



## **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, 2018

**Government of the  
United States Virgin Islands**

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Schedule of Expenditures of Federal  
Awards and Reports Required by  
*Government Auditing Standards* and the  
Uniform Guidance  
Year Ended September 30, 2018

# Government of the United States Virgin Islands

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government) as of and for the year ended September 30, 2018, 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, 2020. We expressed a qualified opinion on the financial statements of the governmental activities, general fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report.

Our aforementioned report includes references to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIDEA), 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 Housing Finance Authority (VIHFA), Government Employees' Retirement System of the of the U.S. Virgin Islands (GERS), and Virgin Islands Lottery (V.I. Lottery), as described in our report on the Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We audited the financial statements of the Virgin Islands Water and Power Authority (WAPA), the Virgin Islands Port Authority (VIPA), the University of the Virgin Islands (UVI), the Virgin Islands Public Broadcasting System (VIPBS), the Virgin Islands Public Finance Authority (PFA), The West Indian Company Limited (WICO), viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN), and Tobacco Settlement Financing Corporation (TSFC). This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for WAPA, VIPA, UVI, VIPBS, PFA, WICO, viNGN, and TSFC which is reported on separately by us.

### **Internal Control over Financial Reporting**

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

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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 have not been identified. However, as described in greater detail in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Finding #	Nature of Finding
2018-001	Financial Position
2018-002	Year-End Close Process
2018-003	Revenue and Receivables
2018-004	Grants Management
2018-005	Capital Assets and Related Expenditures
2018-006	Recording of Liabilities
2018-007	Management of the Medicaid Program
2018-008	Unemployment Insurance Trust Fund
2018-009	Workers Compensation Program
2018-010	Other Postemployment Benefits Obligation
2018-011	Payroll, Related Accruals, and Other Expenditures

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

Finding #	Nature of Finding
2018-012	Bank Accounts
2018-013	Information Technology Environment

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as identified below and described in greater detail in the accompanying schedule of findings and questioned costs.

Finding #	Nature of Finding
2018-014	Landfill Consent Decrees
2018-015	Establishment of a Medical Malpractice Trust Fund
2018-016	Procurement Regulations
2018-017	Casino Control Commission

### **The Government's Responses to Findings**

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

### **Purpose of this Report**

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

*BDO USA, LLP*

June 30, 2020



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Government of the United States Virgin Islands' (the Government) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2018. 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 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 Housing Finance Authority (VIHFA), Government Employees' Retirement System of the of the Virgin Islands (GERS), Virgin Islands Lottery (V.I. Lottery), University of the Virgin Islands Research and Technology Park Corporation (RTPark), and Tobacco Settlement Financing Corporation (TSFC). The financial statements of RTPark have not been audited, and we were not engaged to audit the financial statements as part of our audit of the Government's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and our audit described below do not include the federal expenditures of these organizational units. As may be applicable, these organizational units of the Government have a separate independent audit performed in accordance with 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 Virgin Islands Public Finance Authority (VIPFA), the West Indian Company Limited (WICO), Virgin Islands Next Generation Network (viNGN), the Virgin Islands Water and Power Authority (WAPA), the Virgin Islands Port Authority (VIPA), the University of the Virgin Islands (UVI), and the Virgin Islands Public Broadcasting System (VIPBS). As may be applicable, the results of our testing of compliance for VIPFA, WICO, viNGN, WAPA, VIPA, UVI, and VIPBS is reported on separately by us.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

***Basis for Adverse Opinions on the Four Major Federal Programs Identified in Table I***

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

<b>Table I - Material Noncompliance Resulting in Adverse Opinions</b>				
<b>Federal Awarding Agency</b>	<b>CFDA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Non-Payroll Activities	2018-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2018-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Cash Management	2018-021
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Equipment/Real Property Management	2018-022
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2018-023
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2018-024
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Procurement/Suspension and Debarment	2018-025
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Reporting	2018-026
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - ADP System for SNAP - Recertifications	2018-027
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Reconciliation	2018-028



Table I - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2018-029
Labor	17.225	Unemployment Insurance (UI)	Activities Allowed or Unallowed	2018-038
Labor	17.225	Unemployment Insurance (UI)	Cash Management	2018-039
Labor	17.225	Unemployment Insurance (UI)	Eligibility	2018-040
Labor	17.225	Unemployment Insurance (UI)	Matching, Level of Effort, Earmarking	2018-041
Health and Human Services	93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Non-Payroll Activities	2018-057
Health and Human Services	93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Payroll Activities	2018-058
Health and Human Services	93.778	Medicaid Cluster	Cash Management	2018-059
Health and Human Services	93.778	Medicaid Cluster	Eligibility	2018-060
Health and Human Services	93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2018-061
Health and Human Services	93.778	Medicaid Cluster	Period of Performance	2018-062
Health and Human Services	93.778	Medicaid Cluster	Procurement/Suspension and Debarment	2018-063
Health and Human Services	93.778	Medicaid Cluster	Reporting	2018-064
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2018-065
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2018-066
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2018-067



Table I - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2018-068
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	2018-069
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Federal Financial Participation Refunds	2018-070
Homeland Security	97.030	Community Disaster Loans	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Period of Performance	2018-071
Homeland Security	97.030	Community Disaster Loans	Cash Management	2018-072
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Data Collection Form and Single Audit Reporting Package	2018-074
Labor	17.225	Unemployment Insurance (UI)	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package	2018-074
Homeland Security	97.030	Community Disaster Loans	Data Collection Form and Single Audit Reporting Package	2018-074

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

***Adverse Opinions on the Four Major Federal Programs Identified in Table I***

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the Government did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended September 30, 2018.



