetary controls, monitor and manage debt service obligations, evaluate long-term funding approaches for pension and OPEB liabilities, and identify opportunities to restore revenues and control expenditures. Management should also perform regular assessments of financial condition and cash flow projections to support timely corrective action and improve the Government's ability to maintain fiscal sustainability.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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.

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 thirteen (13) journal entries and found all were created and posted by the same user, with no evidence of review by other authorized personnel.

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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.

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Finding 2024-002: 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 that the Government does not reconcile its subsidiary registers with its tax receivable general ledger account balances.

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.

Condition - We noted that 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 these automated edit checks detect many errors, they do not ensure the complete accuracy of the information entered. Accordingly, reliance primarily on automated edit checks and random-sample reviews does not fully ensure the accuracy and reliability of the data entered.

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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 - Management should maintain timely, complete, and accurate real property tax records and related supporting documentation to ensure effective control over real property tax receivables and revenues and to support accurate financial reporting in accordance with applicable governmental accounting standards.

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 receivables, we sampled five (5) transactions and noted that the interest penalty was calculated incorrectly.
- During our testing of real property tax credits, we selected a sample of ten (10) items and noted that one (1) tax credit was issued without sufficient supporting documentation.

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.

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Effect or Potential Effect - The matters noted may result in inaccurate tax billings, unsupported tax credits, and incorrect interest calculations, which could cause misstatements in real property tax receivables, revenue, and tax credit balances. These issues may also lead to taxpayer disputes, improper collections or adjustments, revenue loss, and reduced confidence in the Government's tax administration and financial reporting processes.

Recommendation - Management should review the tax roll listing to identify properties owned by the Government and its component units and ensure that appropriate tax credits or exemptions are applied. Management should also implement enhanced controls to ensure that tax billings are issued only to taxable properties. In addition, management should review and correct the penalty interest calculation methodology to ensure that it reflects the appropriate time period. Regular internal reviews and staff training should be conducted to help prevent future discrepancies. Management should strengthen controls over the issuance of real property tax credits by requiring complete and adequate supporting documentation before approval and processing. Management should also implement a formal review process to verify that all tax credits are properly supported, authorized, and accurately recorded.

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. Allowance for Doubtful Debts

Criteria - Estimates for the allowance for doubtful accounts should be based on complete, accurate, and current accounts receivable aging reports, together with a periodic assessment of recent collection trends and other relevant account-level risk factors.

Condition - The allowance for doubtful accounts continues to be calculated using a formula established several years ago. Management's computation of the allowance places a high degree of reliance on prior years' collection rate. Management did not perform a year-end reassessment to determine whether the historical percentages remained appropriate under current receivable aging, collection patterns, and economic conditions.

Cause - Management has continued to rely on a legacy methodology and has not implemented a formal process to periodically validate and update the allowance model using current aging data, recent collection experience, and other relevant performance indicators.

Effect or Potential Effect - As a result, the allowance may not reflect the current collectability of receivables, and bad-debt expense may not be recognized in the proper period or amount. This may lead to an understatement of the allowance for doubtful accounts and accounts receivable being reported at amounts that exceed their net realizable value, which could also affect management's ability to monitor collections and cash flow.

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Recommendation - We recommend that management re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management should also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate. A revised methodology would improve the accuracy of the allowance estimate, better align bad-debt expense with related revenue, and support more effective cash flow management.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management will also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Hotel Development Program

Criteria - The Bureau should design, implement, and maintain effective internal controls to ensure that hotel occupancy taxes and economic recovery fees reported and remitted under the Hotel Development Program are calculated, collected, and recorded in accordance with the applicable Hotel Development Agreements and related statutory requirements.

Condition - The Government had not established and implemented sufficient review controls to verify that amounts reported on hotel tax filings and related remittances were calculated in accordance with the terms of the applicable Hotel Development Agreements, including the use of the proper pledged percentages. Based on our review of one Hotel Development Agreement, we noted that the Bureau was required to collect a 7.5% hotel economic recovery fee from the participating hotel developer; however, the Bureau collected only 6.0%.

Cause - The Government did not have a formal process in place to ensure the correct agreement rates were identified and applied to hotel tax filings and remittances.

Effect or Potential Effect - Amounts due under the Program may be incorrectly calculated, collected, remitted, pledged, or restricted, increasing the risk of noncompliance with the applicable agreements and the risk of financial statement misstatement.

Recommendation - We recommend that the Government establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages. Such controls should include a documented review of the governing agreement terms, verification of the rates applied, and timely reconciliation of the amounts reported on filed calculations and amounts collected to the applicable contractual requirements to help ensure that all amounts due under the Program are accurately assessed and collected.

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Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages. 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 2024-003: 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 that significant transactions paid to, or transferred to, various Government departments were erroneously reported as subrecipient transactions.

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. 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 - Management should strengthen its review and reporting controls over transactions paid or transferred to Government departments to ensure they are properly evaluated, classified, and reported in accordance with applicable grant and financial reporting requirements. Management should also implement a review process to verify the accuracy of subrecipient classifications before submission of the related reports.

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.

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:

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- 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 four (4) of one hundred and seventy-eight (178) sampled transactions related to drawdowns made during fiscal year 2024.
- The Government was unable to provide supporting documentation to substantiate proper revenue recognition for one (1) of fourteen (14) sampled transactions related to federal grant receivables.

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.
- 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.

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C. Accounting for Subaward Reimbursement

Criteria - In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, transactions should be recognized and reported based on their underlying substance and timing of eligibility requirements. Resources received or returned in connection with nonexchange transactions should be evaluated to determine whether they represent current-period inflows, receivables, reductions of prior outflows, or other balance sheet activity.

Condition - The Government received funding under ALN 21.023, *Emergency Rental Assistance Program*, and passed the funds through to the Virgin Islands Housing Finance Authority (VIHFA), a component unit, as a subaward. Based on our review, VIHFA returned approximately \$7.5 million to the Government during the year for amounts previously disbursed in excess of the subaward agreement. This repayment represented the recovery of prior-year overpayments and, therefore, did not constitute federal financial assistance. However, the Government recorded the reimbursement as other income rather than as an offset to the prior-year receivable, which had not been recorded.

Cause - This issue appears to have resulted from inadequate monitoring and reconciliation of subaward expenditures against approved grant award amounts, as well as a lack of clear guidance for accounting for reimbursements of prior-year overpayments.

Effect or Potential effect - Overpayments to subawardees indicate noncompliance with federal grant requirements. Because the reimbursement represented a recovery of prior-year overpayments rather than current-year revenue or federal financial assistance, recording the amount as other income may overstate current-year revenue and misstate the nature of the transaction. In addition, prior-year receivable balances or related accounts may not have been properly recognized or adjusted, resulting in an inaccurate presentation of financial position and changes in net position or fund balance.

Recommendation - We recommend that management strengthen subaward monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management should also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will strengthen subrecipient monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management will also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts. 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.

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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, 2024.

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 2024-004: Capital Assets and Related Expenditures

A. Record Keeping

Criteria - GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*, 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:

- Forty-six (46) capital expenditure line items, totaling approximately \$1.6 million, appeared to meet the criteria for capitalization but had not been recognized as capital asset additions during the year.
- Thirteen (13) invoices related to capital asset accruals, totaling approximately \$0.3 million, appeared to meet the criteria for capitalization but had not been recognized as capital asset additions during the year.
- We were unable to determine whether adjustments to beginning balances for capital assets and accumulated depreciation were necessary.

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 Departments and Agencies (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 registers 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(s).

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:

- We selected a sample of twenty-two (22) construction-in-progress (CIP) assets for project status testwork and five (5) CIP assets recorded as CIP transfers. For the project status testwork, supporting documentation was not provided for sixteen (16) of the twenty-two (22) assets selected. In addition, for one (1) of the twenty-two (22) assets selected, the project was confirmed to have been completed in prior fiscal years but remained recorded as CIP as of September 30, 2024. For the CIP transfer testwork, supporting documentation was not provided for four (4) of the five (5) items selected.
- 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:

- An overall documented impairment analysis was not available for audit review.
- Certain assets were not readily traceable to the asset registers due to lack of a proper ID.
- Some damage assessments and physical inventory counts for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them.

Cause - Each division or department appeared to have its own separate process for conducting damage assessments and physical inventory counts, resulting in 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, lack of proper asset ID may result in improper accounting of the transaction(s) with respect to the derecognition of the assets from the books. 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 Government.

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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Finding 2024-005: 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 \$144.1 million retroactive pay liability reflected in the books and records; however, the supporting schedules can only confirm \$135.0 million, which is based on an analysis of CBAs from the initial retroactive pay wage commission findings. Additionally, approximately 70.0% 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 - There appears to be a lack of controls and procedures around the Government's claims data process.

Effect or Potential Effect - The liabilities and related expenses may be understated or misstated because medical claims have not been analyzed and reported, 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. 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.

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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.

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.

D. Completeness and Accuracy of Pension 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.

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

- Active employees - We recalculated the number of active employees based on roll-forward details as 6,615, while the census data provided reflected 6,322 employees, resulting in a variance of 293 employees (4.6%).

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- Retirees and beneficiaries - We recalculated the number of retirees and beneficiaries based on roll-forward details as 8,050, while the census data provided reflected 7,715 individuals, resulting in a variance of 335 employees (4.3%).

We further noted that the pension census data submitted to actuarial service providers contained significant discrepancies when compared to employee records maintained by the Government. 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 one (1) employee, we identified a discrepancy in salary information when comparing the census data to the latest details in the NOPA records.
- For two (2) employees, we identified discrepancies in both hire dates and salary information between the census data and the most recent NOPA records.
- For one (1) retiree, detailed NOPA records were not available. However, we performed alternative procedures by verifying the individual's hire date and employment status in the Munis system, which confirmed that the individual was a former employee who has since retired.

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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E. Income Tax Refunds Payable

Criteria - Paragraph 102 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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.

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 was not properly accrued, resulting in an understatement of approximately \$90.0 million, which 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.

F. 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, 2023, the Retirement System was 10.33% funded for the year ended September 30, 2024. The same report also disclosed a net pension liability of approximately \$4.0 billion, representing a long-term obligation that the Government is responsible for funding.
- As per the OPEB actuarial valuation report as of October 1, 2023, the OPEB plan reflected a total OPEB liability of approximately \$812.3 million, representing long-term medical, dental, and other postemployment benefit obligations that the Government is responsible for funding.

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 2024-006: 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 2024 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, 2024, 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) is requesting federal authorization for sole sourcing to allow the process to move forward with the previous vendor of record. Once approval is obtained and the contract is executed, DHS intends to issue a Notice to Proceed so the implementation of the audit recommendation can continue. 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 2024-007: 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, 2024, thereby affecting the auditor's ability to opine on said opinion units.

Recommendation - To prevent significant errors and possible irregularities, including fraud, from occurring and remain 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 2024-008: Workers Compensation Program

A. Actuarial Valuation

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 statement 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 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.

B. Claims Expenditure

Criteria - Management is responsible for ensuring that workers' compensation claims expenditures, which may require significant judgment and estimation, are based on accurate underlying data and are subject to appropriate review controls to ensure completeness, accuracy, and proper financial statement recording.

Condition - During our audit procedures over workers' compensation claims expenditures for the year ended September 30, 2024, we identified an error in the calculation and recording of claims expenditures. Management recorded an expenditure of \$4.4 million; however, the correct amount was \$2.6 million, which required an adjustment.

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Cause - The error was caused by an insufficient review of the workers' compensation reports and related calculations to ensure the accuracy of the recorded expenditure amount.

Effect or Potential Effect - Workers' compensation claims expenditures and the related liability were overstated. Although the misstatement was identified and corrected during the audit, the condition demonstrates a deficiency in internal controls over the review and recording of claims expenditures. If not addressed, similar errors could occur in future reporting periods and may result in material misstatements to the financial statements.

Recommendation - We recommend that management enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management should implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements. This review should be documented and performed in a timely manner to help ensure that claims expenditures and related liabilities are complete, accurate, and properly reported.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management will implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements. 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 2024-009: 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 - During our review of the compensated absences schedule for the year, we identified the following:

- Twenty (20) instances in which the employee pay rate used in the compensated absences report did not agree to the rates from the last payroll cycle of the fiscal year.
- In several instances, employees in certain labor categories received overtime payments that exceeded 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 - These conditions increase the risk that payroll expense, compensated absences liabilities, accrued leave balances, and related disclosures may be incomplete, inaccurate, or unsupported. Inaccurate employee data, inconsistent pay rates, redundant records, and missing supporting documentation may result in errors in the calculation and reporting of payroll-related amounts and may impair management's ability to effectively monitor and reconcile payroll and leave activity.

Recommendation - We recommend that the Government consider the following:

- 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.
- Strictly adhere to, or consider revising, its records retention policy.

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.

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B. Transactions with Personnel

Criteria - The Government has established policies governing executive and other employee expense reimbursements, which require that all business expenses incurred through credit cards or advance payments be supported by adequate documentation. Required documentation includes, as applicable, a statement of expense, purchase order, approved Government Travel Request, travel voucher, and receipts sufficient to substantiate each element of the expenditure.

Condition - We noted that, for two (2) sampled selections, expenditures were not recorded in the proper period. In addition, for one (1) sampled selection, supporting documentation was not available to substantiate the expense.

Cause - The Government did not consistently follow its established policies and did not maintain the supporting documentation necessary to demonstrate compliance with requirements related to employee reimbursement transactions.

Effect or Potential Effect - Failure to follow established policies and maintain adequate supporting documentation increases the risk of financial misstatements, improper period recognition, unauthorized transactions, and potential misuse of public funds.

Recommendation - We recommend that the Government strengthen its monitoring controls to ensure compliance with its reimbursement policies and implement an independent review process to verify that expenditures are properly supported, accurately recorded, and recognized in the appropriate reporting period.

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.

Condition - During our sampling procedures over general expenses, we noted that twenty-two (22) out of two hundred and seventy (270) expense transactions were not recorded in the proper period.

Cause - There appears to be a lack of adherence to 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.

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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.

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.

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 2024-010: 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 2007, are still being carried on the reconciliations and were eventually reclassified to accounts payable at year-end.
- Several accounts that had been formally closed at year-end contained adjustments or reclassification entries during the fiscal year related to outstanding checks totaling \$2.2 million.
- During our review of the bank reconciliations, we noted insufficient documentation to confirm that the reconciliations and related journal entries had been reviewed and approved. In addition, we identified a \$1.4 million variance between the accounting records and the external bank confirmation(s).

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

Effect or Potential Effect - These weaknesses in 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.

Recommendation - We recommend that the Government perform timely reconciliations of all bank accounts to promptly identify and resolve outstanding checks and other discrepancies. The Government should also implement and consistently apply a documented review and approval process for all bank reconciliations and related journal entries, including retaining evidence of review, such as the reviewer's name or signature, electronic approval, and date, with the reconciliation package in accordance with its record-retention policy.

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 pooling and allocations should be conducted in a manner that ensures transparency, proper allocation of funds, and accurate reporting.

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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. There should be a clear and easy-to-track link between the confirmed cash account balances and the cash balances for each fund, including how those amounts are restricted or assigned 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.

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.

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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 2024-011: Other Post Employment Benefit (OPEB) Valuation

A. Plan Auditor's Report

Criteria - GAAP, for accounting and financial reporting for postemployment benefits other than pensions, requires participating employers in a cost-sharing OPEB plan to recognize and disclose their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and OPEB expense.

Condition - The Government was unable to provide a plan auditor's report or audited schedules of OPEB amounts. As a result, the Government's proportionate share of the total OPEB liability, reported at \$812.3 million as of September 30, 2024, could not be verified.

Cause - Management did not engage a plan auditor to provide specific employer-level allocation reports required for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effect or Potential Effect - In the absence of a plan auditor's report, sufficient supporting documentation is not available to substantiate each participating employer's proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. As a result, there is an increased risk that the OPEB liability, related expense, deferred outflows and inflows of resources, and related disclosures may be materially misstated.

Recommendation - We recommend that the Government coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that a plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management should also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that an audited plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management will also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures. 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. 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. 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 noted discrepancies between the Government's OPEB census data submitted to actuarial service providers and the employee records maintained by the Government. As part of our procedures, we evaluated the beginning census data using information from the October 1, 2022 and 2023 valuation reports. From a sample of ninety (90) individuals, including both active employees and retirees, we compared hire dates in the census data to the most recent NOPA records. We found exceptions for three (3) employees whose hire dates did not match the NOPA records, two (2) from the 2022 valuation data and one (1) from the 2023 valuation data.

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 of active employees 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 will develop and implement internal controls to ensure the accuracy of active employees and retiree census data prior to 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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Finding 2024-012: 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 Statement No. 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, the government is required to recognize a right-to-use subscription asset as an intangible asset and a corresponding subscription liability. Additionally, because no analysis was performed on software-related transactions, software was not assessed for potential capitalization as an intangible asset under GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Condition - The Government did not perform an assessment to analyze the impact that implementing GASB Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 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 Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 on the Government's financial statements.

Effect or Potential Effect - This oversight results 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 Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 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 fiscal year 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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Finding 2024-013: 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 objectives and respond to risks, including proper authorization and segregation of duties. This can be achieved through the implementation of control activities, including the adoption of appropriate policies and procedures that define expectations and guide operations to safeguard government assets and 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 been 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 DPP 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 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 buyer interface system, GVIBUY, should retain all contracts.

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 (DOJ) into potential criminal activities associated with three members of management of the Government and formal indictments followed. Management performed an investigation into the matter and, we observed the following:

- Invoices were dated prior to the purchase order approval date for eighty-four (84) out of one hundred and ninety-nine (199) transactions selected.
- No evidence was available that a request for proposal (RFP) was initiated for thirty-five (35) out of thirty-five (35) purchase orders selected over the \$50,000 policy threshold.
- A single individual approved multiple levels for payment remittances for fifty-four (54) out of one hundred and ninety-nine (199) transactions selected.
- As required by the procurement policy, no evidence was available to show that three quotes were requested and obtained prior to the awards for eighteen (18) out of twenty-one (21) purchase orders above \$10,000.

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- No contract was provided to verify the terms and conditions for fifteen (15) out of thirty-five (35) purchase orders selected above \$50,000.
- No evidence that a payment remittance was fully approved for six (6) out of one hundred and ninety-nine (199) transactions selected.
- 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 eighty-one (81) out of one hundred and ninety-nine (199) transactions selected.
- Invoices provided did not contain the information to clarify the prices or services provided for eleven (11) out of one hundred and ninety-nine (199) transactions selected.
- The purchase order description did not match the invoice description for nineteen (19) out of one hundred and ninety-nine (199) transactions selected.
- A vendor received payments of approximately \$1.6 million from a checking account restricted for American Rescue Plan Act (ARPA) funds.

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.

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Finding 2024-014: 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 DPP 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 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 buyer interface system, GVIBUY, should retain all contracts.

Condition - We sampled and selected ninety-five (95) purchase orders and sixty (60) contract files and noted the following:

- One (1) missing purchase order (PO) number during sequence testing. Management explained that the PO number was missing in 2024 but did not provide any report or supporting details to confirm it was unused. Additionally, there is no formal procedure in place to document unused PO numbers or the reasons for their omission. Accordingly, we cannot conclusively verify the completeness of the PO population.
- Twenty-one (21) 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.
- Thirteen (13) purchase orders from five (5) vendors appeared to be split purchase orders where adequate supporting documentation was not available to determine if purchase order splitting occurred.
- Forty (40) instances where executed contract files did not contain requisite documentation to provide evidence that the respective procurement met stated requirements.
- Forty-four (44) instances where adequate supporting documentation was not available to determine whether the initial 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.

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.

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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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Finding 2024-015: 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
- Department of Human Services
- Lieutenant Governor's Office

Applications:

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

- 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

- Evidence of a terminated user's access being removed timely could not be provided (VIBES) and a terminated user's access was not removed timely after termination notification (MMIS):

Windows Domain:

- Department of Human Services

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Applications:

- VIBES
- MMIS
- Evidence was not available to demonstrate that there was an approval for a change that was implemented into production for the Bureau of Internal Revenue for the RawData 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 VIBES 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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Finding 2024-016: 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 five (5) out of twelve (12) months, the collateral held at First 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 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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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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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 various settlement agreements 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 an 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 U.S. 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 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.

Additionally, under a settlement agreement, a financial institution agreed to pay the Government \$75.0 million, to be used for specified purposes, including support for charitable organizations, efforts to combat human trafficking, and legal-related purposes of the Territory, in accordance with the terms of the agreement.

Condition - During Fiscal Year 2024, the Government received approximately \$60.0 million under the various settlement agreements and \$2.3 million under the Opioid Abatement settlement. 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.

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- The Opioid Abatement Fund and the Opioid Abatement Committee, as required by Act 8694.

In addition, the Government did not provide evidence demonstrating that amounts received under the settlement agreement with a financial institution were used in accordance with the terms of that agreement.

Cause - The Government does not appear to have established adequate policies, procedures, and oversight controls to ensure compliance with the requirements set forth in Act 8920, Act 8694, and the applicable settlement agreements.

Effect or Potential Effect - Failure to comply with applicable legislative and settlement agreement requirements may result in noncompliance with legal and regulatory provisions, unauthorized use of restricted funds, inadequate oversight of settlement proceeds, and potential penalties, sanctions, or other adverse consequences.

Recommendation - We recommend that the Government promptly establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust Fund, the Opioid Abatement Fund, and the Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management should also develop and implement formal policies and procedures to ensure proper administration, oversight, monitoring, and documentation of these funds and to demonstrate that all related receipts and disbursements are made in accordance with legislative requirements and settlement agreement provisions.

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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Section III - Federal Award Findings and Questioned Costs

Finding Number: 2024-017
Prior Year Finding Number: 2023-024
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)) and federal regulation 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, document, 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 16 of the 153 drawdowns and noted that 4 drawdown requests did not contain evidence of review and approval.

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

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

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 \$2,014,096. The amount sampled is \$317,786. The total drawdowns related to the sampled drawdown requests that lack evidence of review and approval is \$97,870.

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 has updated Standard Operating Procedures (SOPs) over drawdowns requiring 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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Finding Number: 2024-018
Prior Year Finding Number: 2023-019
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities/ Period of Performance

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.561
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 - We noted the following:

- The SNAP participation report was not properly reconciled to accounting records.
- One grant award was overspent by \$391,000. No adjustment was made to the SEFA.
- During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of the 1,806 payroll disbursements and noted the following:
 - 19 instances in which DHS did not consistently apply the funding allocation. The hours that should have been split 50/50 between federal and local or that should have been 100% local were charged 100% to the program.
 - 3 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, were expired and had not been updated.
 - 9 instances in which payroll costs were charged outside of the award's period of performance.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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.

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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 2024 were \$4,207,231. The amount sampled is \$159,098. The known amount of inconsistencies noted is \$38,462. The total food stamps expenditure charged to the program in fiscal year 2024 were \$72,308,337. The known amount of unreconciled information is \$355,108.

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 enhanced the internal control policies and processes to ensure compliance with federal requirements and has adopted an electronic system for payroll, replacing manual processes. 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, 2024

Finding Number: 2024-019
Prior Year Finding Number: 2023-020
Compliance Requirement: Matching, Level of Effort, Earmarking

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

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.561
Award #: Various
Award Period: Various

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

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.

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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. DHS has developed a specific liquidation report to ensure that matching is completed with each report submission. Additionally, an audit team is being developed to support compliance and 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, 2024

Finding Number: 2024-020
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

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

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.561
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, and only with the written approval of the Federal awarding agency.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We found that for 1 project, expenditures were incurred before the award's period of performance without written approval from the Federal awarding agency.

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

Effect or Potential Effect - DHS is not in compliance with the stated provisions. Failure to obtain Federal awarding agency approval for incurring expenditures before an award's period of performance can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - \$47,135.

Context - This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles. Total expenditures for this project in the fiscal year 2024 SEFA are \$47,135 and all were determined to be incurred prior to the award's period of performance.

Recommendation - We recommend that DHS strengthen its process with respect to charging expenditures between various grant awards. We also recommend 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. DHS has established close-out procedures so that all open purchase orders are now submitted to the Department of Finance for closure and the grant close-out process has been shifted to the OMB. Additionally, an audit team is being developed to support compliance and oversight. 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, 2024

Finding Number: 2024-021
Prior Year Finding Number: 2023-026
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, document, 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 6 of the 8 drawdowns and noted that all 6 drawdown requests did not contain evidence of review and approval.

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

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

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 \$2,051,331. The total drawdowns related to the sampled drawdown requests that lack evidence of review and approval is \$1,971,498.

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 matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. 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, 2024

Finding Number: 2024-022
Prior Year Finding Number: 2023-027
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 5 of 13 procurement transactions and noted the following:

- The support provided for 3 procurement transactions did not contain sufficient supporting documentation to validate adherence to procurement policy.
- The support provided for 5 procurements did not include Buy America domestic preference provisions in the agreement or obtained a BABA waiver.

Cause - DOH and DPP do not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential Effect - DOH and 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 amount of procurement transactions was \$2,016,062. The known amount of exceptions is \$2,016,062.

Recommendation - We recommend that DOH 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 matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. 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, 2024

Finding Number: 2024-023
Prior Year Finding Number: 2023-028
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected all reports submitted, consisting of 2 financial reports and 2 progress reports, and noted the following:

- 1 financial report and 1 progress report did not appear to be submitted as required.
- 1 financial report where the basis of accounting used in reporting the data was not specified.
- 1 progress report did not contain evidence that it was reviewed by an authorized reviewer prior to submission.

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

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.

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

Questioned Costs - None.

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

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. 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, 2024

Finding Number 2024-024: Not Used

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-025
Prior Year Finding Number: 2023-029
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, W9127P-24-2
Award Period: 10/01/2022 - 09/30/2023
10/01/2023 - 09/30/2024

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 200.403(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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected a sample of 60 out of 3,696 payroll transactions and identified the following:

- 3 instances where the timesheets for the pay period selected were not provided.
- 1 instance in which total hours worked on the employees' timesheet did not agree with total hours worked as recorded in the payroll register.

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.

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

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 2024 were \$1,669,934 and the total amount of our sample was \$52,772. The known amount of the exceptions totaled \$11,469.

Recommendation - We recommend that OTAG strengthen internal controls by developing and implementing policies and procedures to ensure compliance with Federal requirements related to payroll expenditures, including applicable cost principles and documentation standards.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG has reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance 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, 2024

Finding Number: 2024-026
Prior Year Finding Number: 2023-030
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, W9127P-24-2

Award Period: 10/01/2022 - 09/30/2023

10/01/2023 - 09/30/2024

Criteria - U.S. Department of the (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as (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 Assisting Lising 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 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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - As a part of its reporting requirements, OTAG is required to submit the SF-270, 'Request for Advance or Reimbursement' Report to the Federal grantor to facilitate cash drawdown requests for reimbursements. 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.

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

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG will enhance internal control processes and procedures including reconciliations, a centralized tracking log, and supervisory review and 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, 2024

Finding Number: 2024-027
Prior Year Finding Number: 2023-031
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, W9127P-24-2
Award Period: 10/01/2022 - 09/30/2023
10/01/2023 - 09/30/2024

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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 had 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 level of precision to ensure compliance with the matching compliance requirement.

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

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

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG will enhance internal control processes and procedures including a formal methodology for calculating, documenting, and monitoring matching 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, 2024

Finding Number: 2024-028
Prior Year Finding Number: 2023-032
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, W9127P-24-2

Award Period: 10/01/2022 - 09/30/2023

10/01/2023 - 09/30/2024

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 per National Guard Regulation (NGR) 5-1, chapter 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 authorized 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 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 cost 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 the written approval of the Federal awarding agency.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Further, the Uniform Guidance in 2 CFR 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 83 of 489 transactions and noted the following:

- 28 instances where transactions were charged to the incorrect grant award based on the noted period of performance for each award.
- 2 instances where transactions were paid outside the liquidation period.

Additionally, we tested period of performance and noted the following :

- We selected a sample of 60 of 619 non-payroll transactions and identified 13 instances in which non-payroll expenditures were incurred and charged outside of the allowable liquidation period, without evidence of an approved extension or authorization, in noncompliance with Federal award requirements.
- We selected a sample of 60 out of 3,696 payroll transactions and noted 6 instances in which payroll costs were charged to prior-year Federal grant projects that were outside the approved period of performance and lacked evidence of an authorized extension.

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

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

Questioned Costs - 257,468.

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 charged to program was \$3,300,673 and the total amount of our sample was \$881,480. The known amount of the exceptions totaled \$257,468.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. In addition, OTAG should enhance its review and monitoring processes to ensure payroll costs are properly supported and charged within the appropriate period of performance for each Federal award. 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, 2024

Finding Number: 2024-029
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 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 (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 and allowable cost/cost principal process.

Condition - In our review of 60 of 538 non-payroll transactions, we noted 5 instances in which the expenditure was not approved by authorized personnel.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure internal controls are consistently and diligently applied.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - None.

Context - This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program were \$1,565,197. Total amount sampled is \$828,341. The known amount of the instances of noncompliance is \$27,015.

Recommendation - We recommend that DPNR 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. DPNR will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions. 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, 2024

Finding Number: 2024-030
Prior Year Finding Number: 2023-033
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 (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 and allowable cost/cost principal process.

CFR 200.403(g) requires all costs charged to a federal award 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:

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

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.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential 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.

Questioned Costs - \$43,593.

Context - This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 were \$1,704,442. The amount sampled is \$181,084. The value of transactions with exceptions totaled \$43,593.

Recommendation - We recommend that DPNR 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. DPNR will enhance internal control procedures to include reconciliations and increased review and approval 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, 2024

Finding Number: 2024-031
Prior Year Finding Number: 2023-034
Compliance Requirement: Equipment and Real Property Management

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 (DPNR)

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, document, 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 DPP maintains the equipment register for the Government. DPNR was unable to provide accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2024.

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

Cause - DPNR and DPP do not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Effect or Potential Effect - Inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of DPNR's compliance with the specified requirements. Equipment purchased in 2024 totaled \$47,748.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

Views of Responsible Officials - 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 system (ERP) The completed Standard Operating Policies and Procedures (SOPP) are pending update and approval crucial for enhancing internal controls. Training sessions will occur 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, 2024

Finding Number: 2024-032
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

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Economic, Social, and Political Development of the Territories

ALN: 15.875

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 - The payroll expenditures recorded in the Schedule of Expenditures of Federal Awards (SEFA) agree to the payroll expenditures recorded in the accounting system. The summary level payroll transactions recorded in the accounting system could not be reconciled to the transaction level detail obtained from the payroll system. When comparing the two populations, we identified multiple differences that net to a variance of \$38,439.

Cause - DPNR did not adhere to their internal policies and procedures to ensure the accuracy of the SEFA.

Effect or Potential Effect - The SEFA may not be completely and accurately stated. In addition, the lack of established internal control policies and procedures to ensure the SEFA is completely and accurately stated can lead to noncompliance with federal statutes, regulations, and provisions of grant agreements.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Context - This is a condition identified per review of DPNR system's population completeness over the compliance requirements for the program. Total payroll expenditure charged to the program for the year is \$16,218.

Recommendation - We recommend that the DPNR develop policies and procedures and enhance existing their existing reconciliation process to ensure completeness and accuracy of the SEFA, and that amounts reported on the SEFA are supported by transaction level detail.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR will implement enhanced internal control procedures to ensure that payroll expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are complete, accurate, and fully supported by transaction-level detail in accordance with Federal statutes and regulations by implementing monthly payroll reconciliations, by developing and enhancing internal controls and procedures, and by providing training to relevant personnel. 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, 2024

Finding Number: 2024-033
Prior Year Finding Number: N/A
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment

Program: U.S. Department of the Interior
Government Department/Agency: Office of Management and Budget (OMB)

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

Criteria - Funds may be used only for activities that are authorized under the terms and conditions of the award, the approved project budget, and applicable federal requirements, including 2 CFR Part 200. Costs charged to the program must be necessary, reasonable, allocable, and directly related to carrying out the approved program objectives.

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, document, 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 government 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 now former USVI officials (collectively the “Indicted Individuals”).

DOJ alleged that the Indicted Individuals were involved in activities associated with bribery, and 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 2024, Mon Ethos Pro Support, LLC was paid \$20,000 from Economic, Social, and Political Development of the Territories Program funds, which are considered questioned costs.

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.

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

Recommendation - We recommend that OMB should strengthen controls over vendor procurement and the review and submission of program costs to help ensure that transactions charged to federal programs are valid, properly supported, and allowable under applicable grant requirements. This should include clearer review procedures, adequate supporting documentation, supervisory approval, and periodic monitoring of procurement and cost submissions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OMB will strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework and the hiring of key personnel. 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, 2024

Finding Number: 2024-034
Prior Year Finding Number: 2023-035
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:

Virgin Islands Department of Education (VIDOE) & Department of Planning and Natural Resources (DPNR)

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. 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed 10 out of 77 drawdowns, and noted no supporting documentation was available for review for 1 drawdown.

Additionally, for one project included in the program, we noted a variance of \$2,288 between the cash receipts recorded in the accounting system and the amount reflected in the related federal drawdown.

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

Effect or Potential Effect - VIDOE and DPNR are not in compliance with the stated provisions.

Questioned Costs - \$258,122.

Context - This is a condition identified per review of VIDOE and DPNR's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2024 drawdown requests were \$5,674,452. Total amount sampled is \$4,247,674. The total related to the drawdown request without supporting documentation is \$258,122.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-035
Prior Year Finding Number: 2023-036
Compliance Requirement: Equipment and Real Property Management

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 - 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, document, 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 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 2024.

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

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

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2024 totaled \$ 2,633,484.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that the Government 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 Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-036
Prior Year Finding Number: 2023-037
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 the Procurement Manual, User Agencies are required to submit a written justification letter to the Government's 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, document, 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 14 out of 90 procurement transactions, we noted the following:

- The supporting documentation for 1 procurement transaction did not contain evidence that a quotation was obtained prior to selection of the vendor.
- In addition, we noted that 6 procurement transactions 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.

Cause - The Government does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential Effect - The Government 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.

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 amount of procurement and suspension and debarment transactions was \$6,395,225. Total amount sampled was \$4,137,592. The known amount of exceptions is \$1,150,428.

Recommendation - We recommend that the Government improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention. 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, 2024

Finding Number: 2024-037
Prior Year Finding Number: 2023-038
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, document, 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 24 out of 224 financial and performance reports and noted the following:

- 2 performance reports were not available for review.
- For 12 financial reports, sufficient supporting documentation was not available to verify that the reported financial information agreed to the underlying records.
- 2 performance reports did not contain evidence of review or approval prior to submission.
- For 3 performance reports and 2 financial reports, there was no evidence of submission.

Additionally, the Government did not submit FFATA report where subawards were made for more than \$30,000 for fiscal year 2024.

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.

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

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.

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, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-038
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund

ALN: 15.957

Award #: P19AP00016

Award Period: 03/01/2019 - 09/30/2026

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, document, 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 11 out of 23 drawdowns and noted that sufficient supporting invoices were not available for review for 3 drawdowns.

Cause - It appears sufficient documentation was not maintained or provided to support certain reimbursement requests, and review procedures over amounts requested were not functioning effectively.

Effect or Potential Effect - Without adequate supporting documentation, the entity may draw Federal funds in excess of allowable and supported expenditures, resulting in noncompliance with cash management requirements and unsupported questioned costs.

Questioned Costs - \$142,939.

Context - This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were \$7,857,474. The amount sampled is \$7,590,468. The total of drawdowns for which we were unable to obtain support is \$142,939.

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all Federal drawdown requests and supporting documentation. 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, 2024

Finding Number: 2024-039
Prior Year Finding Number: N/A
Compliance Requirement: Eligibility

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund

ALN: 15.957

Award #: P19AP00016

Award Period: 03/01/2019 - 09/30/2026

Criteria - DPNR must have in place procedures for documenting and verifying eligibility in accordance with the Federal requirements, as well as the specific eligibility requirements in accordance with grant agreement.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DPNR did not provide supporting documentation to determine whether it implemented a formal process to ensure compliance with eligibility requirements during the year under audit.

Cause - It appears that policies and procedures, including review over the eligibility of transactions, were not designed and functioning as needed.

Effect or Potential 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 along with loss of funding.

Questioned Costs - \$6,964,757.

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

Recommendation - We recommend that DPNR strengthen its policies and procedures for documenting and retaining evidence that eligibility controls are performed and operating effectively to ensure compliance with eligibility requirements. DPNR should also maintain a complete and accurate listing of eligible participants, including all relevant information needed to support eligibility determinations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all eligibility requests and supporting documentation. 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, 2024

Finding Number: 2024-040
Prior Year Finding Number: N/A
Compliance Requirement: Procurement and Suspension and Debarment

Program: U.S. Department of the Interior
Government Department/Agency: Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

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).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DPNR did not provide supporting documentation to determine whether it implemented a formal process to ensure compliance with procurement and suspension and debarment compliance during the year under audit.

Cause - It appears that policies and procedures, including review over procurement and suspension and debarment transactions, were not designed and functioning as intended.

Effect or Potential Effect - DPNR is not in compliance with the stated provisions. DPNR 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that DPNR strengthen its documentation and record-retention procedures to ensure evidence is maintained to support that internal controls over procurement and suspension and debarment requirements are designed and operating effectively to ensure compliance with procurement and suspension and debarment provisions. DPNR should also maintain a complete and accurate procurement population listing to support compliance monitoring.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all procurement requests and supporting documentation. 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, 2024

Finding Number: 2024-041
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund

ALN: 15.957

Award #: P19AP00016

Award Period: 03/01/2019 - 09/30/2026

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.

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, document, 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 that 2 financial reports were reviewed by an individual other than the authorized reviewer. Additionally, DPNR was unable to provide a listing of FFATA reports submitted during the year under audit.

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

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

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that DPNR reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official to 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, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR will conduct an internal review to analyze internal controls and procedures for potential weaknesses and will implement additional measures as needed. In addition, DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all reporting supporting documentation. 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, 2024

Finding Number: 2024-042
Prior Year Finding Number: N/A
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund

ALN: 15.957

Award #: P19AP00016

Award Period: 03/01/2019 - 09/30/2026

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

- **Verify the Subrecipient** - Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- **Identify the Award and Applicable Requirements** - Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- **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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
 2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

4. Resolve audit findings specifically related to the subaward.
 - *Ensure Accountability of For-Profit Subrecipients* - Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DPNR did not provide supporting documentation to determine whether it designed and implemented a formal process to ensure compliance with subrecipient monitoring requirements during the year under audit. Additionally, DPNR was not able to provide a listing of subrecipient payments made during the year under audit.

Cause - It appears that DPNR did not maintain or provide sufficient documentation to demonstrate the design and implementation of controls and compliance with subrecipient monitoring requirements.

Effect or Potential 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 along with loss of funding.

Questioned Costs - \$6,964,757.

Context - This is a condition identified per review of DPNR's compliance with the specified requirements and general compliance principles. The total subrecipient payments made during the year were \$6,964,757.

Recommendation - We recommend that DPNR strengthen its policies and procedures for documenting and retaining the evidence to ensure that internal controls over subrecipient monitoring are designed and operating effectively. DPNR should also maintain a complete and accurate listing of subrecipients for the year to support monitoring activities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR, with the support of federal agency's, consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all subrecipient supporting documentation. 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, 2024

Finding Number: 2024-043
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of the Interior

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund

ALN: 15.957

Award #: P19AP00016

Award Period: 03/01/2019 - 09/30/2026

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, document, 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 Covering 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 - DPNR did not provide supporting documentation to determine whether it had implemented a formal process to ensure compliance with wage rate requirements during the year under audit.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Effect or Potential Effect - DPNR is not in compliance with the stated provisions. There is the potential that the contractor or subcontractors could have paid their employees less than prevailing wage rates.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend the DPNR 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR will develop and implement formal written policies and procedures to ensure compliance with applicable Wage Rate 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, 2024

Finding Number: 2024-044
Prior Year Finding Number: 2023-040
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 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, document, 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.

Cause - VIDOL does not appear to have adequate policies and procedures in place to adequately meet the requirements for expending and accounting for all funds.

Effect or Potential Effect - Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 will develop and implement Standard Operating Policies and Procedure, a monthly reconciliation process, provide additional staff training and technical assistance, and strengthen oversight through ongoing monitoring and compliance 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, 2024

Finding Number: 2024-045
Prior Year Finding Number: 2023-041
Compliance Requirement: Eligibility

Program:

U.S. Department of Labor

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Labor (VIDOL)

Criteria - Public Law 112-96 Section 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.

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, document, 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 5,690 unemployment claim files and noted the following:

- 1 instance where an individual received benefits during the year, but VIDOL was not able to provide evidence that the claimant met the criteria for participating in the Unemployment Insurance program but had received benefits during the year. Benefits paid to the individual during fiscal year 2024 totaled \$2,270.
- 1 instance where VIDOL was not able to provide evidence of eligibility to work (social security card and proof of U.S. citizenship) and also failed to provide the initial claim form. Benefits paid to the individual during fiscal year 2024 totaled \$14,835.

Further, it does not appear that controls in place are operating at a level of precision to ensure that documentation is maintained for the proper time period to substantiate claims charged to the program.

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

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

Questioned Costs - Below reporting threshold.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. The total amount of unemployment claims charged to the program during fiscal year 2024 was \$5,159,650. The total amount sampled is \$62,844. The known amount of the instances of noncompliance is \$17,105.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirm that benefits are provided only to participants who are eligible to receive them.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. In addition, an electronic record-keeping system for claims files is expected to be launched before the end of fiscal year 2026, enhancing record retention. 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, 2024

Finding Number: 2024-046
Prior Year Finding Number: 2023-042
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, performance, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying accounting or performance records and presented in accordance with the program requirements. (2 CFR Part 200 Subpart D).

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, document, 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 28 out of 109 financial, performance and special reports required to be submitted during fiscal year under audit. We noted the following reports did not have complete and adequate supporting documentation available for review:

- 5 ETA 9130, Financial Reports
- 2 ETA 191, Financial Status of UCFE/UCX reports
- 3 ETA 2112, UI Financial Transaction Summary reports
- 2 ETA 2208A, Quarterly UI Above-Base Reports
- 4 ETA 9050, Time Lapse of All First Payments except Workshare reports
- 4 ETA 9052, Nonmonetary Determination Time Lapse Detection reports
- 4 ETA 9055, Appeals Case Aging - Lower and Higher Authority Appeals reports

Further, it does not appear that controls in place are operating at level of precision to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

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

Effect or Potential Effect - VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 to 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, 2024

Finding Number: 2024-047
Prior Year Finding Number: 2023-043
Compliance Requirement: Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (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 Unemployment Insurance (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. Unemployment Insurance Program Letter (UIPL) No. 41-94 provides guidance on WPRS requirements.

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 10-22 provides RESEA operating Guidance for fiscal year 2022.

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

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.

Cause - VIDOL does not appear to have adequate control over preparation and submission of various reports.

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

Questioned Costs - None.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that VIDOL reevaluate its policies and procedures to ensure required reports are timely prepared 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. An electronic case management system for reporting is expected to be deployed before the end of 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-048
Prior Year Finding Number: 2023-044
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

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)

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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, document, 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 government 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 2024, Mon Ethos Pro Support, LLC was paid \$1,638,043 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.

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.

Effect or Potential 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.

Questioned Costs - \$1,638,043.

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

Recommendation - We recommend that OMB should strengthen controls over vendor procurement and the review and submission of program costs to help ensure that transactions charged to federal programs are valid, properly supported, and allowable under applicable grant requirements. This should include clearer review procedures, adequate supporting documentation, supervisory approval, and periodic monitoring of procurement and cost submissions.

Views of Responsible Officials - The Government concurs with the auditor’s findings and recommendations. OMB will strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework and the hiring of key personnel. 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, 2024

Finding Number: 2024-049
Prior Year Finding Number: N/A
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of the Treasury	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 - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 20,245 payroll disbursements, and noted 1 instance in which the fringe benefit calculation did not agree to the fringe benefits reported on the Detail Check History.

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.

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

Effect or Potential 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 program.

Questioned Costs - Below reporting threshold.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Context - This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 were \$72,688,940. The amount sampled is \$68,113,730. The known amount of instances of noncompliance is \$7,155, which represents the fringe benefits charged to the program that did not agree with the calculation.

Recommendation - We recommend that OMB 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. OMB will coordinate with the Department of Finance to communicate the identified discrepancy and will work collaboratively to strengthen review procedures over payroll cost allocations charged to federal programs. In addition, OMB will reevaluate its existing oversight controls to ensure that payroll expenditures charged to federal awards are supported by appropriate documentation and reviewed for compliance with applicable 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, 2024

Finding Number: 2024-050
Prior Year Finding Number: 2023-046
Compliance Requirement: Procurement and Suspension and Debarment

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Department of the Treasury	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 the Procurement Manual, User Agencies are required to submit a written justification letter to the 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, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We were unable to verify the completeness of the procurement population. As a result, we were unable to test compliance and internal controls over compliance related to the procurement and suspension and debarment compliance requirements.