***Basis for Qualified Opinions on the Three Major Federal Programs Identified in Table II***

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:

<b>Table II - Material Noncompliance Resulting in Qualified Opinions</b>				
<b>Federal Awarding Agency</b>	<b>CFDA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.555, 10.559	Child Nutrition Cluster	Cash Management	2018-031
Agriculture	10.555, 10.559	Child Nutrition Cluster	Equipment/Real Property Management	2018-032
Agriculture	10.555, 10.559	Child Nutrition Cluster	Matching, Level of Effort, Earmarking	2018-033
Agriculture	10.555, 10.559	Child Nutrition Cluster	Period of Performance	2018-034
Health and Human Services	93.600	Head Start	Allowable Costs/Cost Principles - Payroll Activities	2018-047
Health and Human Services	93.600	Head Start	Cash Management	2018-048
Health and Human Services	93.600	Head Start	Equipment/Real Property Management	2018-049
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Activities Allowed or Unallowed	2018-053
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Cash Management	2018-054
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Matching, Level of Effort, Earmarking	2018-055
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Reporting	2018-056

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

***Qualified Opinions on the Three Major Federal Programs Identified in Table II***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table II for the year ended September 30, 2018.



### ***Unmodified Opinions on Each of the Other Major Federal Programs***

In our opinion, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2018.

### ***Other Matters***

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

<b>Table III - Other Instances of Noncompliance Noted in Programs with Adverse Opinions</b>				
<b>Federal Awarding Agency</b>	<b>CFDA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Indirect Cost Activities	2018-020

<b>Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions</b>				
<b>Federal Awarding Agency</b>	<b>CFDA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Agriculture	10.555, 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities	2018-030
Agriculture	10.555, 10.559	Child Nutrition Cluster	Procurement/Suspension and Debarment	2018-035
Health and Human Services	93.600	Head Start	Matching, Level of Effort, Earmarking	2018-050
Health and Human Services	93.600	Head Start	Period of Performance	2018-051
Health and Human Services	93.600	Head Start	Reporting	2018-052
Agriculture	10.555, 10.559	Child Nutrition Cluster	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.600	Head Start	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Data Collection Form and Single Audit Reporting Package	2018-074



Table V - Other Instances of Noncompliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Equipment/Real Property Management	2018-036
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement/Suspension and Debarment	2018-037
Transportation	20.205	Highway Planning and Construction Cluster	Equipment/Real Property Management	2018-042
Transportation	20.205	Highway Planning and Construction Cluster	Procurement/Suspension and Debarment	2018-043
Education	84.027	Special Education - Grants to States (IDEA, Part B)	Matching, Level of Effort, Earmarking	2018-044
Education	84.403	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Payroll Activities	2018-045
Education	84.403	Consolidated Grant to the Outlying Areas	Subrecipient Monitoring	2018-046
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2018-073
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Data Collection Form and Single Audit Reporting Package	2018-074
Transportation	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package	2018-074
Education	84.027	Special Education - Grants to States (IDEA, Part B)	Data Collection Form and Single Audit Reporting Package	2018-074
Education	84.403	Consolidated Grant to the Outlying Areas	Data Collection Form and Single Audit Reporting Package	2018-074
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Data Collection Form and Single Audit Reporting Package	2018-074

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



## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we 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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as identified in Table VI below, to be material weaknesses:

Table VI - Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Non-Payroll Activities	2018-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2018-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Cash Management	2018-021
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Equipment/Real Property Management	2018-022
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2018-023

Table VI - Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2018-024
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Procurement/Suspension and Debarment	2018-025
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Reporting	2018-026
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - ADP System for SNAP - Recertifications	2018-027
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2018-029
Agriculture	10.555, 10.559	Child Nutrition Cluster	Cash Management	2018-031
Agriculture	10.555, 10.559	Child Nutrition Cluster	Equipment/Real Property Management	2018-032
Agriculture	10.555, 10.559	Child Nutrition Cluster	Matching, Level of Effort, Earmarking	2018-033
Agriculture	10.555, 10.559	Child Nutrition Cluster	Period of Performance	2018-034
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Equipment/Real Property Management	2018-036
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement/Suspension and Debarment	2018-037
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2018-038
Labor	17.225	Unemployment Insurance (UI)	Cash Management	2018-039
Labor	17.225	Unemployment Insurance (UI)	Eligibility	2018-040
Labor	17.225	Unemployment Insurance (UI)	Matching, Level of Effort, Earmarking	2018-041
Transportation	20.205	Highway Planning and Construction Cluster	Equipment/Real Property Management	2018-042
Education	84.403	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles - Payroll Activities	2018-045
Education	84.403	Consolidated Grant to the Outlying Areas	Subrecipient Monitoring	2018-046
Health and Human Services	93.600	Head Start	Allowable Costs/Cost Principles - Payroll Activities	2018-047

Table VI - Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.600	Head Start	Cash Management	2018-048
Health and Human Services	93.600	Head Start	Equipment/Real Property Management	2018-049
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Activities Allowed or Unallowed	2018-053
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Cash Management	2018-054
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Matching, Level of Effort, Earmarking	2018-055
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Reporting	2018-056
Health and Human Services	93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Non-Payroll Activities	2018-057
Health and Human Services	93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Payroll Activities	2018-058
Health and Human Services	93.778	Medicaid Cluster	Cash Management	2018-059
Health and Human Services	93.778	Medicaid Cluster	Eligibility	2018-060
Health and Human Services	93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2018-061
Health and Human Services	93.778	Medicaid Cluster	Period of Performance	2018-062
Health and Human Services	93.778	Medicaid Cluster	Reporting	2018-064
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2018-065





Table VI - Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2018-066
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2018-067
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2018-068
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit	2018-069
Health and Human Services	93.778	Medicaid Cluster	Special Tests and Provisions - Federal Financial Participation Refunds	2018-070
Homeland Security	97.030	Community Disaster Loans	Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Period of Performance	2018-071
Homeland Security	97.030	Community Disaster Loans	Cash Management	2018-072

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

Table VII - Significant Deficiencies in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Indirect Cost Activities	2018-020
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Reconciliation	2018-028
Agriculture	10.555, 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities	2018-030
Education	84.027	Special Education - Grants to States (IDEA, Part B)	Matching, Level of Effort, Earmarking	2018-044



**Table VII - Significant Deficiencies in Internal Control over Compliance**

<b>Federal Awarding Agency</b>	<b>CFDA Number (s)</b>	<b>Major Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Health and Human Services	93.600	Head Start	Matching, Level of Effort, Earmarking	2018-050
Health and Human Services	93.600	Head Start	Period of Performance	2018-051
Health and Human Services	93.600	Head Start	Reporting	2018-052
Health and Human Services	93.778	Medicaid Cluster	Procurement/Suspension and Debarment	2018-063
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2018-073
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Data Collection Form and Single Audit Reporting Package	2018-074
Agriculture	10.555, 10.559	Child Nutrition Cluster	Data Collection Form and Single Audit Reporting Package	2018-074
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Data Collection Form and Single Audit Reporting Package	2018-074
Labor	17.225	Unemployment Insurance (UI)	Data Collection Form and Single Audit Reporting Package	2018-074
Transportation	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package	2018-074
Education	84.027	Special Education - Grants to States (IDEA, Part B)	Data Collection Form and Single Audit Reporting Package	2018-074
Education	84.403	Consolidated Grant to the Outlying Areas	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.600	Head Start	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.767	Children's Health Insurance Program (CHIP)	Data Collection Form and Single Audit Reporting Package	2018-074
Health and Human Services	93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package	2018-074



Table VII - Significant Deficiencies in Internal Control over Compliance				
Federal Awarding Agency	CFDA Number (s)	Major Program	Compliance Requirement	Finding Number
Homeland Security	97.030	Community Disaster Loans	Data Collection Form and Single Audit Reporting Package	2018-074
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Data Collection Form and Single Audit Reporting Package	2018-074

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2018, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We issued our report thereon dated June 30, 2020, which expressed a qualified opinion on the financial statements of the governmental activities, general fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business-type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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, except for the effects on the Schedule of Expenditures of Federal Awards of the circumstances noted above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

July 31, 2020

**Schedule of Expenditures  
of Federal Awards**

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# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 102,692
Specialty Crop Block Grant Program	10.170		\$ 32,793	73,388
<u><b>SNAP Cluster</b></u>				
Supplemental Nutrition Assistance Program	10.551			88,653,448
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,652,539
<b>Total SNAP Cluster</b>				<u>93,305,987</u>
<u><b>Child Nutrition Cluster</b></u>				
National School Lunch Program	10.555			3,332,741
Summer Food Service Program for Children	10.559			214,527
<b>Total Child Nutrition Cluster</b>				<u>3,547,268</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			4,179,396
Child and Adult Care Food Program	10.558			893,789
State Administrative Expenses for Child Nutrition	10.560			265,233
<u><b>Food Distribution Cluster</b></u>				
Emergency Food Assistance Program (Administrative Costs)	10.568			25,268
WIC Farmers' Market Nutrition Program (FMNP)	10.572			3,000
Fresh Fruit and Vegetable Program	10.582			(924)
Cooperative Forestry Assistance	10.664			66,176
Urban and Community Forestry Program	10.675		6,886	35,129
Forest Legacy Program	10.676			41,331
Forest Stewardship Program	10.678			140,547
<b>Total U.S. Department of Agriculture</b>			39,679	102,678,280
<b>U.S. Department of Commerce</b>				
<u><b>Economic Development Cluster</b></u>				
Economic Adjustment Assistance	11.307			42,125
Interjurisdictional Fisheries Act of 1986	11.407			3,201
Coastal Zone Management Administration Awards	11.419			887,949
Financial Assistance for National Centers for Coastal Ocean Science	11.426			950
Marine Fisheries Initiative	11.433			15,839
Cooperative Fishery Statistics	11.434			191,829
Southeast Area Monitoring and Assessment Program	11.435			53,388
Meteorologic and Hydrologic Modernization Development	11.467			160,174
Coral Reef Conservation Program	11.482			327,631
State and Local Implementation Grant Program	11.549			120,878
<b>Total U.S. Department of Commerce</b>				1,803,964
<b>U.S. Department of Defense</b>				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			2,469,498
<b>U.S. Department of Housing and Urban Development</b>				
Supporting Housing Program	14.235			9,000
<b>U.S. Department of the Interior</b>				
<u><b>Fish and Wildlife Cluster</b></u>				
Sport Fish Restoration Program	15.605			856,256
Wildlife Restoration and Basic Hunter Education	15.611			607,592
<b>Total Fish and Wildlife Cluster</b>				<u>1,463,848</u>
Cooperative Endangered Species Conservation Fund	15.615			2,712
State Wildlife Grants	15.634			35,337
Economic, Social, and Political Development of the Territories	15.875		88,013	2,660,253
Historic Preservation Fund Grants-In-Aid	15.904		165,397	425,150
<b>Total U.S. Department of the Interior</b>			253,410	4,587,300