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

Effect or Potential Effect - OMB is not in compliance with the stated provisions. 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that OMB 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. OMB 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. 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, 2024

Finding Number: 2024-051
Prior Year Finding Number: 2023-047
Compliance Requirement: Reporting

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)

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, document, 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 for review:

- Projects and Expenditures Report - Quarter Ended December 31, 2023
- Projects and Expenditures Report - Quarter Ended June 30, 2024
- Recovery Plan Performance Report - Year ended June 30, 2024

During our review, we noted that the reported amounts submitted under the award did not agree to the subrecipient’s underlying accounting records and supporting documentation. The data was not accumulated and summarized accurately and/or completely in accordance with required reporting criteria.

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.

Cause - It appears that OMB 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, 2024

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

Questioned Costs - None.

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

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. OMB will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF reports. 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, 2024

Finding Number: 2024-052
Prior Year Finding Number: 2023-048
Compliance Requirement: Subrecipient Monitoring

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)

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

- **Verify the Subrecipient** - Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- **Identify the Award and Applicable Requirements** - Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- **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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
 2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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.
 4. Resolve audit findings specifically related to the subaward.
- *Ensure Accountability of For-Profit Subrecipients* - Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed 8 out of 19 subrecipients and found no evidence that the subrecipient monitoring workbook, which outlines all processes and procedures for ensuring compliance, had been reviewed by the American Rescue Plan Act (ARPA) Grants Administrator.

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.

Effect or Potential 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.

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 2024 were \$15,142,370. The total amount of our sample totaled \$3,730,369.

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. To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with federal regulations, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory review. 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, 2024

Finding Number: 2024-053
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Non-Payroll Activities

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Environmental Protection Agency	Department of Public Works (DPW) Department of Planning and Natural Resources (DPNR)
Construction Grants for Wastewater Treatment Works ALN: 66.418 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, per 2 CFR Section 200.403, *Factors Affecting Allowability of Costs*, “Except where otherwise authorized by statute, costs must meet the following general criteria to be allowable under federal awards:

- a. Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amounts of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.
- d. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
- e. Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
- g. Be adequately documented.”

Condition - Expenditures in excess of the award amount totaling \$67,068 were reported on the 2024 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 requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Cause - The Government did not adhere to their internal policies and procedures to ensure the accuracy of the SEFA.

Effect or Potential Effect - The SEFA is not accurately stated. Lack of established internal control policies and procedures to ensure the SEFA is completely and accurately stated can lead to noncompliance with federal statutes, regulations, and provisions of grant agreements.

Questioned Costs - \$67,078.

Context - This is a condition identified per review of the completeness of the non-payroll expenditures population for the program.

Recommendation - We recommend that DPNR develop policies and procedures and enhance existing reconciliation process to ensure completeness and accuracy of the SEFA and that amounts reported on the SEFA are not in excess of award amounts.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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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Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-054
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

<u>Program:</u>	<u>Government Department/Agency:</u>
U.S. Environmental Protection Agency	Department of Public Works (DPW)
Construction Grants for Wastewater Treatment Works ALN: 66.418	Department of Planning and Natural Resources (DPNR)
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 200.403(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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled 6 out of 55 payroll transactions, and noted 4 employee timesheets were not available for review.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and the required period of performance stipulations.

Effect or Potential Effect - DPNR 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.

Questioned Costs - Below reportable threshold.

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 payroll expenditures charged to the program during fiscal year 2024 were \$44,751 and the total amount of our sample was \$5,086. The known amount of the exceptions totaled \$3,029.

Recommendation - We recommend that DPNR strengthen internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-055
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Program:

U.S. Environmental Protection Agency
Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Public Works (DPW)
Department of Planning and Natural
Resources (DPNR)

Criteria - U.S. Department of the (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as (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 Assisting Lising 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 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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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

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

Effect or Potential Effect - DPW and DPNR were 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that DPW and DPNR reevaluate its policies and procedures to ensure proper monitoring over cash management requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPW and DPNR will implement enhanced internal control procedures including monthly reconciliations, assigning oversight, and will conduct internal 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, 2024

Finding Number: 2024-056
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Program:

U.S. Environmental Protection Agency
Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Public Works (DPW)
Department of Planning and Natural
Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected all reports submitted and noted the following:

- 1 financial report did not contain evidence that it was reviewed by an authorized reviewer prior to submission, and the reported financial information did not agree with the underlying records.
- 1 programmatic report and 1 performance report were 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 reporting compliance requirements.

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.

Effect or Potential Effect - DPW and DPNR are not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs - None.

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

Recommendation - We recommend that DPW and DPNR 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPW and DPNR will implement enhanced internal control procedures including establishing review and approval procedures, maintaining supporting documentation and a central repository for reports. 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, 2024

Finding Number: 2024-057
Prior Year Finding Number: N/A
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Environmental Protection Agency
Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Public Works (DPW)
Department of Planning and Natural
Resources (DPNR)

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

- *Verify the Subrecipient* - Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* - Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
 2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

4. Resolve audit findings specifically related to the subaward.
 - *Ensure Accountability of For-Profit Subrecipients* - Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DPW did not provide supporting documentation to demonstrate whether they implemented a formal process during the year to ensure compliance with subrecipient monitoring requirements.

Cause - DPW 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.

Effect or Potential Effect - DPW is not in compliance with the stated provisions. Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Questioned Costs - \$6,364,139.

Context - This is a condition identified per review of DPW's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2024 were \$6,364,139.

Recommendation - We recommend that DPW 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. DPW will develop subrecipient monitoring policies and procedures: including subrecipient risk assessments, tracking and monitoring over reporting, and audit findings. 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, 2024

Finding Number: 2024-058
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program: U.S. Environmental Protection Agency
Government Department/Agency: Department of Planning and Natural Resources (DPNR)

Capitalization Grants for Drinking Water State Revolving Fund
ALN: 66.468
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Management is responsible for establishing, documenting and maintaining a system of internal control that should include controls over its activities allowed or unallowed, and the allowable cost/cost principle 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 10 of 91 payroll disbursements. For each of the 10 samples, the employee pay rate documented in the approved Notice of Personnel Action did not agree with the pay rate reflected 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.

Cause - DPNR 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.

Effect or Potential 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 program.

Questioned Costs - Below reportable threshold.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Context - This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 was \$132,646. The amount sampled is \$18,936.

Recommendation - We recommend that DPNR reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll transactions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the Notices of Personnel Action provided during the audit. 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, 2024

Finding Number: 2024-059
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Program:

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Fund

ALN: 66.468

Award #: Various

Award Period: Various

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

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 require 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 54-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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed 4 out of 6 drawdowns and noted the following:

- No supporting documentation was available for 2 drawdowns.
- There were 2 instances in which funding was received in advance and vendor payment documentation was not available to verify DPNR minimized the time between receipt of funds and disbursement.

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

Effect or Potential Effect - DPNR is not in compliance with the cash management requirements.

Questioned Costs - \$1,127,439.

Context - This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were \$3,860,135. Total amount sampled is \$3,151,128.

Recommendation - We recommend that the DPNR reevaluate its policies and procedures to ensure proper monitoring over cash management requirements including retention of supporting documentation for drawdowns and vendor payments.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DPNR will reevaluate and strengthen its cash management policies and procedures to ensure compliance with the Cash Management Improvement Act (CMIA), Treasury-State Agreement requirements, and federal cash management 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, 2024

Finding Number: 2024-060
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

Program:

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving
Fund

ALN: 66.468

Award #: Various

Award Period: Various

Government Department/Agency:

Department of Planning and Natural
Resources (DPNR)

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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - During our period of performance testing, we sampled and selected 6 of 11 transactions. We identified 1 instance in which payment for the expenditure was made after the period of performance liquidation period.

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.

Cause - DPNR does not appear to have adequate policies and procedures to ensure compliance with the required period of performance requirements.

Effect or Potential Effect - DPNR 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.

Questioned Costs - Below reportable threshold.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that DPNR enhance its review process to ensure adherence to federal regulations related to the fiscal administrative requirement relating to liquidation provisions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-061
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Non-Payroll Activities

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 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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.

Condition - In our review of 12 out of 119 non-payroll transactions, we noted 1 instance where the supporting documentation was not available for review.

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.

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.

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

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 2024 was \$1,791,690. The amount sampled is \$337,470.

Recommendation - We recommend that VIDE 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. VIDE is addressing audit findings related to non-payroll expenditures by enhancing internal controls and procedures to ensure compliance with federal regulations. 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, 2024

Finding Number: 2024-062
Prior Year Finding Number: 2023-049
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: 84.027 (84.027A and 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 3,392 payroll disbursements and noted the following:

- 6 instances where the approved timesheets for the selected pay periods were not available for review. In addition, in 1 of these instances the check detail payment was not available for review.
- 1 instance where there was inconsistency between the project code reflected on the check detail and on the NOPA for the selected pay period.
- 1 instance where the hours per the timesheet did not agree to the check history detail.

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, 2024

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.

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

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 2024 was \$6,233,846. The amount sampled is \$88,200.

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.

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 and by providing mandatory training. 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, 2024

Finding Number: 2024-063
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost

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 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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, indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition - During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 4 transactions out of 13 transactions and noted 4 instances where the check payment details and other related supporting documentation were not available for review.

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.

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.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - \$94,264.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is \$390,164. Total amount sampled is \$94,264. The known amount of the instances of noncompliance is \$94,264.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures to ensure compliance with federal regulations. VIDE is scheduling mandatory trainings for all relevant VIDE 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, 2024

Finding Number: 2024-064
Prior Year Finding Number: 2023-050
Compliance Requirement: Equipment and Real Property Management

Program: U.S. Department of Education
Government Department/Agency: Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - While VIDE maintains an equipment listing for fixed assets purchased with federal funding, VIDE was unable to provide a complete equipment listing 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.

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 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, 2024

Finding Number: 2024-065
Prior Year Finding Number: 2023-051
Compliance Requirement: Matching, Level of Effort, Earmarking

Program: U.S. Department of Education
Government Department/Agency: Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 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, document, and maintain internal control designed to 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, a Local Education Agency (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:

- VIDE was unable to provide supporting documentation that shows the approval of the amounts in the Maintenance of Financial support at the State Education level.
- At the State level, VIDE did not meet the Maintenance of Effort requirement.

In addition, for Earmarking, we noted that the number of students in poverty for St. Thomas/St. John and the Total Students in Poverty for the Territory used in the calculation did not agree with the underlying support.

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.

Cause - VIDE did not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of the requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential 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.

Questioned Costs - None.

Context - This is a condition identified per review of VIDE's compliance with the specified 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 and update internal control policies and procedures to meet federal standards over data collection and certification for level of effort and earmarking requirements. VIDE will establish a team for quarterly reviews of documentation and reporting issues and to recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. 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, 2024

Finding Number: 2024-066
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

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 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - During our testing of costs incurred throughout the year, we sampled and selected 8 disbursements and noted 6 instances in which supporting documentation evidencing payment was not available. In addition, in 1 of these instances, the reimbursement report for the indirect cost sample 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 period of performance compliance requirement.

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

Effect or Potential 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.

Questioned Costs - \$73,481.

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 2024 were \$659,602 and indirect costs totaled \$66,901. The amount sampled is \$167,809. The known amount of instances of noncompliance is \$73,481.

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 is strengthening its internal controls and record retention procedures to ensure strict adherence to federal period of performance and liquidation provisions. 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, 2024

Finding Number: 2024-067
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)

Special Education Cluster
ALN: 84.027 (84.027A and 84.027X)
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 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, document, 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 7 out of 50 procurement transactions, we noted the following:

- 2 instances where the purchase order was over \$25,000 for services, but no VIDE Standard Short Form Contract or Sole Source letter was provided for review.
- 1 instance where the Justification Letter(s) (including the additional letter to the Commissioner of DPP) and requisition/workflow approval were not available for review.
- 1 instance where no supporting documentation was made 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.

Cause - VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Questioned Costs - \$563,674.

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 \$2,042,339. Total amount sampled was \$737,526. The known amount of exceptions is \$563,674.

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 has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract 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, 2024

Finding Number 2024-068
Prior Year Finding Number: 2023-052
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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 3,236 payroll disbursements and noted the following:

- 4 instances where the approved timesheet for the selected pay period was not available for review. In addition, in 1 of these instances, the NOPA/per diem support was also not available for review.
- 1 instance where the project code was not reflected in check detail and NOPA.
- 1 instance where the payment support (check detail) and the NOPA/per diem support were not available for review.
- 2 instances where recorded timesheet hours did not agree with 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.

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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

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 2024 was \$6,052,527. The amount sampled is \$128,721.

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 addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations and by providing mandatory training. 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, 2024

Finding Number: 2024-069
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost

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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition - During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 4 transactions out of the 16 transactions and noted 4 instances where the check payment details and other related supporting documentation were not available for review.

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.

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.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - \$229,560.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is \$801,866. Total amount sampled is \$229,560. The known amount of the instances of noncompliance is \$229,560.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures to ensure compliance with federal regulations. VIDE is scheduling mandatory trainings for all relevant VIDE 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, 2024

Finding Number: 2024-070
Prior Year Finding Number: 2023-053
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.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - While the VIDE maintains an equipment listing for fixed assets purchased with federal funding, VIDE was unable to provide a complete equipment listing 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.

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 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, 2024

Finding Number 2024-071
Prior Year Finding Number: 2023-054
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 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, document, 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 381 procurement transactions, we noted the following:

- 5 instances where evaluation reports or bid response documentation were not available.
- 1 instance where the justification letter did not correspond to the selected vendor.
- 1 instance where all supporting documentation was 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.

Cause - VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential 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.

Questioned Costs - \$95,084.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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 \$7,501,502. Total amount sampled was \$514,529. The known amount of exceptions is \$95,084.

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 has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract 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, 2024

Finding Number 2024-072
Prior Year Finding Number: 2023-055
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 - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

For Reporting, 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.

Per 2 CFR Section 200.329, *Submitting performance reports* - (1) The recipient or subrecipient must submit performance reports as required by the Federal award. Intervals must be no less frequent than annually nor more frequent than quarterly except if specific conditions are applied (See § 200.208). Reports submitted annually by the recipient or subrecipient must be due no later than 90 calendar days after the reporting period. Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period. Alternatively, the Federal agency or pass-through entity may require annual reports before the anniversary dates of multiple-year Federal awards. The final performance report submitted by the recipient must be due no later than 120 calendar days after the period of performance. A subrecipient must submit a final performance report to a pass-through entity no later than 90 calendar days after the conclusion of the period of performance. See also § 200.344. The Federal agency or pass-through entity may extend the due date for any performance report with justification from the recipient or subrecipient.

As applicable, performance reports should contain information on the following:

- (i) A comparison of accomplishments to the objectives of the Federal award established for the reporting period (for example, comparing costs to units of accomplishment). Where performance trend data and analysis would be informative to the Federal agency program, the Federal agency should include this as a performance reporting requirement.
- (ii) Explanations on why established goals or objectives were not met; and
- (iii) Additional information, analysis, and explanation of cost overruns or higher-than-expected unit costs.

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).

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Condition - We noted the following:

- For Performance Reporting, 1 annual report contained amounts that did not agree with the supporting documentation, and annual reports were not prepared and submitted as required for 4 grant awards.
- For FFATA Reporting, 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.

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

Effect or Potential Effect - VIDE is not in compliance with reporting requirements as it failed to provide evidence of identifying and reporting Transparency Act reporting requirements.

Questioned Costs - None.

Context - This is a condition noted per review of VIDE's compliance with reporting requirements. In fiscal year 2024, VIDE passed through approximately \$472,820 to 4 subrecipients.

Recommendation - We recommend that VIDE implement policies, procedures and controls that will comply with all required laws, guidelines, and requirements under the award.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-073
Prior Year Finding Number: 2023-056
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

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 - 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 - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to 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 subprograms A and X, we sampled and selected 60 of 5,693 payroll expenditures and noted the following:

- 1 instance where the approved timesheet was not available for review.
- 1 instance where a duplicate payment of retirement costs was made to an employee.
- 2 instances where the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 4 instances where there was inconsistency between the project code reflected on the check detail and the NOPA.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - Below reporting threshold.

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 2024 is \$7,941,259. Total amount sampled is \$112,072. The known amount of the instances of noncompliance is \$17,628.

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 and by providing mandatory training. 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, 2024

Finding Number: 2024-074
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost

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

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition - During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 3 transactions out of 16 transactions and noted 3 instances where the detailed project expenditure report 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.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - \$637,951.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is \$2,539,845. Total amount sampled is \$637,951. The known amount of the instances of noncompliance is \$637,951.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures and controls over grant expenditures and indirect costs and will coordinate to facilitate trainings for all relevant VIDE staff. 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, 2024

Finding Number: 2024-075
Prior Year Finding Number: N/A
Compliance Requirement: Equipment and Real Property Management

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

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - While the VIDE maintains an equipment listing for fixed assets purchased with federal funding, VIDE was unable to provide a complete equipment listing 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.

Cause - VIDE does not appear to have adequate policies and procedures 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, 2024

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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.

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 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, 2024

Finding Number: 2024-076
Prior Year Finding Number: 2023-057
Compliance Requirement: Reporting

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 - 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).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We reviewed VIDE and OMB's compliance with the reporting requirements and noted that OMB was unable to provide evidence of submission for the FFATA reports and the required quarterly reports for ALN 84.425, subprogram H.

Further, it does not appear that the controls in place are operating at a level of precision to ensure the timely filing of reports.

Cause - The internal controls established for the submission of reporting requirements did not fully operate as designed, resulting in noncompliance with the reporting requirements under the Transparency Act related to the program's subrecipients and the required quarterly reports.

Effect or Potential 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.

Questioned Costs - None.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that VIDE and OMB reevaluate its policies and procedures to ensure submission of the required reports by an appropriate official after ensuring 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's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-077
Prior Year Finding Number: 2023-060
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

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

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, document, 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 - VIDE did not implement a formal process for the wage rate requirements compliance for fiscal year 2024. In addition, VIDE was unable to provide a complete listing of construction contracts which met the stated requirements.

Further, it does not appear that there are controls in place to ensure compliance with the special tests and provisions compliance requirements.

Cause - VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential Effect - VIDE is not in compliance with the stated provisions.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements not using a statistically valid sample.

Recommendation - We recommend that 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-078
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious
Disease
ALN: 93.323
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 principle 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 - DOH was unable to reconcile the payroll expense include in the SEFA with the payroll expense in the payroll register. As a result, we were not able to establish the completeness of the population and were unable to perform testing procedures.

Cause - DOH does not appear to have adequate policies and procedures in place to review and reconcile program expenditures.

Effect or Potential Effect - Lack of proper reconciling information can result in noncompliance with laws and regulation along with loss of funding.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that DOH improve internal controls to ensure program data is reconciled, monitored and retained in order to facilitate adherence to federal regulations and compliance requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-079
Prior Year Finding Number: N/A
Compliance Requirement: Equipment and Real Property Management

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious
Disease
ALN: 93.323
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 funding for the property, who holds title, the acquisition date, 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 sales price of the property.

Further, a physical inventory of equipment should be taken at least once every two 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, document, 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 DPP maintains the equipment register for the Government. DOH was unable to provide accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2024.

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

Cause - DOH does not appear to have a process in place to adequately monitor property and equipment acquired with Federal funds.

Effect or Potential Effect - There is a risk that inadequate recordkeeping could lead to misappropriation of assets and noncompliance with Federal regulations, resulting in loss of funding.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Recommendation - We recommend that DOH 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 responsible for handling and managing such assets.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. 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, 2024

Finding Number: 2024-080
Prior Year Finding Number: 2023-062
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, document, 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 60 out of 857 non-payroll transactions, we noted 8 instances in which the expenditures were not approved by the authorized personnel.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure internal controls are consistently and diligently applied.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

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 \$13,817,623. Total amount sampled is \$7,953,867. The known amount of the instances of noncompliance is \$1,963,765.

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. DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions. 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, 2024

Finding Number: 2024-081
Prior Year Finding Number: 2023-064
Compliance Requirement: Equipment and Real Property Management

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 - 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 Department of Health and Human Services (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 Head Start Agency (HSA) may not dispose of, replace or encumber the property without prior the Administration for Children and Families (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)).

Per 2 CFR Section 200.313, *Equipment*, 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, document, 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 DPP maintains the equipment register for DHS. DHS 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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 DPP 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, 2024

Finding Number: 2024-082
Prior Year Finding Number: 2023-065
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, document, 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 6 out of 14 special reports required to be submitted during the fiscal year and noted program personnel did not ensure these special 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.

Cause - It appears that policies and procedures, including oversight over submission of required reports, were not functioning as intended.

Effect or Potential Effect - DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Questioned Costs - None.

Context - This is a condition identified per review of DHS' compliance with the specified requirements not using a statistically valid sample.

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, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will enhance internal control policies and processes by establishing a reporting tracking system, by assigning clear roles and responsibilities, by requiring proper documentation and record retention over reports and supporting documents, by increasing program staff training, and by developing an audit compliance unit. 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, 2024

Finding Number: 2024-083
Prior Year Finding Number: 2023-066
Compliance Requirement: Special Tests and Provisions - 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 Administration for Children and Families (ACF), a Head Start Agency (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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - Based on audit procedures performed, we identified 4 of 6 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.

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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Effect or Potential Effect - There is a risk that lack of compliance with the stated requirements can result in a loss of funding.

Questioned Costs - None.

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

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. DHS has taken immediate corrective actions to record the required Notices of Federal Interest for the two facilities cited. DHS will enhance internal control policies and processes by ensuring a comprehensive facilities review, by designating roles and responsibility, by training and providing technical assistance to relevant program and fiscal staff, and by developing ongoing monitoring and internal 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, 2024

Finding Number: 2024-084
Prior Year Finding Number: 2023-067
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 (HSA) 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, document, and maintain internal control designed to 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. Instead, 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, 2024

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with program governance.

Effect or Potential 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.

Questioned Costs - None.

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

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. DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance by implementing monthly financial reporting, establishing a governance training program, and by strengthening audit oversight 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, 2024

Finding Number: 2024-085

Prior Year Finding Number: 2023-068

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

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, document, and maintain internal control designed to 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 in order 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.

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

Effect or Potential 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.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles. Approximately \$2.4 million was expended for child care vouchers.