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Justice</b>				
Juvenile Accountability Block Grants	16.523			1,466
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540			79,184
Crime Victim Assistance	16.575		902,435	922,236
Crime Victim Compensation	16.576			41,277
Crime Victim Assistance/Discretionary Grant	16.582		3,040	3,040
Violence Against Women Formula Grants	16.588		320,913	588,975
Residential Substance Abuse Treatment for State Prisoners	16.593			46,842
Public Safety Partnership and Community Policing Grants	16.710			1,151,924
Edward Byrne Memorial Justice Assistance Grant Program	16.738		23,560	284,918
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			72,485
Support for Adam Walsh Act Implementation Grant Program	16.750			442,844
<b>Total U.S. Department of Justice</b>			1,249,948	3,635,191
<b>U.S. Department of Labor</b>				
Labor Force Statistics	17.002			278,382
Compensation and Working Conditions	17.005			40,200
<u>Employment Service Cluster</u>				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,343,291
Disabled Veterans' Outreach Program (DVOP)	17.801			8,635
<i>Total Employment Service Cluster</i>				1,351,926
Unemployment Insurance (UI)	17.225			40,251,655
Senior Community Service Employment Program	17.235			876,773
<u>WIOA Cluster</u>				
WIA/WIOA Adult Program	17.258			546,328
WIA/WIOA Youth Activities	17.259			439,163
WIA/WIOA Dislocated Worker Formula Grant	17.278			667,518
<i>Total WIA/WIOA Cluster</i>				1,653,009
Work Opportunity Tax Credit Program (WOTC)	17.271			1,844
Temporary Labor Certification for Foreign Workers	17.273			68,845
WIOA National Dislocated Worker Grant/WIA National Emergency Grant				1,648,609
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			4,461
Occupational Safety and Health-State Program	17.503			289,875
<b>Total U.S. Department of Labor</b>				46,465,579
<b>U.S. Department of Transportation</b>				
<u>Highway Planning and Construction Cluster</u>				
Highway Planning and Construction	20.205			34,670,570
Motor Carrier Safety Assistance	20.218			151,163
<u>Federal Transit Cluster</u>				
Federal Transit - Formula Grants	20.507			1,694,720
<u>Highway Safety Cluster</u>				
State and Community Highway Safety	20.600			357,514
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			1,738
<b>Total U.S. Department of Transportation</b>				36,875,705
<b>National Endowment for the Arts</b>				
Promotion of the Arts - Partnership Agreements	45.025		355,760	355,760
Grants to States	45.310			86,826
<b>Total National Endowment for the Arts</b>			355,760	442,586

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Environmental Protection Agency</b>				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			6,143
Multipurpose Grants to States and Tribes	66.204			7,994
Construction Grants for Wastewater Treatment Works	66.418			171,272
Water Quality Management Planning	66.454			67,612
NonPoint Source Implementation Grant	66.460			8,220
<u>Drinking Water State Revolving Fund Cluster</u>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468		2,013,167	2,221,679
Beach Monitoring and Notification Program Implementation Grants	66.472			240,311
Performance Partnership Grants	66.605			1,662,817
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			62,562
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			35,376
State and Tribal Response Program Grants	66.817			86,447
<b>Total U.S. Environmental Protection Agency</b>			2,013,167	4,570,433
<b>U.S. Department of Energy</b>				
State Energy Program	81.041			167,428
Weatherization Assistance for Low-Income Persons	81.042			125,372
<b>Total U.S. Department of Energy</b>				292,800
<b>U.S. Department of Education</b>				
Adult Education - Basic Grants to States	84.002			145,957
<u>Special Education Cluster (IDEA)</u>				
Special Education - Grants to States (IDEA, Part B)	84.027			7,433,682
Impact Aid	84.041			40,515
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			1,312,698
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177			8,344
Special Education - Grants for Infants and Families	84.181			618,906
School Safety National Activities (formerly Safe and Drug-Free Schools and Communities-National Programs)	84.184			810,451
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			3,890
Territories and Freely Associated States Education Grant Program	84.256			199,039
Comprehensive Literacy Development	84.371			46,481
Statewide Longitudinal Data Systems	84.372			310,830
Consolidated Grant to the Outlying Areas	84.403		435,751	9,186,585
Disaster Recovery Assistance for Education	84.938			13,887
<b>Total U.S. Department of Education</b>			435,751	20,131,265
<b>U.S. Department of Health and Human Services</b>				
Special Programs for the Aging - Title VII, Chapter 3				
Programs for Prevention for Elder Abuse, Neglect, and Exploitation	93.041			17,759
Special Programs for the Aging - Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042			14,939
<u>Aging Cluster</u>				
Special Programs for the Aging - Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044			480,526
Special Programs for the Aging - Title III, Part C				
Nutrition Services	93.045			2,332,751
Nutrition Services Incentive Program	93.053			8,128
<b>Total Aging Cluster</b>				2,821,405
National Family Caregiver Support, Title III, Part E	93.052			196,220
Public Health Emergency Preparedness	93.069			97,259
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			47,373
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074			662,760



# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Health and Human Services (continued)</b>				
Affordable Care Act (ACA) Personal Responsibility				
Education Program	93.092			87,323
Maternal and Child Health Federal Consolidated Programs	93.110			44,907
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116			75,745
Emergency Medical Services for Children	93.127			75,524
Cooperative Agreements to States/Territories for the				
Coordination and Development of Primary Care Offices	93.130			162,152
Injury Prevention and Control Research and State and				
Community Based Programs	93.136			1,220
Projects for Assistance in Transition from Homelessness (PATH)	93.150			50,000
Family Planning-Services	93.217			814,967
Substance Abuse and Mental Health Services-Projects of				
Regional and National Significance	93.243			262,834
Early Hearing Detection and Intervention	93.251			225,015
Immunization Cooperative Agreements	93.268			1,058,943
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,416,449
Behavioral Risk Factor Surveillance System	93.336			26,199
<u>Maternal, Infant, and Early Childhood Home Visiting Cluster</u>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood				
Home Visiting Program	93.505			285,473
Maternal, Infant and Early Home Visiting Grant Program	93.870			472,171
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				757,644
The Affordable Care Act: Building Epidemiology, Laboratory,				
and Health Information Systems Capacity in the Epidemiology and				
Laboratory Capacity for Infectious Diseases (ELC) and Emerging				
Infections Program (EIP) Cooperative Agreements; PPHF	93.521			591,658
Marylee Allen Promoting Safe and Stable Families Program	93.556			607,508
<u>TANF Cluster</u>				
Temporary Assistance for Needy Families State Programs	93.558			2,479,467
Payments to Territories- Adults	93.560			716,830
Child Support Enforcement	93.563			2,558,031
Low-Income Home Energy Assistance	93.568			542,983
Community Services Block Grant	93.569			333,453
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	93.575			1,804,748
State Court Improvement Program	93.586			65,668
Community Based Child Abuse Prevention Grant	93.590			63,532
Grants to States for Access and Visitation Programs	93.597			35,005
Head Start	93.600			7,308,286
Developmental Disabilities Basic Support and Advocacy Grants	93.630			117,465
Children's Justice Grants to States	93.643			30,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645			341,465
Social Services Block Grant	93.667			52,665
Child Abuse and Neglect State Grants	93.669			590,903
Family Violence Prevention and Services/Domestic Violence				
Shelter and Supportive Services	93.671			90,031
Preventive Health and Health Services Block Grant				
funded solely with Prevention and Public Health Funds (PPHF)	93.758			138,647
Children's Health Insurance Program (CHIP)	93.767			11,754,240
Medicare-Prescription Drug Coverage	93.770			478,514

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Health and Human Services (continued)</b>				
<u>Medicaid Cluster</u>				
Medical Assistance Program	93.778			62,019,384
Opioid STR	93.788			30,161
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			251,882
Hospital Preparedness program (HPP) Ebola Preparedness and Responsive Activities	93.817			16,364
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			9,257
HIV Care Formula Grants	93.917			1,035,472
HIV Prevention Activities-Health Department Based	93.940			604,448
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			32,797
Assistance Programs for Chronic Disease Prevention and Control	93.945			368,996
Block Grants for Community Mental Health Services	93.958			436,283
Block Grants for Prevention and Treatment of Substance Abuse	93.959			96,129
The Zika Health Care Services Program	93.966			35,450
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977			122,419
Mental Health Disaster Assistance and Emergency Mental Health	93.982			441,840
Maternal and Child Health Services Block Grant to the States	93.994			1,425,754
<b>Total U.S. Department of Health and Human Services</b>			-	106,544,372
<b>Corporation for National and Community Service</b>				
Retired and Senior Volunteer Program	94.002			11,119
<u>Foster Grandparent/Senior Companion Cluster</u>				
Foster Grandparent Program	94.011			107,225
<b>Total Corporation for National and Community Service</b>				118,344
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001			80,869
<b>U.S. Department of Homeland Security</b>				
Boating Safety Financial Assistance	97.012			478,891
Community Disaster Loan	97.030		43,522,218	188,522,218
Crisis Counseling	97.032			401,705
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		493,592,718	605,477,367
Hazard Mitigation Grant	97.039			311,926
Emergency Management Performance Grants	97.042			953,595
Pre-Disaster Mitigation	97.047			1,051,923
Homeland Security Grant Program	97.067		3,674	509,749
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			1,104,081
<b>Total U.S. Department of Homeland Security</b>			537,118,610	798,811,455
<b>Total Expenditures of Federal Awards</b>			\$ 541,466,325	\$ 1,129,516,641

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

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### 1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all federal award programs administered by the Government of the United States Virgin Islands (the Government or the PG) as of and for the year ended September 30, 2018, 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). Accordingly, the accompanying Schedule presents the federal financial assistance programs administered by the primary Government for the year ended September 30, 2018.