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, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has updated the childcare database to more efficiently produce monthly vouchers. An independent audit will be conducted to verify processes, review files, and to make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. 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, 2024

Finding Number: 2024-086
Prior Year Finding Number: 2023-069
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
Award #: Various
Award Period: Various

Criteria - 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 fiscal year 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)).
- 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, document, and maintain internal control designed to 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, 2024

Condition - 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 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.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic monitoring of the requirements.

Effect or Potential Effect - DHS is not in compliance with the stated provisions.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of DHS's compliance with the specified 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 has added new roles, one filled and one open to be filled, tasked with oversight of the reporting process to ensure compliance with earmarking. Internal controls have been enhanced, outlining roles and responsibility over supervisory review and approval. Additionally, an Audit and Compliance unit has been established. 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, 2024

Finding Number: 2024-087
Prior Year Finding Number: 2023-070
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
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, document, 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 9 of the 32 reports required to be filed during the fiscal year. During our testing, we noted the following:

- 4 financial reports had not been submitted in a timely manner, ranging from 7 to 43 days late.
- 9 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.

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.

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

Questioned Costs - None.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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. DHS has added new roles, one filed and one open to be filled, tasked with oversight of the reporting process. Internal controls have been enhanced, outlining roles and responsibility over supervisory review and approval. Additionally, an Audit and Compliance unit has been established. 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, 2024

Finding Number: 2024-088
Prior Year Finding Number: 2023-071
Compliance Requirement: Special Tests and Provisions - Health and Safety Requirements

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575
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, document, 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 9 of the 47 child care providers and noted that for 3 of the 9 providers selected for testing, there was no evidence of monitoring for compliance with applicable minimum health and safety requirements.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

Questioned Costs - None.

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 \$2,446,801. Total amount sampled is \$606,615. The known amount of inconsistencies is \$329,116.

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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has onboarded additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. 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, 2024

Finding Number: 2024-089
Prior Year Finding Number: 2023-072
Compliance Requirement: Special Tests and Provisions - Fraud Detection and Repayment

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575
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, document, and maintain internal control designed to 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.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

Questioned Costs - None.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will implement a centralized, secure tracking matrix for all fraud referrals to monitor and to track total funds identified for recovery and recovery status to date. Internal audits will be conducted quarterly, and quality staff will conduct unannounced visits of childcare facilities to monitor attendance. 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, 2024

Finding Number: 2024-090
Prior Year Finding Number: 2023-073
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
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected a sample of 11 of 48 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 the maintenance of documentation evidencing compliance with the compliance requirement.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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 \$8,952,043. Total amount sampled is \$3,448,197.

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 will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program 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, 2024

Finding Number: 2024-091
Prior Year Finding Number: 2023-074
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)

Social Services Block Grant
ALN: 93.667
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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.

Condition - We sampled 60 of the 362 non-payroll transactions and noted 1 instance where the benefit date and payment are outside of the period under audit.

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.

Effect or Potential Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs - \$29,985.

Context - This is a condition identified per review of compliance with the specified requirements using a statistically valid sample. Total amount of non-payroll expenditures charged to the program in fiscal year 2024 were \$2,642,402. Total amount sampled is \$918,181. The known amount of the exception is \$29,985.

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 non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles. DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal 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, 2024

Finding Number: 2024-092
Prior Year Finding Number: 2023-075
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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 1 out of 10 transactions recorded at the beginning of a project's period of performance and noted 1 instance where fringe benefits were incorrectly charged to the program. Specifically, the employer share of fringe benefits was charged to the program without any associated time and effort by the employee. The employee had retired, yet the fringe benefit continued to be charged to the program after retirement.

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.

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

Effect or Potential 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.

Questioned Costs - Below reporting threshold.

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of expenditures recorded during the grant's beginning period of performance are \$1,310.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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. DHS has strengthened internal control policies and processes including reconciliations, retrospective reconciliations, and team engagement to better understand the underlying factors and nuances resulting in discrepancies. 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, 2024

Finding Number: 2024-093
Prior Year Finding Number: 2023-076
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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 2 out of 4 financial (SF-425) and special (Post-Expenditure) reports and noted the following:

- For 1 financial report, we were unable to agree a line item of the report to the underlying supporting records.
- For 1 special report, there was no evidence indicating the date the report was prepared, reviewed, or submitted to the federal grantor. Additionally, we were unable to agree the key line item reported to the underlying supporting 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.

Cause - It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Effect or Potential Effect - DHS is not in compliance with the stated provisions.

Questioned Costs - None.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

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. 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 and for formal notification of report submissions. In addition, a Federal Grants Financial Analyst has been onboarded and processes enhanced to allow for a match to all reports inclusive of Federal draws. 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, 2024

Finding Number: 2024-094
Prior Year Finding Number: N/A
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)

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Period: 10/01/2022 - 09/30/2024

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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 of 971 payroll transactions and noted the following:

- 1 instance where the project code on an employee's Notice of Personnel Action (NOPA), used to record time and effort to the appropriate grant, had not been updated. However, during the fiscal year, program personnel made 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 have also noted that the expense population included expenditures for 3 grant awards with award periods beginning after September 30, 2024.

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.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

Effect or Potential 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Questioned Costs - \$61,457.

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

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will continue to strengthen its review and documentation procedures to ensure compliance with federal requirements and has adopted an electronic system for payroll, replacing manual 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, 2024

Finding Number: 2024-095
Prior Year Finding Number: 2023-078
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: 10/01/2022 - 09/30/2024

Children's Health Insurance Program

ALN: 93.767

Award #: 2205VQ5021

Award Period: 10/01/2022 - 09/30/2025

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, document, and maintain internal control designed to 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 of 2,207 participant case files, we noted the following:

- 33 instances where documentation supporting the eligibility determinations were not available.
- 4 instances where there was no evidence of completed application.
- 12 instances where there was no evidence that the eligibility determination had been reviewed and approved, or that the application was processed in a timely manner.

In addition, we were unable to determine the completeness of the population of eligible participants, as an ADP/Risk analysis was not performed on the VIBES system (which houses the eligibility database).

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.

Effect or Potential 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has enhanced internal control policies and processes including implementing in-person/active renewal requirements, enhancing the treatment and steps for obtaining and maintaining required supporting documentation, updating system configurations, implementing a review tracker, outlining roles and responsibilities, and conducting targeted staff training. 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, 2024

Finding Number: 2024-096
Prior Year Finding Number: 2023-080
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: 10/01/2022 - 09/30/2024

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2022 - 09/30/2025

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - For Medicaid Cluster, we reviewed 2 of 4 quarterly CMS-64 reports submitted during the fiscal year and noted the following:

- 1 report did not contain evidence of review or approval.
- 2 reports had not been submitted in a timely manner.

For Children's Health Insurance Program, we noted 1 of 2 reports tested that did not contain evidence of review or approval.

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

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

Questioned Costs - None.

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

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has implemented a shared folder where copies of approval emails and any time extension requests are stored to enhance current internal control 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, 2024

Finding Number: 2024-097
Prior Year Finding Number: N/A
Compliance Requirement: Special Tests and Provisions - Medicaid Fraud Control Unit

Program: U.S. Department of Health and Human Services
Government Department/Agency: Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2023 - 09/30/2024

Criteria - The Medicaid Fraud Control Unit (MFCU) is required to submit the SF-425, Federal Financial Report. As per the requirements, the:

- Quarterly expenditure reports are due 30 days after the end of each quarter.
- If the grantee will be unable to submit the financial expenditure report by the due date, the grantee must request an extension.

Condition - We reviewed 2 out of the 4 reports submitted during the fiscal year and noted the following:

- 1 report and its related documentation were not provided for review.
- 1 report was not submitted in a timely manner.
- For 1 report, supporting accounting detail was not provided to verify the data reported.

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

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

Effect or Potential Effect - DHS and DOJ are not in compliance with the stated provisions with respect to special reporting requirements.

Questioned Costs - None.

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

Recommendation - We recommend that DHS and DOJ reevaluate their 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.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS and DOJ have established internal controls and accountability measures to ensure the timely preparation, review, and submission of reporting. 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, 2024

Finding Number: 2024-098
Prior Year Finding Number: 2023-082
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: 10/01/2022 - 09/30/2024

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, document, and maintain internal control designed to 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 2024.

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

Cause - DHS does not appear to have adequate policies and procedures in place for the provision of audited cost reports of its participating providers.

Effect or Potential 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.

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, 2024

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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. 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, 2024

Finding Number: 2024-099
Prior Year Finding Number: 2023-083
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: 10/01/2022 - 09/30/2024

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - DHS did not perform the required ADP Risk Analysis and System Security Review for the systems that support the Medicaid Program.

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

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.

Effect or Potential 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.

Questioned Costs - None.

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

Recommendation - We recommend that DHS 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 DHS. If DHS becomes aware that such a report will not be available, we recommend that management conduct its own review.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To address this finding, DHS is actively pursuing Requests for Qualifications (RFQs) seeking to partner with a technology system vendor to perform a comprehensive security risk assessment of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. 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, 2024

Finding Number: 2024-100
Prior Year Finding Number: 2023-084
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: 10/01/2022 - 09/30/2024

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2022 - 09/30/2025

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We sampled 60 of 834 providers that provided Medicaid and CHIP services during fiscal year 2024. We noted 26 total exceptions:

- 9 instances in which no supporting documentation was provided for review.
- 16 instances in which the Medicaid Provider Agreement was not provided for review.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

- 11 instances in which evidence of exclusion screening from the Office of Inspector General (OIG) list was not provided for review.

In addition, we were unable to determine the completeness of the population of eligible providers, as an ADP/Risk analysis was not performed on the VIBES system (which houses the eligibility database).

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure documentation is maintained and available to be inspected.

Effect or Potential Effect - DHS is not in compliance with the stated provisions for provider eligibility, including maintaining appropriate evidence of compliance. Noncompliance with program requirements could result in future impacts to funding.

Questioned Costs - None.

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

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. To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection. 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, 2024

Finding Number: 2024-101
Prior Year Finding Number: 2023-081
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 - 09/30/2024

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 - We noted that a Program Integrity Director was onboarded in 2024 and started implementing policies & procedure in a defined phased manner to establish the Program Integrity Unit for the compliance requirements detailed above. As such DHS was not able to provide evidence of meeting compliance requirements during Fiscal Year 2024. Specifically, we noted the following:

- The method of determining criteria for identifying suspected fraud cases was still being developed.
- The method for investigating these cases was still being developed.

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Schedule of Findings and Questioned Costs Year Ended September 30, 2024

- The procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials was still being developed.

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 - As the Program Integrity Director was onboarded and started the groundwork, DHS should be involved and monitor the progress of Program Integrity Unit against the planned roll out of this Unit and take corrective action for any deviations, as necessary, in a timely manner to ensure compliance. The written procedures should reflect the actual actions to be taken.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Finding Number: 2024-102
Prior Year Finding Number: 2023-085
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
FEMA-3603-EM, FEMA-3581-EM

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).

Additionally, 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 60 projects with first-tier subawards greater than \$30,000 and noted the following:

- There was no evidence of review of the FFATA reporting prior to submission.
- The timeliness of FFATA reporting could not be verified.

Additionally, we sampled and selected 8 out of 40 financial and progress reports and noted that 6 performance/progress reports were not available for review.

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

Effect or Potential Effect - Lack of internal controls over compliance may lead to material noncompliance with the stated provision.

Questioned Costs - None.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

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

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.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed. 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, 2024

Finding Number: 2024-103
Prior Year Finding Number: 2023-086
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
FEMA-3603-EM, FEMA-3581-EM

Award Periods: 09/20/2017 - 09/07/2026
09/07975/2017 - 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:

- *Verify the Subrecipient* - Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* - Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). This evaluation of risk may include consideration of such factors as the following:
 5. The subrecipient's prior experience with the same or similar subawards;
 6. The results of previous audits including whether or not the subrecipient receives a 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;
 7. Whether the subrecipient has new personnel or new or substantially changed systems; and
 8. 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(e) through (g)). 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:
 5. Reviewing financial and performance reports required by the PTE.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

6. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
 7. 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.
 8. Resolve audit findings specifically related to the subaward.
- *Ensure Accountability of For-Profit Subrecipients* - Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We have selected 8 of 32 subrecipients for testing and found the following:

- 8 instances where we were unable to obtain Quarterly Progress Reports.
- 8 instances where we were unable to obtain completion/inspection certificate.
- 8 subrecipients 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.

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.

Effect or Potential 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.

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 2024 was \$194,161,499. The total amount of our samples totaled \$104,355,230.

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2024

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VITEMA has implemented new policies and procedures by implementing a quarterly report deadline, a centralized location for supporting documentation and audit compliance, an inspection and certification of reports, and an annual notification to subrecipients of their audit responsibilities. 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 2023-001, 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 2024-001 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 D&A will be essential through setting expectations, establishing realistic goals, and providing support. The Government 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.

Component Units Reporting

Current Status: Repeated. Finding 2024-001 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 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.

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Summary Schedule of Prior Audit Findings

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2024-001 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.

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.

Government Insurance Fund

Current Status: Repeated. Finding 2024-001 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: 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.

Journal Entries

Current Status: Repeated. Finding 2024-001 E.

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Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

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 2023-002, 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 2024-002 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.

Tax Return Processing Method

Current Status: Repeated. Finding 2024-002 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 2024-002 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.

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Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Corrective Action Plan: Management will review and identify the Government's and component units' properties in the tax roll listing to ensure that proper tax credits are applied. Management will also implement enhanced controls to ensure that tax billings are issued accurately only for taxable properties, that interest is calculated correctly, and that all tax credits are properly supported.

Finding 2023-003, 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 2024-003 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.

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.

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Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

- 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 2024-003 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.

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: Corrective action was taken. Finding not repeated in current year.

Report Submission

Current Status: Repeated. Finding 2024-003 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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Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

- 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 2023-004, 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 2024-004 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 2024-004 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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Summary Schedule of Prior Audit Findings

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 2024-004 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 2024-004 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: Corrective action was taken. Finding not repeated in current year.

Finding 2023-005, 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 2024-005 A.

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Summary Schedule of Prior Audit Findings

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 2024-005 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.

Accounts Payable

Current Status: Repeated. Finding 2024-005 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.

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.

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Summary Schedule of Prior Audit Findings

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: Corrective action was taken. Finding not repeated in current year.

Quality of Census Data

Current Status: Repeated. Finding 2024-005 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 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 2024-005 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 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 2024-005 F.

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.

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Summary Schedule of Prior Audit Findings

Finding 2023-006, 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 2024-006.

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.

Finding 2023-007, 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 2024-007.

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 2023-008, 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 2024-008 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 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, 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 2024-009 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.

Corrective Action Plan: The Payroll Unit will monitor accrual liabilities bi-annually.

Transactions with Personnel

Current Status: Repeated. Finding 2024-009 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 2024-009 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.

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- 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 2024-009 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. 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, 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 2024-010 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 2024-010 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.

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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 2024-010 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 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 2023-011, 2022-011, 2021-010, 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Actuarial Valuation

Current Status: Corrective action was taken. Finding not repeated in current year.

Administration and Recordkeeping

Current Status: Repeated. Finding 2024-011 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.

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Update of Mortality Tables

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-012, 2022-012: Accounting Standards Implementation

Current Status: Repeated. Finding 2024-012.

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 2023-013, 2022-013: Irregularities Related to Procurement Activities

Current Status: Repeated. Finding 2024-013.

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 2023-014, 2022-014, 2021-017, 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2024-014.

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 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, 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 2024-015.

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 2024-016 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. 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.

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Finding 2023-016, 2022-017, 2021-015, 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2024-016 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 2023-016, 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 2024-016 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 2023-016: Compliance with Legislative Appropriation

Current Status: Repeated. Finding 2024-016 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 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.

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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 #: Various

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

10/01/22 - 09/30/23

Finding 2023-019, 2022-020 and 2021-019: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2024-018.

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.

Lastly, once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.

The Federal Grants Financial Analyst, once onboarded, will also play a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. DHS has added an additional layer of monitoring with the onboarding of a Director of Federal Grants. The newly created unit of Audit and Compliance, once staffed will play a crucial role with periodic monitoring.

Finding 2023-020, 2022-021 and 2021-020: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-019.

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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: 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.

Finding 2023-021, 2022-022, 2021-021, 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions - EBT Card Security

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (DOE)

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

Finding 2023-022 and 2022-023: Allowable Costs/Cost Principles - Payroll Activities

Current Status: While the procedural improvements are underway, DOE are currently unable to produce the specific requested NOPA/Payroll Checklist and the timesheet logs/approvals for the periods cited, as the Government is focused on establishing a centralized documentation repository to capture these controls consistently going forward.

Finding 2023-023: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance

Current Status: The State Director of Special Nutrition Programs will address this finding utilizing a revised method. The Director and the Financial Control Officer will provide a reminder to the School Food Authorities (SFAs) on October 1 of each year that the liquidation period ends on December 31st.

The reminder will include the need to ensure that vendor payments are entered timely and must be tracked daily to ensure that invoices are moving through the approval workflow to confirm that all payments are completed by the end of the liquidation period. The State Director is on target to meet the notification timeframe indicated in our previous response.

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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 2023-024, 2022-024 and 2021-022: Cash Management

Current Status: Repeated. Finding 2024-017.

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 of July 2024, 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 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 2023-025: Procurement and Suspension and Debarment

Current Status: All requested procurement sample information that WIC has access to were submitted, which included invoices, quotes, proof of payment, drawdowns, and contract. It was explained to auditors that according to the Government's SOPs, Property and Procurement handles the securing of all government contracts (Janitorial, Exterminating, etc.) and therefore are the custodian for all documents pertaining to the contracting process, which are the supporting documentation that are being referred to in this finding. These documents for vendor selection are not available to the program and should be secured from the DPP. The Program reached out to DPP several times to get copies of the requested documents but was unsuccessful with this request. The Program followed all procedures for government contracting based upon the Government's SOPs and will continue to follow these procedures.

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Health (DOH)

WIC Grants to States (WGS)

ALN: 10.578

Award #: IV1700748

Award Year: 07/01/2019 - 12/31/2023

Finding 2023-026: Cash Management

Current Status: Repeated. Finding 2024-021.

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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: DOH has implemented no corrective action, as grant is closed.

Finding 2023-027: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-022.

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: DOH has implemented no corrective action, as grant is closed.

Finding 2023-028: Reporting

Current Status: Repeated. Finding 2024-023.

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: DOH has implemented no corrective action, as grant is closed.

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 Year: 10/01/2021 - 09/30/2022

10/01/2022 - 09/30/2023

Finding 2023-029, 2022-026, 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2024-025.

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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: OTAG has reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance compliance.

Payroll expenditures charged to Master Cooperative Agreement Appendices will be subject to quarterly review to verify that timesheets, payroll registers, and supporting documentation are complete, accurate, and retained in accordance with the SF-270 submission requirements. Payroll charges will also be reviewed against periods of performance before posting to ensure costs are assigned to the correct award.

OTAG will revise its Standard Operating Policies and Procedures (SOPPs) to establish formal procedures for payroll certification, documentation retention, reconciliation of payroll records to timesheets, and review of Master Cooperative Agreement funded personnel costs. Training will be conducted for personnel on documentation standards and allowable cost requirements.

To prevent recurrence, monthly reconciliations between payroll records and supporting timesheets will be performed and documented. Quarterly compliance reviews will evaluate payroll charges and supporting documentation for accuracy and completeness.

Monitoring & Accountability: The Adjutant General and Executive Director will jointly oversee implementation. Results of monthly reconciliations and quarterly reviews will be reported to executive management.

Finding 2023-030, 2022-027, 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management and Reporting

Current Status: Repeated. Finding 2024-026.

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: OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

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Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Finding 2023-031, 2022-028, 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-027.

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: OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will develop a formal methodology for calculating, documenting, and monitoring matching requirements associated with each Cooperative Agreement. Matching calculations will be prepared monthly and reviewed quarterly by management with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system. Documentation supporting allowable matching expenditures will be maintained in a centralized file.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

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Finding 2023-032, 2022-029, 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: Repeated. Finding 2024-028.

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: OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. Personnel will verify Master Cooperative Agreement Appendices periods prior to processing transactions. Expenditures charged to awards will undergo review to confirm alignment with the applicable award and performance period with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Finding 2023-030, 2022-027, 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2024-026.

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: OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Program:

U.S. Department of the Interior

Fish and Wildlife Cluster

ALN: 15.605, 15.611

Award #: Various

Award Year: Various

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Finding 2023-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2024-030.

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: DPNR will:

- Conduct a review of payroll transactions to identify any additional discrepancies between timesheets and payroll registers.
- Implement a requirement for supervisory review and certification of employee timesheets prior to payroll processing.

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- Establish a reconciliation process requiring payroll staff to compare approved timesheets to payroll registers before final payroll approval.

Grant Charge Authorization

- Review personnel funding assignments to verify that salary charges are consistent with approved Notices of Personnel Action (NOPAs), grant budgets, and personnel authorizations.
- Correct the employee's funding allocation to reflect the authorized grant funding source.
- Establish a secondary review process to verify funding sources before payroll is posted to grant accounts.

Payroll Adjustments

- Review outstanding payroll adjustments and correction entries.
- Process the identified correction and updated procedures to ensure adjustments are completed promptly upon discovery.
- Establish tracking procedures to monitor payroll corrections through completion.

Finding 2023-034: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-031.

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.

Corrective Action Plan: 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.

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 2023-035, 2022-030, 2021-025, 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2024-034.

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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 and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including cash management. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-036, 2022-031, 2021-026, 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-035.

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 and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-037 and 2022-032: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-036.

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Summary Schedule of Prior Audit Findings

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. DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention.

Finding 2023-038, 2022-033, 2021-027, 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2024-037.

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 and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-039: Subrecipient Monitoring

Current Status: On-going implementation. DPNR concurs with finding and is conducting a comprehensive review of its subrecipient monitoring procedures and has been identifying areas requiring strengthening to ensure full compliance with federal requirements.

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Summary Schedule of Prior Audit Findings

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

ALN: 17.225

Award #: Various

Award Year: Various

Finding 2023-040, 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 2024-044.

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: VIDOL acknowledges the auditor's finding regarding the inability to provide fully reconciled accounting information for the Unemployment Insurance Trust Fund accounts and recognizes the importance of maintaining complete, accurate, and timely financial records in compliance with 2 CFR 200.302 and 2 CFR 200.303. VIDOL concurs with the recommendation and is committed to strengthening internal controls, improving financial management processes, and ensuring timely reconciliations and oversight of all Unemployment Insurance program funds. VIDOL will implement the following corrective actions:

1. **Development and Implementation of Written Policies and Procedures:** VIDOL will develop and formalize comprehensive accounting policies and procedures governing: •Monthly reconciliations of all Unemployment Insurance Trust Fund accounts; •Cash receipt and disbursement processing; •Accrual preparation and review; •Federal grant accounting and reporting requirements; •Documentation retention and support requirements; and •Review and approval protocols for financial transactions and reports. These procedures will be aligned with the requirements set forth in 2 CFR 200 and applicable federal guidance.