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 Office of Management and Budget (OMB) Circular A-133 and the Uniform Guidance. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by 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 (CFDA No. 10.551 in the amount of \$88,653,448) and the food cost (CFDA No. 10.557 in the amount of \$2,552,606) distributed during the year. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. The Government's accounting system provides the primary information from which the Schedule is prepared.

### 4. Matching Costs

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

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### 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 are 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 2018, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$406,000 on sales of formula to participants in the WIC program (CFDA No. 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

### 8. Unemployment Insurance (UI)

The U.S. Department of Labor in consultation with the Office of Management and Budget officials has determined that for the purpose of audits and reporting under 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 CFDA No. 17.225.

Territory UI Benefits (Trust Fund)	\$ 37,684,515
Federal UI Benefits (Administration)	2,567,140
<hr/>	
Total	\$ 40,251,655

### 9. Outstanding Loan

The Government received proceeds from a Community Disaster Loan (CFDA No. 97.030). The Government passed-through \$43,522,218 to the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center). There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan. Amounts outstanding at the beginning of the year and activity during the year are included within the expenditures of federal awards reported in the Schedule. At September 30, 2018, the balance of the Community Disaster Loan was \$188,522,218 of which \$43,522,218 was passed-through to component units.

# Government of the United States Virgin Islands

## Notes to Schedule of Expenditures of Federal Awards

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### 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.

### 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 May 2020, federal assistance awarded to the Territory included \$87.2 million in FEMA Individual Assistance grants, \$2.2 billion in FEMA Public Assistance grants, \$38.4 million in Federal Highway grants, \$65.7 million in FEMA Hazard Mitigation grants, and \$1.0 billion in Community Development Block Grants for a total of \$3.4 billion dollars. Other federal grants awarded by various federal agencies amounted to \$111.3 million, for a total of approximately \$3.5 billion.

#### *Administration and Management of Hurricane Recovery Funds*

The Government through the Virgin Islands Public Finance Authority (PFA), a blended component unit of the Government, engaged the services of two international firms, to assist with the administration and management of recovery funds. The firms are charged with providing oversight and direction of the disaster emergency response and with executing all necessary documents on behalf of the Territory.

In December 2018, the first services contract was amended to retroactively increase the annual compensation to \$16.0 million through November 30, 2018. The temporary increase of \$6.0 million was due to the Government's aggressive campaign to identify, assess, secure, and manage a larger percentage of the available resources and funding from FEMA and other federal agencies through November 30, 2018. Effective December 1, 2018, the contract amount was returned to \$10.0 million. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to \$85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount decreased to the \$80.0 million as specified in the second amendment.

In February 2019, the Virgin Islands Office of Disaster Recovery (ODR) was established as a business unit of PFA, through a \$3.0 million grant from the Office of Insular Affairs of the Department of Interior. ODR is tasked with managing an anticipated \$8.0 billion of federal disaster recovery grants, while providing coordination and training across all departments and agencies of the Government.

# Government of the United States Virgin Islands

## Notes to Schedule of Expenditures of Federal Awards

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Subsequent to September 30, 2018 and through June 30, 2020, PFA reported outstanding invoices from the two consulting services firms amounting to \$12,021,266 and \$63,987,729, respectively. Invoices submitted by the consultants are reviewed by PFA and submitted to the Government, Office of Disaster Recovery, the Virgin Islands Housing Finance Authority, or the Virgin Islands Water and Power Authority for approval. Upon completion of the review and approval process, invoices are then submitted for reimbursement to the appropriate federal grantor.

### ***Global Pandemic and Economic Relief Legislation***

In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to the coronavirus pandemic known as COVID-19. The Governor of the PG issued an executive order to close nonessential businesses, certain government offices and schools to reduce the transmission of the disease. The Secretary of the Treasury authorized the Internal Revenue Service to delay income tax payments and tax filings to July 15, 2020.

The state of emergency was approved by the President of the United States under the provisions of the Stafford Act and the National Emergencies Act. A federally approved state of emergency activates federal assistance to states in the form of financial, logistical, and technical assistance.

Also, in March 2020, the President of the United States signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. The Government’s allocation of the Coronavirus Relief Fund is \$74.8 million.

In April 2020, the Virgin Islands was declared a major disaster area by the President of the United States. The Presidential declaration enables the Territory to receive federal funding for emergency protective measures, including direct federal assistance. Through May 2020, the PG and its blended and discretely presented component units have been awarded \$168.4 million in federal pandemic recovery assistance including the Coronavirus Relief Fund.

The extent of the impact of COVID-19 on the operational and financial performance of the Government will depend on certain developments, including the duration and spread of the outbreak. Prolonged travel and social gathering restrictions could negatively impact the fiscal outlook for the Government. Management is actively monitoring the impact of COVID-19 on its financial condition, liquidity, operations and industry. However as of the report date, it is unknown what effect, if any, the COVID-19 pandemic will have on the Government and its component units.

## Schedule of Findings and Questioned Costs

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# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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

Internal control over financial reporting:

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

#### *Federal Awards*

Internal control over major federal programs:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Adverse
10.555, 10.559	Child Nutrition Cluster	Qualified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
17.225	Unemployment Insurance (UI)	Adverse
20.205	Highway Planning and Construction Cluster	Unmodified



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
84.027	Special Education - Grants to States (IDEA, Part B)	Unmodified
84.403	Consolidated Grant to the Outlying Areas	Unmodified
93.600	Head Start	Qualified
93.767	Children's Health Insurance Program (CHIP)	Qualified
93.778	Medicaid Cluster	Adverse
97.030	Community Disaster Loan	Adverse
97.036	Disaster Grants- Public Assistance (Presidentially Declared Disasters)	Unmodified

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
10.555, 10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
17.225	Unemployment Insurance (UI)
20.205	Highway Planning and Construction Cluster
84.027	Special Education - Grants to States (IDEA, Part B)
84.403	Consolidated Grant to the Outlying Areas
93.600	Head Start
93.767	Children's Health Insurance Program (CHIP)
93.778	Medicaid Cluster
97.030	Community Disaster Loan
97.036	Disaster Grants- Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$3,388,549

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, 2018

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### Section II - Financial Statement Findings

#### Finding 2018-001: Financial Position

The Government is in a difficult financial position based primarily on operating losses, outstanding debt, bond downgrades, the 2017 hurricanes, pension obligation, and other postemployment obligation issues. In addition, subsequent to September 30, 2018, the Government's operations were impacted by the global coronavirus pandemic.

In addition, management has been working to stabilize and solidify its financial position through the implementation of an aggressive multi-pronged plan which includes facets such as legislative acts addressing revenue initiatives and cost-cutting measures and proposed rate increases for employees' contributions towards pension plans. The Government is also a recipient of significant federal assistance in connection with the 2017 hurricanes. It is further noted that as of September 30, 2018, all payments on bonds and notes obligations have been remitted as required.

#### Deficits in Unrestricted Net Position

For the past few years, the unrestricted net position class has incurred significant losses in its operations. This financial position has caused the financial statements to include a disclosure in the audit opinion. This situation must improve if the Government is to fund the high levels of debt, pension and other postemployment benefits obligations, and access future bond markets.

Future plans and budgets should be developed to produce operating income, avoid continuing deficits, and begin to rebuild equity. Continuation of these negative financial results could have a significant impact on the financial position and cash flows of the Government.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

#### Plan Funding Considerations

##### ***Finding and Recommendation:***

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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- As per the most recent GERS actuarial valuation report as of October 1, 2017, the Retirement System is 23.06% funded for the year ended September 30, 2018. The same report also disclosed a net pension liability of \$3.4 billion which represents a long-term obligation the Government has to fund.
- As per the most recent OPEB actuarial valuation report as of October 1, 2017, the OPEB plan reflects a total OPEB obligation of \$783.4 million which represents the long-term medical, dental, and other obligation that the Government has to fund.

Management may consider embarking on an advisory path to study other alternatives to ensure that these long-term obligations are being addressed. Additionally, the Government should consider establishing an OPEB Trust Fund which would accumulate assets in order to meet the required obligations.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Government Insurance Fund

#### ***Finding and Recommendation:***

We noted a financial strain (from claims) due to a mismatch from the Government's employers' premium contributions into the *Government Insurance Fund*. For both of the years ended September 30, 2018 and 2017, the ratio of expenditures to income has been 128%. It appears that losses since the financial crisis of 2008 have easily exceeded the premiums collected *sans* the impact of operational costs to run the Workers Compensation portion of the Fund. In order to maintain continued solvency, we recommend that management consider an evaluation of the claims adjudication and related processes (as an attempt to lower the costs) in lieu of making any increases to the likely mandated employer contribution formulas. Management may also consider embarking on an advisory path to consider some alternatives that could minimize the severity of any losses.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-002: Year-End Close Process

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

#### Timeliness and Methodology of Close Process

##### *Finding and Recommendation:*

- We noted a significant delay in the year-end closing process and preparation of year-end financial statements. We noted that in many cases, reconciliations were finalized during the audit process, which represents a substantial delay when compared to the Government's fiscal year-end. Therefore, detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Significant post-closing adjustments were provided during the audit process. Reconciliation mechanisms should be enhanced in an effort to avoid the recurrence of such errors.
- We noted that post-closing adjustments are not posted in the accounting system but are maintained in a manual excel working trial balance. Considering the volume of post-closing adjustments and the manual process of reversing year-end accruals and/or other adjustments, there is continuous opportunity where items can be missed and may not be accurately and timely captured, and therefore, increasing the potential for prior period adjustments to correct balances.
- During our review of the Government's draft financial statements, we noted inconsistencies and/or omissions with the incorporation of disclosures in the footnotes to the financial statements along with inconsistencies in the incorporation of component units' financial statements as it related to classification and reporting of account balances. In addition, we also noted certain transactions with various component units which have not been reflected accurately on the Government's books and records.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded during the fiscal year.

Further strict adherence to the year-end closing schedule should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Journal Entries

#### ***Finding and Recommendation:***

We noted that several individuals have access rights to create, approve, and post journal entries. We understand that this represents an internal management decision with respect to access which is deemed necessary for day-to-day operations. However, in order to maintain a desirable separation of duties, we recommend that the Government continue to re-evaluate the appropriateness of this access. We also noted that adequate supporting documentation was not always readily available in the Enterprise Resource Planning (ERP) system for certain manual journal entries which had been selected for further review. Although these instances were subsequently rectified, management should ensure consistent and strict adherence to its records retention policy.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### **Finding 2018-003: Revenue and Receivables**

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

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

### **Reconciliation of Subsidiary Registers**

#### ***Finding and Recommendation:***

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

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### **Optimum Usage of the Real Property Tax System**

#### ***Finding and Recommendation:***

It appears that the CAVU system, as currently designed, is not adequately meeting the financial and reporting needs of the Government. There exists a limitation to produce aged outstanding receivable and revenue reports, as well as a lack of ability to generate a cut-off balance as of any given point in time.