2. **Monthly Reconciliation Process:** VIDOL hired a new Financial Analyst in December 2025 due to vacancy created due to the departure by the former Financial Analyst in February 2025. VIDOL has completed monthly reconciliations of all UI accounts through March 2026. VIDOL has implemented a reconciliation process that reconciles all accounts monthly for all Unemployment Insurance Trust Fund accounts and ensure: •General ledger balances agree to subsidiary ledgers and bank records; •Differences are identified, researched, and documented timely; and •Reconciliations are reviewed and approved by supervisory personnel.

3. **Strengthening Internal Controls and Oversight:** VIDOL will enhance internal controls over financial reporting and grant management by: •Assigning clear responsibilities for preparation and review of reconciliations; •Implementing supervisory review procedures for financial reports and reconciliations; •Conducting periodic management reviews of account activity and outstanding balances; and •Maintaining adequate supporting documentation for all financial transactions.

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4. Staff Training and Technical Assistance: Fiscal staff responsible for grant accounting and financial reporting will receive additional training on: •Federal grant compliance requirements under Uniform Guidance; •Financial reconciliation procedures; •Documentation standards; and •Internal control responsibilities. VIDOL will also seek technical assistance, as necessary, to improve financial reporting and reconciliation practices.

5. Ongoing Monitoring and Compliance Review: VIDOL management will conduct periodic monitoring to ensure reconciliations are completed timely and corrective actions are operating effectively. Any identified discrepancies or instances of noncompliance will be addressed promptly.

Finding 2023-041, 2022-035 and 2021-029: Eligibility

Current Status: Repeated. Finding 2024-045.

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 entered a one (1) year contract with Quantum Technology on July 15, 2025, to convert all VIDOL files from a paper based to an electronic recordkeeping system. Quantum Technology continues to digitize and transfer the files to a database where they are properly catalogued, retrievable and indexed in accordance with established naming conventions. Once Quantum Technology completes the contract deliverables, VIDOL will have a robust document management system to facilitate easy retrieval and secure storage.

Finding 2023-042, 2022-036 and 2021-030: Reporting

Current Status: Repeated. Finding 2024-046.

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: VIDOL acknowledges the auditor's finding regarding deficiencies in the retention, review, accuracy, and support of required financial, performance, and special reports submitted to the Federal government. VIDOL submitted all outstanding reports along with supporting documentation during the 30-day sprint to the Regional Office. VIDOL recognizes the importance of maintaining complete and accurate supporting documentation and ensuring that all required reports are properly reviewed, approved, and retained in compliance with 2 CFR 200.302, 2 CFR 200.303, and 2 CFR 200.403(g). VIDOL will implement the usage of the USVI Unemployment Benefit Manual which contains the principles and operating instructions for carrying out the agency's responsibilities under the various benefits programs. VIDOL concurs with the auditor's recommendation and is committed to strengthening internal controls and reporting procedures to ensure the accuracy, completeness, timeliness, and proper retention of all federally required reports. To address the deficiencies identified, VIDOL will implement the following corrective actions:

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Summary Schedule of Prior Audit Findings

1. Revision and Formalization of Reporting Policies and Procedures: VIDOL will reevaluate and update its written policies and procedures governing the preparation, review, approval, submission, and retention of all required Federal reports, including ETA-9050, ETA-9052, ETA-9055, and other applicable reports. The revised procedures will establish: •Standardized reporting processes; •Documentation requirements supporting all reported data; •Required supervisory review and approval protocols; •Submission deadlines and tracking requirements; and •Record retention standards consistent with Federal regulations.

2. Implementation of Review and Approval Controls: VIDOL will implement enhanced supervisory review procedures to ensure all reports:

- Are supported by complete and accurate documentation; •Reconcile to source records and supporting schedules; •Are reviewed for accuracy and completeness prior to submission; and
- Contain documented evidence of review and approval by designated management personnel.

3. Centralized Documentation Retention Process VIDOL will establish a centralized electronic and/or physical filing system for all required Federal reports and supporting documentation to ensure: •Records are retained for the required retention period; •Supporting documentation is readily accessible for audit and monitoring purposes; and •Submitted reports can be fully substantiated and traced to source documentation.

4. Periodic Internal Monitoring and Quality Assurance Reviews: Management will conduct periodic internal reviews of submitted reports and supporting documentation to verify compliance with Federal reporting requirements and internal procedures. Any discrepancies or missing documentation identified during these reviews will be corrected promptly and communicated to responsible staff.

5. Staff Training and Technical Assistance: Appropriate staff responsible for report preparation, review, and submission will receive additional training on: •Federal reporting and documentation requirements; •Record retention standards; •Internal control responsibilities; and •Procedures for reconciling reported information to supporting documentation. VIDOL will also seek technical assistance, as necessary, to improve reporting accuracy and compliance processes.

Finding 2023-043, 2022-038, 2021-033 and 2020-029: Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)

Current Status: Repeated. Finding 2024-047.

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.

Corrective Action Plan: VIDOL acknowledges the auditor's finding regarding the failure to submit the required ETA 9129 RESEA Quarterly Reports in a timely manner under the UI-Reemployment Services and Eligibility Assessment (RESEA) program. VIDOL recognizes the importance of maintaining effective internal controls to ensure all required Federal reports are accurate, complete, properly reviewed, and submitted within established deadlines in compliance with 2 CFR 200.303. VIDOL concurs with the auditor's recommendation and is committed to strengthening

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reporting controls and implementing system improvements to ensure ongoing compliance with Federal reporting requirements. To address the deficiencies identified, VIDOL will implement the following corrective actions:

1. Implementation of RESEA Case Management System: VIDOL is currently in the implementation stage of the core portion of the RESEA case management system that will serve as the official system of record for all RESEA claimant services and reporting activities. The system is expected to go out to production/testing by June 2026 with an identified vendor. The new system will:

- Centralize claimant and program data;
- Improve tracking of RESEA activities and outcomes;
- Generate data necessary for required Federal reporting;
- Enhance data accuracy and consistency;
- and •Support timely submission of ETA 9129 Quarterly Reports.

2. Development of Reporting Policies and Procedures: VIDOL will develop and formalize written policies and procedures governing the preparation, review, approval, and submission of RESEA quarterly reports. These procedures will include:

- Clearly defined staff responsibilities;
- Reporting timelines and submission deadlines;
- Required supervisory review and approval processes; and
- Documentation retention requirements supporting reported data.

3. Strengthening Internal Controls Over Reporting: VIDOL will enhance internal controls to ensure:

- Required reports are monitored through a reporting calendar and tracking system;
- Reports are reviewed for completeness and accuracy prior to submission;
- Supporting documentation is maintained and readily accessible; and
- Management oversight is performed to ensure compliance with Federal reporting requirements.

4. Periodic Monitoring and Compliance Reviews: Management will conduct periodic reviews of reporting activities to verify reports are submitted timely and supported by accurate documentation. Any reporting deficiencies identified will be addressed promptly through corrective action and additional oversight.

5. Staff Training and Technical Assistance: Staff responsible for RESEA program administration and reporting will receive training on:

- Federal reporting requirements for ETA 9129 reports;
- Internal control and documentation standards;
- Use of the RESEA case management system; and
- Procedures for timely report preparation and submission.

VIDOL will also seek technical assistance, as needed, to support implementation of the new reporting system and improve compliance processes.

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 2023-044, 2022-042: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-048.

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Summary Schedule of Prior Audit Findings

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 comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government's Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-045: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2026-046, 2022-043 and 2021-038: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-050.

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: 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. DPP will liaise more frequently with DOF IT team to rectify any potential system issues that can affect data accuracy.

In collaboration with DPP and DOF, OMB will do the following:

Formalize Policies and Procedures (SOP Updates): OMB will update its internal Standard Operating Procedures (SOPs) to clearly define:

- Roles and responsibilities for procurement oversight
- Required documentation standards - to ensure all procurement actions related to federal awards are captured, documented, and readily accessible for audit purposes.
- Review and approval workflows

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Summary Schedule of Prior Audit Findings

Training and Capacity Building: OMB will conduct training sessions for all staff involved in procurement and grant management to reinforce compliance with:

- Uniform Guidance (2 CFR 200.318-200.327)
- Local procurement requirements (Title 31 VIC)

Finding 2023-047, 2022-044, 2021-039: Reporting

Current Status: Repeated. Finding 2024-051.

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: OMB agrees with the finding and will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF reports. OMB implemented corrective measures to ensure that all Quarterly reporting consistently utilizes ERP Post Dates to ensure that all applicable activity is fully captured. OMB will also establish a centralized process for maintaining reporting support, including reconciliations, review checklists, and evidence of supervisory approval, to ensure adequate documentation is retained for monitoring and audit purposes.

Finding 2023-048 and 2022-045: Subrecipient Monitoring

Current Status: Repeated. Finding 2024-052.

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: To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with 2 CFR 200.303 and 2 CFR 200.332, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory review. OMB will also conduct periodic internal quality control reviews of subrecipient files to confirm that monitoring documentation is complete, timely, and consistent with federal requirements.

Program:

U.S. Department of Education

Special Education Cluster

ALN: 84.027 (84.027A and 84.027X)

Award #: Various

Award Periods: Various

Government Department/Agency:

Department of Education (VIDE)

Finding 2023-049: Allowable Costs/Cost Principles - Payroll Activities

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Current Status: Repeated. Finding 2024-062.

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 will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-050, 2022-046 and 2021-041: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-064.

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: As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.

Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. We acknowledge the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.

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Summary Schedule of Prior Audit Findings

To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFAs and Munis.

Finding 2023-051, 2022-047, 2021-042 and 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-065.

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: VIDE recognizes that the inability to verify underlying student and poverty data due to a lack of certified documentation is a critical internal control deficiency. Accordingly, VIDE will establish a formal data collection and certification process. VIDE will update its specific Standard Operating Procedure (SOP) for the collection of MFS and Earmarking data to mandate a process wherein LEAs will be required to submit a Student Count and Poverty Data Certification Form. This form must be signed by the District Superintendent and the District Data Manager to certify the student numbers and poverty counts as of the specific federal reporting date. Supporting source documentation, such as PowerSchool reports, must be attached to this certification. At the SEA level, the State Office of Special Education will be responsible for reviewing these submissions and issuing a formal Verification of Data Accuracy memo prior to the data being used for financial calculations.

To address the recommendation for deployed resources and to correct the MOE deficiency, VIDE will formalize the organizational chart within the Federal Grants Office to clearly designate the team responsible for compliance reviews. This team will be tasked with conducting quarterly reviews of the certified data packets to ensure the documentation required for audit verification is securely archived and readily available.

Additionally, the Budget Office and Federal Grants Office will implement a standard MFS Calculation Worksheet that requires the attachment of the certified source data and the specific approval and signature of the Deputy Commissioner of Fiscal and Administrative Services before the allocation is finalized. Finally, the Deputy Commissioner of Curriculum and Instruction will maintain a Compliance Review Log tracking the receipt of annual data certifications from the LEAs, and the Deputy Commissioner of Fiscal and Administrative Services will review this log alongside the MOE Calculation Worksheets prior to the submission of the Annual Performance Report.

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

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Finding 2023-052: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2024-068.

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: VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-053, 2022-049 and 2021-044: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-070.

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: VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs.

Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen VIDE's oversight of the TPFA's processes and prevent future documentation gaps.

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As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.

Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. We acknowledge the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.

To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request, until the system reporting error is permanently resolved by the TPFA and Munis.

Finding 2023-054: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-071.

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: VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files.

To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement

Finding 2023-055, 2022-050, 2021-045 and 2020-038: Reporting

Current Status: Repeated. Finding 2024-072.

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.

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Corrective Action Plan: VIDE is currently working towards developing formal procedures to establish controls operating at a level of precision that ensures timely and accurate reporting compliance. As part of this ongoing development, VIDE will govern these new procedures through the Integrated Fiscal Control Model within the Office of Federal Grants. To correct the discrepancies between the Annual Report and underlying data, VIDE will implement a mandatory multi-level reconciliation process.

Prior to the submission of any Annual Report, Program Directors and the fiscal team must cross-reference and validate all reported programmatic and financial data against the ERP system of record and official source documents. A final sign-off will be required to certify data accuracy.

Furthermore, to address the Transparency Act requirements, VIDE will institute a strict compliance workflow. The Office of Federal Grants will be required to identify, register, and report all applicable first-tier subawards of \$30,000 or more into the FSRS portal within the federally mandated timeframe. To ensure FFATA submissions are consistently completed, a secondary review step will be implemented to verify the FSRS submission confirmation before any initial reimbursement drawdowns are approved for the respective subrecipient.

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

Finding 2023-056, 2022-052 and 2021-046: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2024-073.

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: VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-057, 2022-053 and 2021-049: Reporting

Current Status: Repeated. Finding 2024-076.

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's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-058: Subrecipient Monitoring

Current Status: The Government acknowledges the lack of supporting documentation to verify subrecipients' audit requirements under 2 CFR part 200, subpart F, and the absence of evidence for award monitoring. The Government is working towards the development of formal Standard Operating Procedures (SOPs) to establish precise controls over the subrecipient monitoring process, including mandatory pre-award verification and ongoing monitoring documentation.

We are currently unable to provide the specific requested documentation, including the SOPPs related to Subrecipient Monitoring and Training logs and acknowledgments. Finalization of the formal subrecipient monitoring controls is a top priority.

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Finding 2023-59, 2022-054 and 2021-051: Special Tests and Provisions - Participation of Private School Children

Current Status: The Government acknowledges the need to formalize the entire process for the participation of private school children. This includes addressing the lack of a formal process, untimely consultation, and the failure to document that services were provided, and that allocations were calculated on an equal per-pupil basis. The Government is actively working towards developing a Standard Operating Procedure (SOPP) to govern this process and ensure all documentation (consultation affirmations, approved computations, and service provision records) is maintained and verifiable.

We are currently unable to provide the specific requested documentation, including the SOPP and documentation logs/proof of timely consultation and service provision. Finalization of these joint controls is a top priority.

Finding 2023-060 and 2022-055: Special Tests and Provisions - Wage Rate Requirements

Current Status: Repeated. Finding 2024-077.

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: To immediately address the condition regarding the missing documentation, VIDE has compiled and provided the complete listing of applicable construction contracts to satisfy this specific documentation requirement.

To address the root cause of the wage rate deficiencies for the COVID-19 Education Stabilization Fund, the Procurement Director has successfully implemented updated contract templates. These templates contain language that explicitly addresses all required wage rate provisions, directly resolving the contract language deficiency noted in the audit.

Furthermore, VIDE is actively finalizing a comprehensive Standard Operating Procedure (SOPP) for wage rate requirements to ensure long-term compliance. This SOPP will mandate the consistent use of the approved contract templates and establish strict internal controls for project management personnel to obtain, review, and retain certified weekly payrolls from all contractors. Once the SOPP is finalized, mandatory training will be provided to all relevant staff involved in contract oversight, report preparation, and submission.

Program:

U.S. Department of Health and Human Services

Head Start Cluster
ALN: 93.356, 93.600

Award #: Various

Award Periods: Various

Government Department/Agency:

Department of Human Services (DHS)

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Finding 2023-062: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities

Current Status: Repeated. Finding 2024-080.

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. Management will review current internal control procedures to determine if enhancements are needed. DHS is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary.

DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.

Finding 2023-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-064, 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 2024-081.

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: 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.

Finding 2023-065 and 2022-059: Reporting

Current Status: Repeated. Finding 2024-082.

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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 will:

1. Establish a Reporting Calendar and Tracking System: A comprehensive reporting calendar will be developed that clearly outlines all required federal reports (e.g., SF-429, SF-429A, SF-428 series), including submission deadlines. This calendar will be centrally maintained and shared with all relevant staff. Automated reminders will be implemented to ensure deadlines are met.
2. Assign Clear Roles and Responsibilities: Fiscal Analyst has been formally assigned responsibility for the preparation of each required report. Review and submission of the SF429 and 428 will be completed by the Program Administrator/designee.
3. Training and Capacity Building: Program staff will receive refresher training on federal reporting requirements, including timelines, documentation standards, and compliance expectations under 2 CFR §200.303 (Internal Controls). This will ensure a clear understanding of the importance of timely and accurate reporting.
4. Ongoing Monitoring and Compliance Review: The development of an audit unit will conduct periodic internal reviews (quarterly spot checks) to verify that reports are prepared and submitted timely. Any delays or issues identified will be addressed promptly to prevent recurrence.
5. Documentation and Record Retention: All submitted reports and supporting documentation will be retained in an organized, centralized filing system (electronically) to ensure accessibility for audit and monitoring purposes.

Finding 2023-066, 2022-060: Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities

Current Status: Repeated. Finding 2024-083.

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: To address the non-compliance related to the failure to document and record the required Notices of Federal Interest (NFI) for facilities with major renovations, program management will implement the following corrective measures:

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1. Immediate Remediation of Identified Facilities: The Program Administrator conducted a review of the two facilities cited in the audit and took immediate steps to prepare and record the required Notices of Federal Interest in accordance with 45 CFR §§1303.46-1303.47. Documentation of recording in the appropriate jurisdiction was obtained and maintained in the official grant files.
2. Comprehensive Facilities Compliance Review: A full inventory and review of all facilities that have undergone purchase, construction, or major renovation using Head Start funds was conducted to ensure that all required NFIs are properly recorded.
3. Designation of Roles and Oversight Responsibility: Program Administrator will be assigned responsibility for ensuring compliance with all federal property requirements, including preparation, submission, and recordation of the NFI. A secondary level of review by senior management will be required to ensure accountability.
4. Training and Technical Assistance: Relevant program and fiscal staff will receive targeted training on Head Start facilities regulations (45 CFR Part 1303) and Uniform Guidance requirements, with emphasis on:
 - o When an NFI is required
 - o Proper preparation and recording procedures
 - o Documentation and record retention requirements
5. Ongoing Monitoring and Internal Review: The development of an audit unit will perform periodic internal compliance reviews (at least annually) of facilities files to ensure adherence to federal requirements. Any issues identified will be addressed immediately to prevent recurrence.

Finding 2023-067, 2022-061 and 2021-054: Special Tests and Provisions - Program Governance

Current Status: Repeated. Finding 2024-084.

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: To address the non-compliance related to the failure DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance.

Specifically, DHS will:

1. Implement Monthly Financial Reporting

- Develop and implement a standardized process requiring monthly financial statements, including credit card expenditures, to be prepared and presented to both the Governing Board and Policy Council
- Establish a recurring meeting schedule to ensure timely review
- Maintain meeting minutes documenting review and approval

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Summary Schedule of Prior Audit Findings

2. Establish Governance Training Program

- Develop and implement an annual training plan for the governing body and Policy Council covering:
- Financial statements and reporting
- Roles and responsibilities under Head Start regulations
- Oversight of Federal funds and internal controls
- Maintain sign-in sheets, agendas, and training materials as documentation

3. Strengthen Audit Oversight Procedures

- Require documented discussion in governing body meeting minutes demonstrating active monitoring and oversight to include:
- Audit findings
- Status of corrective actions

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

CCDF Cluster

ALN: 93.575

Award #: Various

Award Year: Various

Finding 2023-68, 2022-064, 2020-046 and 2019-047: Eligibility

Current Status: Repeated. Finding 2024-085.

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.

Corrective Action Plan: DHS, has upgraded the child care database to more efficiently produce monthly vouchers without the historical connectivity disruptions that prevented an uninterrupted listing of provider vouchers and the associated subsidy payments.

An independent audit will be conducted to verify processes, review files and make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. Staffing will include a program compliance monitor to work with the Child Care program to ensure compliance to Federal mandates.

Finding 2023-069 and 2022-065: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-086.

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.

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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 to ensure compliance with earmarking. Additionally, a Director of Federal Grants has been added to oversee the reporting and earmarking process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.

Finding 2023-070 and 2022-067: Reporting

Current Status: Repeated. Finding 2024-087.

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. Additionally, a Director of Federal Grants has been added to oversee the reporting process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions

Finding 2023-071 and 2022-068: Special Tests and Provisions - Health and Safety Requirements

Current Status: Repeated. Finding 2024-088.

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 has onboarded additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. A visual tracker of provider visits will be utilized to ensure visits are conducted across all providers

Finding 2023-072 and 2022-069: Special Tests and Provisions - Fraud Detection and Repayment

Current Status: Repeated. Finding 2024-089.

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: Internal audits will be conducted quarterly by having OCCRS subsidy staff and Administrators review files for accuracy of eligibility and subsidy determinations. Quality staff will conduct at least 2 unannounced visits per child care facility to monitor attendance. DHS will implement a centralized, secure tracking matrix. This log will track all fraud referrals, audit start/end dates, findings, total funds identified for recovery, amounts recovered to date, and case closure signatures

Finding 2023-073: Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds

Current Status: Repeated. Finding 2024-090.

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. Management will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program requirements. 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.

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 2023-074, 2022-071, 2021-056 and 2020-051: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Current Status: Repeated. Finding 2024-091.

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. Management will conduct a comprehensive review of existing internal controls related to non-payroll expenditures. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles.

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DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal regulations. DHS will conduct a thorough review of current internal controls and procedures related to non-payroll expenditures to identify gaps and areas for improvement. Policies will be updated to ensure all costs are properly documented and comply with federal allowable cost principles. Staff responsible for processing and approving expenditures will receive targeted training on documentation and compliance requirements. DHS will implement periodic internal audits to monitor adherence to updated procedures and promptly address any exceptions.

Finding 2023-075, 2022-072, 2021-057 and 2020-053: Period of Performance

Current Status: Repeated. Finding 2024-092.

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: Once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.

However, staffing has identified that deficiencies can occur in DOF's postings, sometimes arising in periods subsequent to the actual payday. To address this, the Department of Human Services (DHS) has incorporated an internal control requiring retrospective reconciliation of accounts against the Flex Earnings Report to verify accuracy.

Additionally, DHS plans to engage with DOF to better understand the underlying factors and nuances that result in discrepancies between DOF postings and the account coding reflected in the Flex Earnings Report.

The Federal Grants Financial Analyst also plays a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. In this particular instance, no federal funds were drawn.

Finding 2023-076, 2022-073 and 2021-058: Reporting

Current Status: Repeated. Finding 2024-093.

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: DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report for both ACL and ACF 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.

A Federal Grants Financial Analyst has been onboarded dedicated to the SSBG. Monthly and quarterly reports are prepared to allow for a match to all reports inclusive of Federal draws.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Year: 10/01/2021 - 09/30/2023

Finding 2023-077: Allowable Costs/Cost Principles

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-078: Eligibility

Current Status: Repeated. Finding 2024-095.

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: Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file.

DHS will:

1. Implement of Annual In Person/Active Renewal for Extended Cases
2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines.

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3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun.
4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record.
5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff must proceed with denial/closure and document the action in case notes.
6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows.
7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker.
8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.

Finding 2023-079: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-080: Reporting

Current Status: Repeated. Finding 2024-096.

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.

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Finding 2023-084, 2021-060 and 2020-055: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2024-100.

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: To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system.

The portal supports retention of Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository.

The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews.

DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection.

DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.

Program:

U.S. Department of Health and Human Services

Medicaid Cluster

ALN: 93.775, 93.778

Award #: 75X0512

Award Year: 10/01/2015 - 09/30/2023

Government Department/Agency:

Department of Human Services (DHS)

Finding 2023-077: Allowable Costs/Cost Principles

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2023-078, 2022-075, 2021-062, 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2024-095.

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: Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file.

DHS will:

1. Implementation of Annual In Person/Active Renewal for Extended Cases
2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines.
3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun.
4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record.
5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff must proceed with denial/closure and document the action in case notes.
6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows.
7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker.
8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.

Finding 2023-079: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2023-080, 2022-076, 2021-063, 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2024-096.

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 2023-081, 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 2024-101.

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 Program Integrity Unit has established SOPPs with 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 2023-082, 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 2024-098.

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 Department has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. The Director of Audits will work collaboratively with the Medicaid Program, Fiscal Office, and other applicable stakeholders to monitor compliance with federal reporting requirements and ensure that adequate supporting documentation is maintained for Medicaid cost reporting activities.

Finding 2023-083, 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 2024-099.

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: During the audit period, the Department did not complete the required ADP Risk Analysis and System Security Review for systems supporting the Medicaid Program, and certain monitoring controls were not operating at a sufficient level of precision to ensure compliance with federal requirements.

To address this finding, the Department recently issued Requests for Qualifications (RFQs) to seven qualified vendors to perform comprehensive security risk assessments of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. Vendor responses are due within three weeks, after which the Department will evaluate submissions and proceed with the procurement process. The selected vendor will conduct the required risk assessments, identify control deficiencies and security vulnerabilities, and provide recommendations to strengthen the Department's security posture and compliance framework.

The Department will work collaboratively with its technology partners, system vendors, and oversight entities to implement corrective actions identified through the assessments and enhance monitoring controls to ensure ongoing compliance with applicable federal requirements.

Finding 2023-084: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2024-100.

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: To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system. The portal supports retention of

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Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository.

The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews.

DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection.

DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.

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 2023-085, 2022-081, 2021-072, 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2024-102.

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 agrees and has established internal controls to ensure that all Federal Funding Accountability and Transparency Act (FFATA) subaward reports exceeding 30,000 are submitted timely and reviewed by the Territorial Public Assistance Officer. Although the SAM.GOV system implemented in fiscal year 2024 does not track individual FFATA filing dates.

VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed.

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Summary Schedule of Prior Audit Findings

Finding 2023-086 and 2022-082: Subrecipient Monitoring

Current Status: Repeated. Finding 2024-103.

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: Concur:

- 8 instances where the Government was unable to obtain Quarterly Progress Reports. As a result of the audit finding and in accordance with grant requirement, a Governor's Authorized Representative (GAR) Memo is being implemented, requiring Subrecipients to submit Quarterly Progress Reports within 10 days of quarter end. All reports are reviewed and retained in a centralized location for documentation and audit compliance.
- 8 instances where the Government was unable to obtain completion/inspection certificate. Project inspection/certification report(s) are now required for all payment request federal fund drawdowns. The reports must now be uploaded to the Enterprise Resource Planning System (ERP) and retained in centralized location for documentation and record keeping purposes.
- 8 subrecipients with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F. The Program will annually notify subrecipients of their audit responsibilities, monitor compliance, obtain required audit reports, and maintain documentation in a centralized location for audit and recordkeeping purposes.

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)

Finding 2023-087: Matching, Level of Effort, Earmarking

Current Status: 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.

Finding 2023-088: Reporting

Current Status: 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.

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Summary Schedule of Prior Audit Findings

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.

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.

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Summary Schedule of Prior Audit Findings

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: Repeated. Finding 2024-059.

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: DPNR recognizes the discrepancies identified between the employee pay rates reflected in the payroll registers and the Notices of Personnel Action (NOPAs) that were provided during the audit. Preliminary review indicates that the payroll system calculates employee compensation based on approved personnel actions maintained within the payroll system; however, it is possible that the NOPAs provided for audit testing did not reflect the most current approved personnel actions or subsequent amendments affecting employee compensation.

Additionally, DPNR's procedures for maintaining and readily retrieving complete personnel and payroll support documentation were not sufficiently centralized to ensure that the most current supporting records were consistently available for audit review.

DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the NOPAs provided during the audit. The review will include:

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Summary Schedule of Prior Audit Findings

- Verification of the official personnel actions maintained in the payroll system;
- Review of any amended or revised NOPAs affecting employee compensation;
- Reconciliation of payroll registers to approved personnel actions;
- Verification that salaries and wages charged to Federal awards are properly supported and accurately reflected in official records; and
- Identification and correction of any deficiencies in document retention or record management procedures.

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.

Corrective Action Plan

**GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS**



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DEPARTMENT OF FINANCE

**Appendix B
Corrective Action Plan**

Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-001: 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	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 D&A will be essential through setting expectations, establishing realistic goals, and providing support. The Government 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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Finding	Contact	Estimated Completion Date	Corrective Action
	Procurement Team. D&As - all CFOs, lead fiscal personnel, 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</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>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> <p>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.</p>
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.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-002: 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.
B. Tax Return Processing Method	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	Management Team of the Office of the Lieutenant Governor (LGO)	On-going	Management will review and identify the Government's and component units' properties in the tax roll listing to ensure that proper tax credits are applied. Management will also implement enhanced controls to ensure that tax billings are issued accurately only for taxable properties, that interest is calculated correctly, and that all tax credits are properly supported.

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Finding	Contact	Estimated Completion Date	Corrective Action
D. Allowance for Doubtful Debts	DOF Executive Leadership, specifically the Director of Accounting and Financial Reporting	On-going	Management will re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management will also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate.
E. Hotel Development Program	Management Team of the Bureau of Internal Revenue	Ongoing	The Government will establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages.
Finding 2024-003: 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	<p>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.</p> <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

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions.</p> <ul style="list-style-type: none"> • 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> <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

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Finding	Contact	Estimated Completion Date	Corrective Action
			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. Accounting for Subrecipient Reimbursement	OMB Leadership, specifically the Compliance Unit.	On-going	Management will strengthen subrecipient monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management will also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts.
D. Report Submission	The OMB Management team	Fiscal Year 2027	<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).

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> • Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders. • Develop government-wide standard operating policies and procedures to provide a uniform and consistent approach across all agencies for grant management, fixed assets, fraud, waste, and abuse (FWA), and cash management, along with an automated training schedule requirement through a training platform. • Develop supplemental materials, such as cheat sheets, checklists, and training guides, based on the government-wide standard operating policies and procedures (SOPP). • Train all staff involved in the audit and reporting process on federal grant management and reporting requirements.
Finding 2024-004: 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</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.
B. Reconciliation and Review of Subsidiary Registers	Management team of DOF Accounting and Financial Reporting Division	On-going	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.
C. Construction in Progress (CIP) Monitoring	Capital Asset Coordinator, Director of Accounting, DPW Fiscal Director, and DPW Assistant Commissioner	Second quarter of Fiscal Year 2026	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.
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.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-005: Recording of Liabilities			
A. Retroactive Pay Liability	DOF and Office of Collective Bargaining (OCB).	On-going	<p>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.</p> <p>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.</p> <p>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.</p>
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	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. 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

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>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>
D. Completeness and Accuracy of Census Data	DOF management, specifically, the Executive Assistant Commissioner	On-going	<p>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.</p>
E. Income Tax Refunds Payable	DOF management team	On-going	<p>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.</p>
F. Plan Funding Considerations	The Government Financial Team	On-going	<p>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.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-006: Management of the Medicaid Program			
Cost Report Audits, System Security Review, and Approvals	Chief Financial Officer, DHS and Program Administrator, DHS	On-going	DHS is requesting federal authorization for sole sourcing to allow the process to move forward with the previous vendor of record. Once approval is obtained and the contract is executed, DHS intends to issue a Notice to Proceed so the implementation of the audit recommendation can continue.
Finding 2024-007: 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 2024-008: Workers Compensation Program			
A. Actuarial Valuation	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.

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Finding	Contact	Estimated Completion Date	Corrective Action
B. Claims Expenditure	DOF Director of Accounting and Reporting and DOL Leadership, specifically the Director of the Government Insurance Fund.	On-going	Management will enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management will implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements.
Finding 2024-009: Payroll, Related Accruals, and Other Expenditures			
A. Payroll Expenditures	Director of Payroll	September 2026	The Payroll Unit will monitor accrual liabilities bi-annually.
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	Lack of monthly reconciliations at the D&As results in untimely adjustments in the system. Accordingly, the Government will require Chief Financial Officers (CFO) to generate Flexible Period Reports reflecting all final balances by the 30th of the following month, allowing D&As sufficient time to enter, release, and obtain approval for journal entries.
D. Formalize Emergency	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

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Finding	Contact	Estimated Completion Date	Corrective Action
Payroll Procedures			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 2024-010: Bank Accounts			
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	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.

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Finding	Contact	Estimated Completion Date	Corrective Action
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.
Finding 2024-011: Other Post Employment Benefit (OPEB) Valuation			
A. Plan Auditor's Report	Executive Assistant Commissioner, DOF	On-going	The Government will coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that an audited plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management will also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures.
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.

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Finding	Contact	Estimated Completion Date	Corrective Action
C. Accuracy of Census Data	DOF Executive Assistant Commissioner	Immediately	The Government will develop and implement internal controls to ensure the accuracy of active employees and retiree census data prior to submission for future valuations, calculations, or analysis.
Finding 2024-012: 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.
Finding 2024-013: 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 and enforce procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.
Finding 2024-014: 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 in GVIBUY. DPP will coordinate more frequently with DOF IT team to address any potential system issues that can affect data accuracy.
Finding 2024-015: Information Technology (IT) Environment			

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Finding	Contact	Estimated Completion Date	Corrective Action
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.</p>
Finding 2024-016: 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 will implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

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Finding	Contact	Estimated Completion Date	Corrective Action
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. 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.
2024-017: Cash Management	Administrative Staff	July 2024	As of July 2024, 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 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.
2024-018: Allowable Costs/Cost Principles - Payroll Activities/ Period of Performance	Chief Financial Officer and Deputy Commissioner of Human Resources	STATS implementation completed. NOPA updates effective 10/01/2024. Director of Federal Grants - completed, and Federal Financial	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:

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Finding	Contact	Estimated Completion Date	Corrective Action
		Analyst - September 2026	<p>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.</p> <p>Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. The sheets will be submitted to Fiscal for certification by the CFO. NOPA's are updated with the provisional codes.</p> <p>Lastly, once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.</p> <p>The Federal Grants Financial Analyst, once onboarded, will also play a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. DHS has added an additional layer of monitoring with the onboarding of a Director of Federal Grants. The newly created unit of Audit and Compliance, once staffed will play a crucial role with periodic monitoring.</p>
2024-019: Matching, Level of Effort, Earmarking	Chief Financial Officer	Liquidation report - completed. Compliance - August 2026	While the ERP provides a 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. DHS has also onboarded a Director of Federal Grants to oversee the financial management of the 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	Contact	Estimated Completion Date	Corrective Action
2024-020: Period of Performance	Chief Financial Officer	Completed. Analyst - September 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 Federal Grants Financial Analyst is being integrated into the workflow to ensure compliance. Additionally, a Director of Federal Grants has been onboarded to add an additional level of oversight.
2024-021: Cash Management	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-022: Procurement and Suspension and Debarment	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-023: Reporting	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-024: Not used			
2024-025: Allowable Costs/Cost Principles - Payroll Activities	Executive Director Reimbursement Specialist Employee Relations Coordinator	September 2026	OTAG has reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance compliance. Payroll expenditures charged to Master Cooperative Agreement Appendices will be subject to quarterly review to verify that timesheets, payroll registers, and supporting documentation are

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>complete, accurate, and retained in accordance with the SF-270 submission requirements. Payroll charges will also be reviewed against periods of performance before posting to ensure costs are assigned to the correct award.</p> <p>OTAG will revise its SOPPs to establish formal procedures for payroll certification, documentation retention, reconciliation of payroll records to timesheets, and review of Master Cooperative Agreement funded personnel costs. Training will be conducted for personnel on documentation standards and allowable cost requirements.</p> <p>To prevent recurrence, monthly reconciliations between payroll records and supporting timesheets will be performed and documented. Quarterly compliance reviews will evaluate payroll charges and supporting documentation for accuracy and completeness.</p> <p><u>Monitoring & Accountability:</u> The Adjutant General and Executive Director will jointly oversee implementation. Results of monthly reconciliations and quarterly reviews will be reported to executive management.</p>
2024-026: Cash Management and Reporting	Executive Director Reimbursement Specialist Resource Specialist	September 2026	<p>OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.</p> <p>OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.</p> <p>Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.</p> <p>Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.</p> <p>Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.</p>
2024-027: Matching, Level of Effort, Earmarking	Executive Director Reimbursement Specialist Resource Specialist	September 2026	<p>OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.</p> <p>OTAG will develop a formal methodology for calculating, documenting, and monitoring matching requirements associated with each Cooperative Agreement. Matching calculations will be prepared monthly and reviewed quarterly by management with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>system. Documentation supporting allowable matching expenditures will be maintained in a centralized file.</p> <p>Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.</p> <p>Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.</p> <p>Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.</p>
2024-028: Period of Performance	Executive Director Reimbursement Specialist Resource Specialist	September 2026	<p>OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.</p> <p>OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. Personnel will verify Master Cooperative Agreement Appendices periods prior to processing transactions. Expenditures charged to awards will undergo review to confirm alignment with the applicable award and performance period with cross reconciliation of the Government of the Virgin Islands</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>procurement methods, and the Government of the Virgin Islands fiscal enterprise system.</p> <p>Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.</p> <p>Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.</p> <p>Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.</p>
<p>2024-029: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities</p>	<p>Director of Business Administration</p>	<p>Immediately</p>	<p>The Government concurs with the auditor’s findings and recommendations. Management acknowledges the recommendation and will review current internal control procedures to determine if enhancements are needed. DPNR is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary. DPNR will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-030: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	Director of Business Administration	On-going	<p>DPNR will:</p> <ul style="list-style-type: none"> • Conduct a review of payroll transactions to identify any additional discrepancies between timesheets and payroll registers. • Implement a requirement for supervisory review and certification of employee timesheets prior to payroll processing. • Establish a reconciliation process requiring payroll staff to compare approved timesheets to payroll registers before final payroll approval. <p><u>Grant Charge Authorization</u></p> <ul style="list-style-type: none"> • Review personnel funding assignments to verify that salary charges are consistent with approved Notices of Personnel Action (NOPAs), grant budgets, and personnel authorizations. • Correct the employee's funding allocation to reflect the authorized grant funding source. • Establish a secondary review process to verify funding sources before payroll is posted to grant accounts. <p><u>Payroll Adjustments</u></p> <ul style="list-style-type: none"> • Review outstanding payroll adjustments and correction entries. • Process the identified correction and updated procedures to ensure adjustments are completed promptly upon discovery. • Establish tracking procedures to monitor payroll corrections through completion.
2024-031: Equipment and Real Property Management	Director of Business Administration	On-going	<p>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.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
<p>2024-032: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities</p>	<p>Chief Financial Officer (CFO) of the various agencies DOF - Director of Finance / Accounting and Payroll Manager OMB Federal Grants Manager/ OMB Compliance Unit (oversight and monitoring)</p>	<p>December 2026</p>	<p>The Government will implement enhanced internal control procedures to ensure that payroll expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are complete, accurate, and fully supported by transaction-level detail in accordance with 2 CFR 200.303, 2 CFR 200.403(g), and 2 CFR 200.430(i).</p> <p>Corrective actions will include the following:</p> <p>1. <u>Implementation of Monthly Payroll Reconciliations</u>: The Government will establish a formal reconciliation process requiring monthly reconciliation of payroll expenditures recorded in the accounting system to detailed payroll records generated from the payroll system.</p> <ul style="list-style-type: none"> o All variances will be identified, investigated, resolved, and documented. o Supporting documentation (e.g., payroll registers, timesheets, and cost allocation reports) will be retained and readily available for audit review. <p>This aligns with enterprise expectations that reconciliation exceptions must be logged, investigated, and resolved with supporting evidence retained. [GVI-102 -...03.06.2026 Word]</p> <p>2. <u>Development and Formalization of Standard Operating Procedures (SOPs)</u>: The Government will develop and/or enhance SOPs governing:</p> <ul style="list-style-type: none"> o Payroll cost charging to federal awards o Documentation standards required to support payroll expenditures o Reconciliation procedures between payroll system and general ledger o SEFA preparation and validation procedures <p>These SOPs will ensure consistency, completeness, and compliance with Uniform Guidance requirements.</p> <p>3. <u>Strengthening Documentation Controls</u>: Payroll costs charged to federal awards will be supported by documentation that:</p> <ul style="list-style-type: none"> o Accurately reflects the work performed o Reconciles to total compensation (100% effort)

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>o Is incorporated into official records and retained in accordance with record retention policies Documentation reviews will be incorporated into routine processing and supervisory review controls.</p> <p>4. <u>Independent Review and Oversight</u>: Reconciliations and payroll allocations to federal programs will be subject to supervisory or independent review to verify: o Accuracy and completeness o Proper allocation across funding sources o Consistency with grant terms and conditions Evidence of review and approval will be maintained.</p> <p>5. <u>SEFA Validation and Pre-Submission Review</u>: Prior to finalizing the SEFA, the Government will implement a mandatory validation step requiring: o Reconciliation of SEFA totals to the general ledger o Verification that all amounts reported are supported by transaction-level payroll detail o Confirmation that all adjustments are documented and approved This aligns with established CAP practices requiring documented reconciliation outputs that demonstrate control effectiveness.</p> <p>6. <u>Training and Capacity Building</u>: Relevant personnel will receive training on: o Federal cost principles under 2 CFR 200 o Payroll documentation and certification requirements o SEFA preparation and reconciliation expectations Training will ensure consistent application of policies and improve compliance.</p> <p>7. <u>Ongoing Monitoring and Compliance Reviews</u>: The Government will implement periodic (quarterly) compliance reviews to: o Assess the effectiveness of payroll reconciliation controls</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> o Ensure documentation requirements are consistently met o Identify and remediate any recurring issues timely <p>These monitoring activities are consistent with prior CAP approaches that require periodic review of payroll documentation and reconciliation practices.</p>
<p>2024-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment</p>	<p>Department of Property and Procurement, Audit Committee, OMB Grant Management and Compliance Units</p>	<p>Immediately for Procurement Suspension and Debarment vetting; December 2026 for overarching Financial and Compliance Policy</p>	<p>A comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government’s Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.</p>
<p>2024-034: Cash Management</p>	<p>DPNR Director Business Administration, VIDE Chief Financial Officer, VIDE and DPNR Program Managers, Audit Committee, and OMB Compliance Unit</p>	<p>Ongoing and December 2026 for overarching Financial and Compliance Policy</p>	<p>The Government concurs with the auditor’s findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including cash management. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.</p>
<p>2024-035: Equipment and Real Property Management</p>	<p>Property and Procurement Capital Assets Division, Agencies’ Chief Financial Officers and Program Managers, Audit Committee, and OMB Compliance Unit</p>	<p>Ongoing and December 2026 for overarching Financial and Compliance Policy</p>	<p>The Government concurs with the auditor’s findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-036: Procurement and Suspension and Debarment	DPP Procurement Personnel	June 1, 2026	DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention.
2024-037: Reporting	Government Agencies' Grants Management staff, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-038: Cash Management	DPNR Director of Business Administration	On-going	The Government concurs with the auditor's findings and recommendations. The Department did not maintain a centralized repository for drawdown documentation. Supporting invoices and related source documents were maintained in various locations and formats, resulting in instances where complete documentation was not readily available during the audit review.

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>The Department of Planning and Natural Resources (DPNR) with the support of the federal agency’s consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all Federal drawdown requests and supporting documentation. This repository will house all documents necessary to substantiate drawdowns, including but not limited to:</p> <ul style="list-style-type: none"> • Approved drawdown requests; • Supporting invoices; • Payment vouchers and proof of payment; • Purchase orders, contracts, and agreements, where applicable; • Grant expenditure reports. • Reconciliations and any additional supporting documentation required by Federal regulations and grant terms. <p>A standardized checklist will be developed and incorporated into the drawdown process to ensure that all required supporting documents are uploaded and reviewed prior to the submission of each drawdown request. Drawdowns will not be processed until the checklist has been completed and the supporting documentation verified.</p>
2024-039: Eligibility	DPNR Director of Business Administration	On-going	<p>The Government concurs with the auditor’s findings and recommendations. The Department did not maintain a centralized repository for eligibility documentation. Supporting documentation and related source documents were maintained in various locations and formats, resulting in instances where complete documentation was not readily available during the audit review.</p> <p>The Department of Planning and Natural Resources (DPNR) with the support of the federal agency’s consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all eligibility requests and supporting documentation. This repository will house all documents necessary to substantiate eligibility, including but not limited to:</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> • Participant eligibility applications and supporting documentation; • Eligibility determination forms and approval records; • Documentation of eligibility reviews and supervisory approvals; • Complete participant listings containing all relevant information necessary to support eligibility determinations; • Periodic recertification or re-evaluation documents, where applicable; • Correspondence and any additional supporting records required by the grant agreement or Federal regulations.
2024-040: Procurement and Suspension and Debarment	DPNR Director of Business Administration	On-going	<p>DPNR with the support of the federal agency’s consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all procurement requests and supporting documentation. This repository will house all documents necessary to substantiate is a vendor is valid or debarred, including but not limited to:</p> <ul style="list-style-type: none"> • A complete procurement listing for each fiscal year, including all procurements funded by Federal awards; • Documentation of suspension and debarment verification; • Vendor certifications and required Federal assurances; and • Any additional supporting documentation required under Federal regulations and DPNR procurement policies.
2024-041: Reporting	DPNR Director of Business Administration	On-going	<p>DPNR will conduct an internal review of the circumstances surrounding the approval of financial reports by an unauthorized individual. The purpose of the review will be to determine:</p> <ol style="list-style-type: none"> 1. How the unauthorized approval occurred; 2. Whether there were deficiencies in the existing review and approval process; 3. Whether system access, delegated authority, or procedural gaps contributed to the control failure; and 4. Whether similar instances have occurred in other reporting periods.

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>Based on the results of the internal review, DPNR will implement any additional corrective measures necessary to strengthen internal controls and prevent future occurrences. Such measures may include revising authorization matrices, restricting system access to designated reviewers, updating written policies and procedures, and providing additional training to personnel involved in the reporting process.</p> <p>DPNR acknowledges that, during the audit period, supporting records related to FFATA submissions were not readily accessible to the Department due to limitations in system access and the absence of a centralized retention process for FFATA reporting documentation. As a result, DPNR was unable to provide a complete listing of FFATA reports submitted during the year.</p> <p>The Department of Planning and Natural Resources (DPNR) with the support of the federal agency’s consultant will implement a centralized electronic repository system to serve as the official recordkeeping location to ensure the following supporting documents are available including but not limited to:</p> <ul style="list-style-type: none"> • A complete annual listing of all FFATA reports submitted; • Copies or screenshots of each FFATA submission; • Submission confirmations and reporting dates; • Subrecipient information and award amounts subject to FFATA reporting requirements; and • Any correspondence or supporting documentation associated with the submission.
2024-042: Subrecipient Monitoring	DPNR Director of Business Administration	On-going	The Government concurs with the auditor’s findings and recommendations. DPNR’s subrecipient monitoring records and supporting documentation were maintained in multiple locations and were not consistently centralized in a manner that readily demonstrated compliance with Federal subrecipient monitoring requirements. In addition, DPNR did not maintain a comprehensive

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>master listing of subrecipients that incorporated all information necessary to support risk assessments, monitoring activities, and audit requests.</p> <p>DPNR with the support of the federal agency’s consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all sub recipient supporting documentation. This repository will house all documents necessary to determine if a vendor is at high risk, if they are required to be audited and monitoring, including but not limited to:</p> <ul style="list-style-type: none"> • A master listing of all subrecipients for each fiscal year; • Subaward agreements and any modifications; • Required subaward information pursuant to 2 CFR §200.331(a); • Subrecipient risk assessments and supporting documentation; • Financial and programmatic reports submitted by subrecipients; • Monitoring plans and monitoring reports; • Documentation of desk reviews and on-site monitoring, where applicable; • Audit reports, Single Audit reports, and management decisions; • Documentation of corrective actions and follow-up activities; and • Correspondence and any additional records necessary to demonstrate compliance with Federal requirements.
<p>2024-043: Special Tests and Provisions - Wage Rate Requirements</p>	<p>DPNR Director of Business Administration</p>	<p>On-going</p>	<p>DPNR did not have formally documented policies and procedures governing compliance with Wage Rate Requirements applicable to federally funded construction contracts. In addition, supporting documentation demonstrating compliance, including certified payrolls and monitoring activities, was not consistently maintained in a centralized location to facilitate monitoring and audit review.</p> <p>DPNR will develop and implement formal written policies and procedures to ensure compliance with applicable Wage Rate</p>

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			<p>Requirements, including the requirements of the Davis-Bacon Act and the Department of Labor regulations contained in 29 CFR Part 5.</p> <p>The procedures will require that all federally funded construction contracts subject to Wage Rate Requirements include the appropriate labor standards provisions and contract clauses. Additionally, contractors and subcontractors will be required to submit certified payrolls and statements of compliance on a weekly basis for each week in which contract work is performed.</p>
2024-044: Activities Allowed or Unallowed	Unemployment Director Business Administration Director	September 2026	<p>VIDOL acknowledges the auditor’s finding regarding the inability to provide fully reconciled accounting information for the Unemployment Insurance Trust Fund accounts and recognizes the importance of maintaining complete, accurate, and timely financial records in compliance with 2 CFR 200.302 and 2 CFR 200.303. VIDOL concurs with the recommendation and is committed to strengthening internal controls, improving financial management processes, and ensuring timely reconciliations and oversight of all Unemployment Insurance program funds. VIDOL will implement the following corrective actions:</p> <p><u>1. Development and Implementation of Written Policies and Procedures:</u> VIDOL will develop and formalize comprehensive accounting policies and procedures governing: •Monthly reconciliations of all Unemployment Insurance Trust Fund accounts; •Cash receipt and disbursement processing; •Accrual preparation and review; •Federal grant accounting and reporting requirements; •Documentation retention and support requirements; and •Review and approval protocols for financial transactions and reports. These procedures will be aligned with the requirements set forth in 2 CFR 200 and applicable federal guidance.</p> <p><u>2. Monthly Reconciliation Process:</u> VIDOL hired a new Financial Analyst in December 2025 due to vacancy created due to the departure by the</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>former Financial Analyst in February 2025. VIDOL has completed monthly reconciliations of all UI accounts through March 2026. VIDOL has implemented a reconciliation process that reconciles all accounts monthly for all Unemployment Insurance Trust Fund accounts and ensure:</p> <ul style="list-style-type: none"> •General ledger balances agree to subsidiary ledgers and bank records; •Differences are identified, researched, and documented timely; and •Reconciliations are reviewed and approved by supervisory personnel. <p>3. <u>Strengthening Internal Controls and Oversight</u>: VIDOL will enhance internal controls over financial reporting and grant management by:</p> <ul style="list-style-type: none"> •Assigning clear responsibilities for preparation and review of reconciliations; •Implementing supervisory review procedures for financial reports and reconciliations; •Conducting periodic management reviews of account activity and outstanding balances; and •Maintaining adequate supporting documentation for all financial transactions. <p>4. <u>Staff Training and Technical Assistance</u>: Fiscal staff responsible for grant accounting and financial reporting will receive additional training on:</p> <ul style="list-style-type: none"> •Federal grant compliance requirements under Uniform Guidance; •Financial reconciliation procedures; •Documentation standards; and •Internal control responsibilities. VIDOL will also seek technical assistance, as necessary, to improve financial reporting and reconciliation practices. <p>5. <u>Ongoing Monitoring and Compliance Review</u>: VIDOL management will conduct periodic monitoring to ensure reconciliations are completed timely and corrective actions are operating effectively. Any identified discrepancies or instances of noncompliance will be addressed promptly.</p>

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2024-045: Eligibility	Unemployment Director Director of Information Technology	July 2026	VIDOL concurs with the auditor’s findings and recommendations. VIDOL entered a one (1) year contract with Quantum Technology on July 15, 2025, to convert all VIDOL files from a paper based to an electronic recordkeeping system. Quantum Technology continues to digitize and transfer the files to a database where they are properly catalogued, retrievable and indexed in accordance with established naming conventions. Once Quantum Technology completes the contract deliverables, VIDOL will have a robust document management system to facilitate easy retrieval and secure storage.
2024-046: Reporting	Unemployment Director	September 2026	<p>VIDOL acknowledges the auditor’s finding regarding deficiencies in the retention, review, accuracy, and support of required financial, performance, and special reports submitted to the Federal government. VIDOL submitted all outstanding reports along with supporting documentation during the 30-day sprint to the Regional Office. VIDOL recognizes the importance of maintaining complete and accurate supporting documentation and ensuring that all required reports are properly reviewed, approved, and retained in compliance with 2 CFR 200.302, 2 CFR 200.303, and 2 CFR 200.403(g). VIDOL will implement the usage of the USVI Unemployment Benefit Manual which contains the principles and operating instructions for carrying out the agency’s responsibilities under the various benefits programs. VIDOL concurs with the auditor’s recommendation and is committed to strengthening internal controls and reporting procedures to ensure the accuracy, completeness, timeliness, and proper retention of all federally required reports. To address the deficiencies identified, VIDOL will implement the following corrective actions:</p> <p><u>1. Revision and Formalization of Reporting Policies and Procedures:</u> VIDOL will reevaluate and update its written policies and procedures governing the preparation, review, approval, submission, and retention of all required Federal reports, including ETA-9050, ETA-9052, ETA-9055, and other applicable reports. The revised procedures will</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>establish: •Standardized reporting processes; •Documentation requirements supporting all reported data; •Required supervisory review and approval protocols; •Submission deadlines and tracking requirements; and •Record retention standards consistent with Federal regulations.</p> <p>2. <u>Implementation of Review and Approval Controls:</u> VIDOL will implement enhanced supervisory review procedures to ensure all reports: •Are supported by complete and accurate documentation; •Reconcile to source records and supporting schedules; •Are reviewed for accuracy and completeness prior to submission; and •Contain documented evidence of review and approval by designated management personnel.</p> <p>3. <u>Centralized Documentation Retention Process</u> VIDOL will establish a centralized electronic and/or physical filing system for all required Federal reports and supporting documentation to ensure: •Records are retained for the required retention period; •Supporting documentation is readily accessible for audit and monitoring purposes; and •Submitted reports can be fully substantiated and traced to source documentation.</p> <p>4. <u>Periodic Internal Monitoring and Quality Assurance Reviews:</u> Management will conduct periodic internal reviews of submitted reports and supporting documentation to verify compliance with Federal reporting requirements and internal procedures. Any discrepancies or missing documentation identified during these reviews will be corrected promptly and communicated to responsible staff.</p> <p>5. <u>Staff Training and Technical Assistance:</u> Appropriate staff responsible for report preparation, review, and submission will receive additional training on: •Federal reporting and documentation requirements; •Record retention standards; •Internal control responsibilities; and •Procedures for reconciling reported information to supporting</p>

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			documentation. VIDOL will also seek technical assistance, as necessary, to improve reporting accuracy and compliance processes.
2024-047: Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	Unemployment Director Director of Information Technology	2 nd Quarter of 2027	<p>VIDOL acknowledges the auditor’s finding regarding the failure to submit the required ETA 9129 RESEA Quarterly Reports in a timely manner under the UI-Reemployment Services and Eligibility Assessment (RESEA) program. VIDOL recognizes the importance of maintaining effective internal controls to ensure all required Federal reports are accurate, complete, properly reviewed, and submitted within established deadlines in compliance with 2 CFR 200.303. VIDOL concurs with the auditor’s recommendation and is committed to strengthening reporting controls and implementing system improvements to ensure ongoing compliance with Federal reporting requirements. To address the deficiencies identified, VIDOL will implement the following corrective actions:</p> <p>1. <u>Implementation of RESEA Case Management System</u>: VIDOL is currently in the implementation stage of the core portion of the RESEA case management system that will serve as the official system of record for all RESEA claimant services and reporting activities. The system is expected to go out to production/testing by June 2026 with an identified vendor. The new system will: •Centralize claimant and program data; •Improve tracking of RESEA activities and outcomes; •Generate data necessary for required Federal reporting; •Enhance data accuracy and consistency; and •Support timely submission of ETA 9129 Quarterly Reports.</p> <p>2. <u>Development of Reporting Policies and Procedures</u>: VIDOL will develop and formalize written policies and procedures governing the preparation, review, approval, and submission of RESEA quarterly reports. These procedures will include: •Clearly defined staff responsibilities; •Reporting timelines and submission deadlines;</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> •Required supervisory review and approval processes; and •Documentation retention requirements supporting reported data. <p>3. <u>Strengthening Internal Controls Over Reporting</u>: VIDOL will enhance internal controls to ensure: •Required reports are monitored through a reporting calendar and tracking system; •Reports are reviewed for completeness and accuracy prior to submission; •Supporting documentation is maintained and readily accessible; and •Management oversight is performed to ensure compliance with Federal reporting requirements.</p> <p>4. <u>Periodic Monitoring and Compliance Reviews</u>: Management will conduct periodic reviews of reporting activities to verify reports are submitted timely and supported by accurate documentation. Any reporting deficiencies identified will be addressed promptly through corrective action and additional oversight.</p> <p>5. <u>Staff Training and Technical Assistance</u>: Staff responsible for RESEA program administration and reporting will receive training on: •Federal reporting requirements for ETA 9129 reports; •Internal control and documentation standards; •Use of the RESEA case management system; and •Procedures for timely report preparation and submission. VIDOL will also seek technical assistance, as needed, to support implementation of the new reporting system and improve compliance processes.</p>
2024-048: Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities	Department of Property and Procurement, Audit Committee, OMB Grant Management and Compliance Units	Immediately for Procurement Suspension and Debarment vetting; December 2026 for overarching	A comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government’s Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote

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Finding	Contact	Estimated Completion Date	Corrective Action
and Procurement and Suspension and Debarment		Financial and Compliance Policy	cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-049: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	Federal Grants Management Unit in coordination with the Department of Finance	September 2026	OMB acknowledges the findings and notes that OMB does not calculate or determine fringe benefit amounts charged to payroll expenditures. However, OMB will coordinate with the Department of Finance to communicate the identified discrepancy and will work collaboratively to strengthen review procedures over payroll cost allocations charged to federal programs. In addition, OMB will reevaluate its existing oversight controls to ensure that payroll expenditures charged to federal awards are supported by appropriate documentation and reviewed for compliance with applicable federal requirements.
2024-050: Procurement and Suspension and Debarment	Department of Property and Procurement, Federal Grants Management Unit with support from relevant ARPA grant management staff and the Director/Director Designee of the Office of Management and Budget	September 2026	<p>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. DPP will liaise more frequently with DOF IT team to rectify any potential system issues that can affect data accuracy.</p> <p>In collaboration with DPP and DOF, OMB will do the following:</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p><u>Formalize Policies and Procedures (SOP Updates)</u>: OMB will update its internal Standard Operating Procedures (SOPs) to clearly define:</p> <ul style="list-style-type: none"> ▫ Roles and responsibilities for procurement oversight ▫ Required documentation standards - to ensure all procurement actions related to federal awards are captured, documented, and readily accessible for audit purposes. ▫ Review and approval workflows <p><u>Training and Capacity Building</u>: OMB will conduct training sessions for all staff involved in procurement and grant management to reinforce compliance with:</p> <ul style="list-style-type: none"> ▫ Uniform Guidance (2 CFR 200.318-200.327) ▫ Local procurement requirements (Title 31 VIC)
2024-051: Reporting	Federal Grants Management Unit in coordination with programmatic and financial staff responsible for CSLFRF reporting	Immediately	OMB agrees with the finding and will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF reports. OMB implemented corrective measures to ensure that all Quarterly reporting consistently utilizes ERP Post Dates to ensure that all applicable activity is fully captured. OMB will also establish a centralized process for maintaining reporting support, including reconciliations, review checklists, and evidence of supervisory approval, to ensure adequate documentation is retained for monitoring and audit purposes.
2024-052: Subrecipient Monitoring	Federal Grants Management Unit with support from relevant ARPA grant management staff and the Director/Director Designee of the Office of Management and Budget	September 2026	To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with 2 CFR 200.303 and 2 CFR 200.332, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory review. OMB will also conduct periodic internal quality control reviews of subrecipient files to confirm that monitoring documentation is complete, timely, and consistent with federal requirements.

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2024-053: Allowable Costs/Cost Principles - Non-Payroll Activities	DPNR Director Business Administration, DPW and DPNR Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor’s findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including allowable cost and cost principles. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-054: Allowable Costs/Cost Principles - Payroll Activities	DPNR Director Business Administration, DPW and DPNR Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including fiscal and administrative requirements for expending and accounting for payroll expenditures. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit

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			supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-055: Cash Management	CFO Director of Administration Fiscal and Budget Manager	Immediate	The Government concurs with the auditor’s findings and recommendations. Strengthening procedures is necessary. Corrective Action Plan: <ul style="list-style-type: none"> - Reconcile drawdowns monthly - Assign oversight for draw requests - Conduct internal reviews
2024-056: Reporting	CFO Director of Administration	60-120 days	The Government concurs with the auditor’s findings and recommendations. Corrective action plan as follows: <ul style="list-style-type: none"> - Establish review and approval procedures - Maintain supporting documentation - Central repository for reports - Conduct periodic audits - Train staff
2024-057: Subrecipient Monitoring	CFO Director of Administration Grants Manager	60-120 days	The Government concurs with the auditor’s findings and recommendations. Corrective action plan as follows: <ul style="list-style-type: none"> - Develop subrecipient monitoring policies (2 CFR 200.331-200.332) - Conduct risk assessments - Monitor financial and performance reports - Establish tracking system - Require follow-up on audit findings
2024-058: Allowable Costs/Cost Principles - Payroll Activities	DPNR Director of Business Administration	On-going	DPNR recognizes the discrepancies identified between the employee pay rates reflected in the payroll registers and the Notices of Personnel Action (NOPAs) that were provided during the audit. Preliminary review indicates that the payroll system calculates employee compensation based on approved personnel actions maintained within the payroll system; however, it is possible that the NOPAs provided for audit testing

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			<p>did not reflect the most current approved personnel actions or subsequent amendments affecting employee compensation.</p> <p>Additionally, DPNR's procedures for maintaining and readily retrieving complete personnel and payroll support documentation were not sufficiently centralized to ensure that the most current supporting records were consistently available for audit review.</p> <p>DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the NOPAs provided during the audit. The review will include:</p> <ul style="list-style-type: none"> • Verification of the official personnel actions maintained in the payroll system; • Review of any amended or revised NOPAs affecting employee compensation; • Reconciliation of payroll registers to approved personnel actions; • Verification that salaries and wages charged to Federal awards are properly supported and accurately reflected in official records; and • Identification and correction of any deficiencies in document retention or record management procedures.
2024-059: Cash Management	DPNR Director of Business Administration	On-going	<p>DPNR will reevaluate and strengthen its cash management policies and procedures to ensure compliance with the Cash Management Improvement Act (CMIA), Treasury-State Agreement requirements, and Federal cash management regulations.</p> <p>To support these requirements, DPNR alongside RMA will establish a repository that will serve as the official source of record for all drawdown activities and related supporting documentation.</p>
2024-060: Period of Performance	DPNR Director Business Administration, Audit	December 2026 for overarching	The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the

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	Committee, and OMB Compliance Unit	Financial and Compliance Policy	Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including period of performance. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-061: Allowable Costs/Cost Principles - Non-Payroll Activities	Business Office Director Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE is strengthening its policies and procedures to ensure all non-payroll expenditures are fully supported by underlying documentation prior to charging federal programs. To address the documentation gap identified, the department is enforcing a strict back-end system control within the accounts payable process. Moving forward, all required supporting documentation—such as vendor invoices, receipts, and programmatic approvals—must be attached directly to the transaction entry within the ERP system. Furthermore, the Office of Fiscal and Administrative Services will implement a mandatory final review step to verify the presence and accuracy of this documentation in the system before any disbursement is authorized or charged to the Special Education Cluster.
2024-062: Allowable Costs/Cost Principles - Payroll Activities	Director of Payroll Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

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			<p>Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.</p> <p>Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.</p> <p>Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.</p>
<p>2024-063: Allowable Costs/Cost Principles - Indirect Cost</p>	<p>Deputy Commissioner, Fiscal and Administrative Services</p>	<p>August 2026</p>	<p>VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs.</p> <p>Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen VIDE's oversight of the TPFA's processes and prevent future documentation gaps.</p>

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2024-064: Equipment and Real Property Management	Fixed Assets Director	September 2026	<p>As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.</p> <p>Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.</p> <p>To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFA and Munis.</p>
2024-065: Matching, Level of Effort, Earmarking	Deputy Commissioner, Curriculum and Instruction Deputy Commissioner, Fiscal and Administrative Services	August 2026	<p>VIDE recognizes that the inability to verify underlying student and poverty data due to a lack of certified documentation is a critical internal control deficiency. Accordingly, VIDE will establish a formal data collection and certification process. VIDE will update its specific Standard Operating Procedure (SOP) for the collection of MFS and Earmarking data to mandate a process wherein LEAs will be required to submit a Student Count and Poverty Data Certification Form. This form must be signed by the District Superintendent and the District Data Manager to certify the student numbers and poverty counts as of the</p>

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			<p>specific federal reporting date. Supporting source documentation, such as PowerSchool reports, must be attached to this certification. At the SEA level, the State Office of Special Education will be responsible for reviewing these submissions and issuing a formal Verification of Data Accuracy memo prior to the data being used for financial calculations.</p> <p>To address the recommendation for deployed resources and to correct the MOE deficiency, VIDE will formalize the organizational chart within the Federal Grants Office to clearly designate the team responsible for compliance reviews. This team will be tasked with conducting quarterly reviews of the certified data packets to ensure the documentation required for audit verification is securely archived and readily available.</p> <p>Additionally, the Budget Office and Federal Grants Office will implement a standard MFS Calculation Worksheet that requires the attachment of the certified source data and the specific approval and signature of the Deputy Commissioner of Fiscal and Administrative Services before the allocation is finalized. Finally, the Deputy Commissioner of Curriculum and Instruction will maintain a Compliance Review Log tracking the receipt of annual data certifications from the LEAs, and the Deputy Commissioner of Fiscal and Administrative Services will review this log alongside the MOE Calculation Worksheets prior to the submission of the Annual Performance Report.</p>
2024-066: Period of Performance	Business Office Director Director of Federal Grants Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE is strengthening its internal controls and record retention procedures to ensure strict adherence to federal period of performance and liquidation provisions. To address the missing payment support, the department is enforcing a strict back-end system control. All required supporting documentation evidencing payment must be attached directly to the transaction entry within the ERP system prior to final disbursement.

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			<p>To address the specific instance regarding the missing indirect cost reimbursement report, VIDE will leverage its newly finalized Indirect Cost Standard Operating Procedure (SOP). VIDE will coordinate with the Third-Party Fiduciary Agent (TPFA) to ensure that all detailed reimbursement reports are actively verified and securely stored in a centralized repository before indirect costs are drawn down and liquidated.</p> <p>Furthermore, the Office of Fiscal and Administrative Services will implement a mandatory final review step during the grant closeout and liquidation phase. This review will systematically verify the presence and accuracy of all payment and indirect cost documentation within the ERP and SharePoint repositories, ensuring that all expenditures are properly supported, allowable, and completely liquidated within the mandated period of performance timeframe.</p>
<p>2024-067: Procurement and Suspension and Debarment</p>	<p>Director of Procurement Deputy Commissioner, Fiscal and Administrative Services</p>	<p>Immediately</p>	<p>VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files.</p> <p>To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement.</p>
<p>2024-068: Allowable Costs/Cost</p>	<p>Director of Payroll Deputy Commissioner, Fiscal and Administrative Services</p>	<p>August 2026</p>	<p>VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
Principles - Payroll Activities			<p>approved hours against both the payroll processing register and the final reimbursement invoice.</p> <p>Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.</p> <p>Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.</p> <p>Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.</p>
2024-069: Allowable Costs/Cost Principles - Indirect Cost	Deputy Commissioner, Fiscal and Administrative Services	August 2026	<p>VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs.</p> <p>Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			VIDE's oversight of the TPFA's processes and prevent future documentation gaps.
2024-070: Equipment and Real Property Management	Fixed Assets Director	September 2026	<p>As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.</p> <p>Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.</p> <p>To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request, until the system reporting error is permanently resolved by the TPFA and Munis.</p>
2024-071: Procurement and Suspension and Debarment	Director of Procurement Deputy Commissioner, Fiscal and Administrative Services	Immediately	<p>VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files.</p> <p>To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement.</p>
<p>2024-072: Reporting</p>	<p>Director of Federal Grants Deputy Commissioner, Fiscal and Administrative Services</p>	<p>September 2026</p>	<p>VIDE is currently working towards developing formal procedures to establish controls operating at a level of precision that ensures timely and accurate reporting compliance. As part of this ongoing development, VIDE will govern these new procedures through the Integrated Fiscal Control Model within the Office of Federal Grants. To correct the discrepancies between the Annual Report and underlying data, VIDE will implement a mandatory multi-level reconciliation process. Prior to the submission of any Annual Report, Program Directors and the fiscal team must cross-reference and validate all reported programmatic and financial data against the ERP system of record and official source documents. A final sign-off will be required to certify data accuracy.</p> <p>Furthermore, to address the Transparency Act requirements, VIDE will institute a strict compliance workflow. The Office of Federal Grants will be required to identify, register, and report all applicable first-tier subawards of \$30,000 or more into the FSRS portal within the federally mandated timeframe. To ensure FFATA submissions are consistently completed, a secondary review step will be implemented to verify the FSRS submission confirmation before any initial reimbursement drawdowns are approved for the respective subrecipient.</p>
<p>2024-073: Allowable Costs/Cost</p>	<p>Director of Payroll Deputy Commissioner, Fiscal and Administrative Services</p>	<p>August 2026</p>	<p>VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
Principles - Payroll Activities			<p>approved hours against both the payroll processing register and the final reimbursement invoice.</p> <p>Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.</p> <p>Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.</p> <p>Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.</p>
2024-074: Allowable Costs/Cost Principles - Indirect Cost	Deputy Commissioner, Fiscal and Administrative Services	August 2026	<p>VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs.</p> <p>Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			VIDE's oversight of the TPFA's processes and prevent future documentation gaps.
2024-075: Equipment and Real Property Management	Fixed Asset Director	September 2026	<p>As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.</p> <p>Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.</p> <p>To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFA and Munis.</p>
2024-076: Reporting	OMB Grants Manager, Audit Committee, and OMB Compliance Unit	December 2026 for overarching Financial and Compliance Policy	The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed step-by-

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Finding	Contact	Estimated Completion Date	Corrective Action
			step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-077: Special Tests and Provisions - Wage Rate Requirements	Director of Procurement Deputy Commissioner, Fiscal and Administrative Services	September 2026	<p>To immediately address the condition regarding the missing documentation, VIDE has compiled and provided the complete listing of applicable construction contracts to satisfy this specific documentation requirement.</p> <p>To address the root cause of the wage rate deficiencies for the COVID-19 Education Stabilization Fund, the Procurement Director has successfully implemented updated contract templates. These templates contain language that explicitly addresses all required wage rate provisions, directly resolving the contract language deficiency noted in the audit.</p> <p>Furthermore, VIDE is actively finalizing a comprehensive Standard Operating Procedure (SOPP) for wage rate requirements to ensure long-term compliance. This SOPP will mandate the consistent use of the approved contract templates and establish strict internal controls for project management personnel to obtain, review, and retain certified weekly payrolls from all contractors. Once the SOPP is finalized, mandatory training will be provided to all relevant staff involved in contract oversight, report preparation, and submission.</p>
2024-078: Allowable Costs/Cost	DOH Grant Management Staff and Chief Financial	Ongoing and December 2026 for overarching	The Government concurs with the auditor’s findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public

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Principles - Payroll Activities	Officer, Audit Committee, and OMB Compliance Unit	Financial and Compliance Policy	Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including fiscal and administrative requirements for expending and accounting for payroll expenditures. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-079: Equipment and Real Property Management	Property and Procurement Capital Assets Division, DOH Chief Financial Officer and Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor’s findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government’s Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively

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			support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government’s Audit Committee, to assess and improve the effectiveness of controls.
2024-080: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	Chief Financial Officer	Immediately	The Government concurs with the auditor’s findings and recommendations. Management will review current internal control procedures to determine if enhancements are needed. DHS is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary. DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.
2024-081: Equipment and Real Property Management	Commissioner, Department of Property and Procurement	December 2026	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.
2024-082: Reporting	Program Administrator	September 2026	DHS will: 1. <u>Establish a Reporting Calendar and Tracking System</u> : A comprehensive reporting calendar will be developed that clearly outlines all required federal reports (e.g., SF-429, SF-429A, SF-428 series), including submission deadlines. This calendar will be centrally maintained and shared with all relevant staff. Automated reminders will be implemented to ensure deadlines are met. 2. <u>Assign Clear Roles and Responsibilities</u> : Fiscal Analyst has been

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			<p>formally assigned responsibility for the preparation of each required report. Review and submission of the SF429 and 428 will be completed by the Program Administrator/designee.</p> <p>3. <u>Training and Capacity Building</u>: Program staff will receive refresher training on federal reporting requirements, including timelines, documentation standards, and compliance expectations under 2 CFR §200.303 (Internal Controls). This will ensure a clear understanding of the importance of timely and accurate reporting.</p> <p>4. <u>Ongoing Monitoring and Compliance Review</u>: The development of an audit unit will conduct periodic internal reviews (quarterly spot checks) to verify that reports are prepared and submitted timely. Any delays or issues identified will be addressed promptly to prevent recurrence.</p> <p>5. <u>Documentation and Record Retention</u>: All submitted reports and supporting documentation will be retained in an organized, centralized filing system (electronically) to ensure accessibility for audit and monitoring purposes.</p>
<p>2024-083: Special Test and Provision - Protection of Federal Interest in Real Property and Facilities</p>	<p>Program Administrator</p>	<p>September 2026</p>	<p>To address the non-compliance related to the failure to document and record the required Notices of Federal Interest (NFI) for facilities with major renovations, program management will implement the following corrective measures:</p> <p>1. <u>Immediate Remediation of Identified Facilities</u>: The Program Administrator conducted a review of the two facilities cited in the audit and took immediate steps to prepare and record the required Notices of Federal Interest in accordance with 45 CFR §§1303.46-1303.47. Documentation of recording in the appropriate jurisdiction was obtained and maintained in the official grant files.</p>

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			<p>2. <u>Comprehensive Facilities Compliance Review</u>: A full inventory and review of all facilities that have undergone purchase, construction, or major renovation using Head Start funds was conducted to ensure that all required NFIs are properly recorded.</p> <p>3. <u>Designation of Roles and Oversight Responsibility</u>: Program Administrator will be assigned responsibility for ensuring compliance with all federal property requirements, including preparation, submission, and recordation of the NFI. A secondary level of review by senior management will be required to ensure accountability.</p> <p>4. <u>Training and Technical Assistance</u>: Relevant program and fiscal staff will receive targeted training on Head Start facilities regulations (45 CFR Part 1303) and Uniform Guidance requirements, with emphasis on:</p> <ul style="list-style-type: none"> o When an NFI is required o Proper preparation and recording procedures o Documentation and record retention requirements <p>5. <u>Ongoing Monitoring and Internal Review</u>: The development of an audit unit will perform periodic internal compliance reviews (at least annually) of facilities files to ensure adherence to federal requirements. Any issues identified will be addressed immediately to prevent recurrence.</p>
2024-084: Special Tests and Provisions - Program Governance	Program Administrator	Ongoing	<p>To address the non-compliance related to the failure DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance.</p> <p>Specifically, DHS will:</p> <ol style="list-style-type: none"> 1. <u>Implement Monthly Financial Reporting</u>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> • Develop and implement a standardized process requiring monthly financial statements, including credit card expenditures, to be prepared and presented to both the Governing Board and Policy Council • Establish a recurring meeting schedule to ensure timely review • Maintain meeting minutes documenting review and approval <p>2. <u>Establish Governance Training Program</u></p> <ul style="list-style-type: none"> • Develop and implement an annual training plan for the governing body and Policy Council covering: <ul style="list-style-type: none"> • Financial statements and reporting • Roles and responsibilities under Head Start regulations • Oversight of Federal funds and internal controls • Maintain sign-in sheets, agendas, and training materials as documentation <p>3. <u>Strengthen Audit Oversight Procedures</u></p> <ul style="list-style-type: none"> • Require documented discussion in governing body meeting minutes demonstrating active monitoring and oversight to include: <ul style="list-style-type: none"> • Audit findings • Status of corrective actions
2024-085: Eligibility	OCCRS Administrator Director of Audit and Compliance	December 2026 and March 2027	<p>DHS, has upgraded the child care database to more efficiently produce monthly vouchers without the historical connectivity disruptions that prevented an uninterrupted listing of provider vouchers and the associated subsidy payments.</p> <p>An independent audit will be conducted to verify processes, review files and make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. Staffing will include a program compliance monitor to work with the Child Care program to ensure compliance to Federal mandates.</p>

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2024-086: Matching, Level of Effort, Earmarking	Chief Financial Officer	Analyst Hired 10/01/2024. Audit unit staffing hiring 03/31/2027	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports to ensure compliance with earmarking. Additionally, a Director of Federal Grants has been added to oversee the reporting and earmarking process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.
2024-087: Reporting	Chief Financial Officer	Analyst Hired 10/01/2024. Audit unit staffing hiring 03/31/2027	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Additionally, a Director of Federal Grants has been added to oversee the reporting process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.
2024-088: Special Tests and Provisions - Health and Safety Requirements	Licensing Unit	October 2026	DHS has onboarded additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. A visual tracker of provider visits will be utilized to ensure visits are conducted across all providers.
2024-089: Special Tests and Provisions - Fraud Detection and Repayment	OCCRS Administrator, Quality Unit and Subsidy Unit	December 2026	Internal audits will be conducted quarterly by having OCCRS subsidy staff and Administrators review files for accuracy of eligibility and subsidy determinations. Quality staff will conduct at least 2 unannounced visits per child care facility to monitor attendance. DHS will implement a centralized, secure tracking matrix. This log will track all fraud referrals, audit start/end dates, findings, total funds

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Finding	Contact	Estimated Completion Date	Corrective Action
			identified for recovery, amounts recovered to date, and case closure signatures.
2024-090: Special Tests and Provisions - Child Care Provider Eligibility for ARP Act Stabilization Funds	Assistant Commissioner, CCDF Administrator, Director of Quality	September 2024	The Government concurs with the auditor’s findings and recommendations. Management will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program requirements. 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.
2024-091: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	Chief Financial Officer	On-going.	The Government concurs with the auditor’s findings and recommendations. Management will conduct a comprehensive review of existing internal controls related to non-payroll expenditures. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles. DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal regulations. DHS will conduct a thorough review of current internal controls and procedures related to non-payroll expenditures to identify gaps and areas for improvement. Policies will be updated to ensure all costs are properly documented and comply with federal allowable cost principles. Staff responsible for processing and approving expenditures will receive targeted training on documentation and compliance requirements. DHS will implement periodic internal audits to monitor adherence to updated procedures and promptly address any exceptions.

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-092: Period of Performance	Chief Financial Officer	October 2026	<p>Once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.</p> <p>However, staffing has identified that deficiencies can occur in DOF's postings, sometimes arising in periods subsequent to the actual payday. To address this, the Department of Human Services (DHS) has incorporated an internal control requiring retrospective reconciliation of accounts against the Flex Earnings Report to verify accuracy. Additionally, DHS plans to engage with DOF to better understand the underlying factors and nuances that result in discrepancies between DOF postings and the account coding reflected in the Flex Earnings Report.</p> <p>The Federal Grants Financial Analyst also plays a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. In this particular instance, no federal funds were drawn.</p>
2024-093: Reporting	Chief Financial Officer	December 2026	<p>DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report for both ACL and ACF 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.</p> <p>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>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>A Federal Grants Financial Analyst has been onboarded dedicated to the SSBG. Monthly and quarterly reports are prepared to allow for a match to all reports inclusive of Federal draws.</p>
<p>2024-094: Activities Allowed or Unallowed and Allowable Costs/Cost Principles</p>	<p>Medicaid Director, Chief Financial Officer and Deputy Commissioner of Human Resources</p>	<p>Completed</p>	<p>The exceptions identified were limited in nature and did not result in questioned costs. In the instance where the project code on the employee's Notice of Personnel Action (NOPA) had not been updated, program personnel made the necessary adjustments to ensure payroll costs were charged to the appropriate grant.</p> <p>To strengthen internal controls, the Department transitioned from manual timekeeping to a biometric finger-punch time and attendance system utilizing TimeForce in the fall of 2024. This system provides enhanced tracking, reporting, and record retention capabilities and reduces the risk of discrepancies associated with manual timekeeping processes. The Department will continue to strengthen its review and documentation procedures to ensure compliance with federal requirements.</p> <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 now assigned to the grant reconciles the payroll.</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:</p> <ul style="list-style-type: none"> - 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.

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> - Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. - The sheets will be submitted to Fiscal for certification by the CFO. - NOPA's are updated with the provisional codes.
2024-095: Eligibility	Medicaid Director	July 2025, March 2026, September 30, 2026 and ongoing	<p>Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file.</p> <p>DHS will:</p> <ol style="list-style-type: none"> 1. Implementation of Annual In Person/Active Renewal for Extended Cases 2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines. 3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun. 4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record. 5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff

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			<p>must proceed with denial/closure and document the action in case notes.</p> <p>6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows.</p> <p>7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker.</p> <p>8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.</p>
2024-096: Reporting	MAP Director and the Chief Financial Officer	March 2027	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 onboarded who will assume the role of preparing the reports.
2024-097: Special Tests and	Medicaid Fraud Control Unit (MFCU) Director	On going	The purpose of this Action Plan is to establish internal controls and accountability measures to ensure the timely preparation, review, and

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Finding	Contact	Estimated Completion Date	Corrective Action
Provisions - Medicaid Fraud Control Unit	Chief Financial Officer		<p>submission of all Federal Financial Reports (FFRs) required under the Medicaid Fraud Control Unit (MFCU) grant awarded by the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). This plan is intended to prevent future reporting delays, strengthen financial oversight, and protect continued federal funding.</p> <p>I. <u>Background:</u> The MFCU experienced delays in the completion and submission of several Federal Financial Reports due primarily to delayed financial reconciliations, untimely receipt of expenditure information, staffing limitations, and insufficient coordination between programmatic and financial personnel. To address these issues, the MFCU is implementing the following corrective actions and internal controls.</p> <p>II. <u>Responsibilities:</u></p> <p><u>MFCU Director:</u> The Director shall: •Maintain overall responsibility for grant compliance and FFR submission. •Conduct monthly financial status meetings. •Review all grant expenditures for consistency with approved budgets. •Monitor progress toward reporting deadlines. •Escalate unresolved issues to executive leadership. •Maintain communication with HHS-OIG regarding reporting requirements.</p> <p><u>Chief Financial Officer:</u> The CFO shall: •Ensure grant expenditures are entered and reconciled timely. •Provide monthly expenditure reports to the MFCU. •Certify expenditure data used in FFR preparation. •Respond to requests for financial information within five business days. •Participate in monthly grant reconciliation meetings.</p> <p><u>MFCU Auditor/Analyst:</u> The Auditor/Analyst shall: •Maintain monthly grant expenditure tracking. •Reconcile expenditures against accounting records. •Verify supporting documentation. •Maintain electronic FFR support files. •Prepare draft FFRs for management review.</p>

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			<p><u>Program Assistant:</u> The Program Assistant shall: •Maintain the grant compliance calendar. •Track reporting deadlines. •Schedule reconciliation meetings. •Maintain submission records and correspondence.</p> <p>III. <u>Monthly Internal Control Process:</u> No later than the 5th Business Day of Each Month: The CFO shall provide: •General ledger reports. •Detailed grant expenditure reports. •Payroll allocation reports. •Outstanding obligation reports. • Budget-to-actual expenditure summaries.</p> <p>No later than the 10th Business Day of Each Month: The Auditor/Analyst shall: •Reconcile all expenditures. •Identify discrepancies. •Prepare a written reconciliation memorandum.</p> <p>No later than the 15th Business Day of Each Month: The MFCU Director and CFO shall conduct a reconciliation meeting to: •Review expenditures. •Resolve discrepancies. •Review grant spending levels. •Identify budget concerns. •Document corrective actions. Meeting minutes shall be maintained in the grant file.</p> <p>IV. <u>Quarterly FFR Preparation Schedule:</u> Forty-Five (45) Days Before FFR Due Date: •Open FFR preparation file. •Confirm reporting period expenditures. •Review approved budget categories. •Identify outstanding obligations. •Verify personnel allocations.</p> <p>Thirty (30) Days Before Due Date: •Draft FFR completed. •CFO receives draft for review. •Supporting documentation assembled.</p> <p>Twenty-One (21) Days Before Due Date: •Director conducts management review. •All questioned expenditures resolved.</p> <p>Fourteen (14) Days Before Due Date: •CFO provides final expenditure certification.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<p>Ten (10) Days Before Due Date: •Final FFR completed. •Submission package reviewed.</p> <p>Five (5) Days Before Due Date: •FFR submitted to HHS-OIG. •Confirmation of submission retained.</p> <p>V. <u>Escalation Procedures</u>: If Required Financial Information Is Not Received: 15 Days Before Deadline: Written reminder from MFCU Director to CFO.</p> <p>10 Days Before Deadline Written escalation to the Attorney General and Chief Deputy Attorney General.</p> <p>45 Days Before Deadline: Executive-level meeting convened to resolve outstanding issues and document corrective actions. All escalation memoranda shall be retained in the grant compliance file.</p> <p>VI. <u>Performance Measures</u>: The following performance measures shall be monitored quarterly: •100% on-time submission rate for all FFRs. •Monthly reconciliations completed by the 15th business day. •Zero unresolved expenditure discrepancies at submission. •Complete supporting documentation maintained for all reported expenditures. •Quarterly compliance review completed and documented.</p> <p>VII. <u>Quarterly Management Review</u>: The Director shall conduct a quarterly review of: •Timeliness of financial reporting. •Accuracy of submitted FFRs. •Compliance with grant requirements. •Outstanding corrective actions. Findings and recommendations shall be documented and maintained in the grant compliance file.</p> <p>VIII. <u>Corrective Action Status Reporting</u>: Beginning immediately, the MFCU shall maintain a quarterly Corrective Action Tracking Log documenting: •Action item. •Responsible party. •Due date.</p>

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Finding	Contact	Estimated Completion Date	Corrective Action
			<ul style="list-style-type: none"> •Completion date. •Status. •Supporting documentation. The log shall be reviewed during monthly financial meetings and made available to HHS-OIG upon request.
<p>2024-098: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits</p>	<p>Director of Audit and Compliance and Medicaid Director</p>	<p>September 2026</p>	<p>The Department has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. The Director of Audits will work collaboratively with the Medicaid Program, Fiscal Office, and other applicable stakeholders to monitor compliance with federal reporting requirements and ensure that adequate supporting documentation is maintained for Medicaid cost reporting activities.</p>
<p>2024-099: Special Tests and Provisions - ADP Risk Analysis and System Security Review</p>	<p>Medicaid Director and DHS MIS Manager</p>	<p>January 2027 and ongoing</p>	<p>During the audit period, the Department did not complete the required ADP Risk Analysis and System Security Review for systems supporting the Medicaid Program, and certain monitoring controls were not operating at a sufficient level of precision to ensure compliance with federal requirements.</p> <p>To address this finding, the Department recently issued Requests for Qualifications (RFQs) to seven qualified vendors to perform comprehensive security risk assessments of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. Vendor responses are due within three weeks, after which the Department will evaluate submissions and proceed with the procurement process. The selected vendor will conduct the required risk assessments, identify control deficiencies and security vulnerabilities, and provide recommendations to strengthen the Department's security posture and compliance framework.</p> <p>The Department will work collaboratively with its technology partners, system vendors, and oversight entities to implement corrective actions</p>

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			identified through the assessments and enhance monitoring controls to ensure ongoing compliance with applicable federal requirements.
2024-100: Special Tests and Provisions - Provider Eligibility	Claims Supervisor, Medicaid Director	March 2026	<p>To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system. The portal supports retention of Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository.</p> <p>The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews.</p> <p>DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection.</p> <p>DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.</p>

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2024-101: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	Current and On-going	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.
2024-102: Reporting	Territorial Public Assistance Officer and Financial Specialist	Current and On-going	The Program agrees and has established internal controls to ensure that all Federal Funding Accountability and Transparency Act (FFATA) subaward reports exceeding 30,000 are submitted timely and reviewed by the Territorial Public Assistance Officer. Although the SAM.GOV system implemented in FY 2024 does not track individual FFATA filing dates, VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed.
2024-103: Subrecipient Monitoring	Territorial Public Assistance Officer and Financial Specialist	FY2026 3rd Quarter and Ongoing	<p>Concur:</p> <ul style="list-style-type: none"> · 8 instances where the Government was unable to obtain Quarterly Progress Reports. As a result of the audit finding and in accordance with grant requirement, a Governor's Authorized Representative (GAR) Memo is being implemented, requiring Subrecipients to submit Quarterly Progress Reports within 10 days of quarter end. All reports are reviewed and retained in a centralized location for documentation and audit compliance. · 8 instances where the Government was unable to obtain completion/inspection certificate. Project inspection/certification report(s) are now required for all payment request federal fund drawdowns. The reports must now be uploaded to the Enterprise Resource Planning System (ERP) and retained in centralized location for documentation and record keeping purposes. · 8 subrecipients with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR

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			part 200, subpart F. The Program will annually notify subrecipients of their audit responsibilities, monitor compliance, obtain required audit reports, and maintain documentation in a centralized location for audit and recordkeeping purposes.