Additionally, the adjustments made in the billings as a result of the implementation of the new real property tax bill were not properly reflected in the revenue reports generated from the CAVU system. As a result, knowledge of the composition and quality of the Government's revenue billings is significantly impaired, and this has a direct effect on the accuracy of financial reporting and financial decision-making.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Real Property Tax

#### ***Finding and Recommendation:***

- We noted two (2) sampled tax credit items for which the Government was unable to provide completed supporting documentation. Management should recognize that the potential exists for additional discrepancies.
- We noted thirteen (13) sampled real properties for which the Government was unable to provide sufficient supporting documentation for the basis of the percentage adjustments made on final assessed property values.
- With respect to alternative procedures performed related to verification of tax appeals filed by property owners that resulted in adjustments to the assessed values of the properties, we noted three (3) transactions for which the Government was unable to provide the supporting tax appeals which had been filed as a basis for the adjustments or changes.
- With respect to delinquent accounts, we noted that the property owners enter into settlement agreements with the Government which includes a fixed amount of penalties and interest. It is noted, however, that the CAVU system, continues to calculate such interest and penalties even after the actual settlement date. This has the effect of potentially inflating the calculated interest in the stand-alone CAVU system.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Other Revenues

#### ***Finding and Recommendation:***

The Government was unable to provide readily available supporting documentation for 5% of the sampled items for charges for services and 28% of the sampled items for interest and other revenues. As a result, additional time and effort was required during the audit process to locate and/or identify alternative methodologies.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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It is important to produce certain detailed reports and records at specific time periods, and to maintain these for possible analysis by users such as management, independent auditors, or governmental bodies. Management should consider strict adherence to or a revision of its records retention policy.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-004: Grants Management

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

### Control Systems Over the Schedule of Expenditures of Federal Awards

#### ***Finding and Recommendation:***

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

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

- Expenses had been charged to grants without sufficient grant award funding availability.
- Significant transactions paid to or transferred to various departments of the Government were erroneously reported as subrecipient transactions.
- Approximately \$8.8 million in expenditures had erroneously been reflected as expenditures in CFDA Number 17.225, *Unemployment Insurance*.
- Approximately \$874,900 in expenditures had erroneously been recorded to CFDA Number 93.778, *Medical Assistance Program* but belonged to CFDA Number 93.575, *Child Care and Development Block Grant*.

These issues also impact the roll-forward schedule for the general ledger account entitled 'Due from Federal government.'

While we noted a significant improvement in fiscal year 2018, communication and reconciliation mechanisms should continue to be enhanced between the centralized Government agency which is responsible for collecting the SEFA information and each individual agency which manages Federal grant programs in an effort to avoid the recurrence of such errors and misclassifications.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Federal Grants and Contributions

#### *Finding and Recommendation:*

Based on our review of the schedule of grants and contracts, we noted the Government is not monitoring its outstanding Federal receivables on a periodic basis. We noted an improvement in record-keeping where the Government implemented a process of establishing a discrete and separate receivable balance on a per grant/project basis. However, the following key component was lacking:

- A readily verifiable identification with respect to the aging and collection of prior year receivables along with its impact, if any, on the adequacy of the allowance for uncollectable accounts. Specifically, there is no documentation matching each cash receipt to the expenses and noting which period it was incurred in.

This leads to difficulty in establishing individual balances of both receivables and deferrals from grants and contracts, may mask items that have been inactive for many years, and can cause confusion regarding the true level of activity. Additional time and effort was required during the audit process to rectify and reconcile the balances.

We recommend that receivables should be tracked by the individual Government agency(ies) by performing the following:

- Maintenance of a drawdown schedule noting the expenses making up each drawdown for each Federal program and the period in which the expenses were incurred.
- A copy of each drawdown noting proper approvals should be attached in the ERP system along with the corresponding bank statement showing the receipt of funds from the Federal government.
- A listing of expenses supporting the amount drawn down should be included in the ERP system. This detail should include the invoice date and/or payroll period and check date.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### **Finding 2018-005: Capital Assets and Related Expenditures**

Capital assets constitute an investment of substantial amounts, thereby, requiring an excellent system of controls for the maintenance and safeguarding of these assets. While we noted the Government has taken certain preliminary steps, we recommend continued diligence with respect to the monitoring and review of capital assets and in ensuring the reconciliation of supporting registers to the primary register.

#### **Record Keeping**

##### ***Finding and Recommendation:***

The process of maintaining capital asset records (i.e. recording additions, disposals, and transfers) is a manually intensive process conducted when performing the annual financial statement close. As such, supervisory review and other checks and balances may not be timely and/or effective in all instances. We recommend that the Government evaluate the year end cut-off procedures and policies in order to monitor purchases for capitalizable assets and in order to accurately account for all open and unpaid invoices and payments subsequent to year end.

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

- Three (3) highway infrastructure project additions in fiscal year 2018 had not been reflected in the initial additions listing.
- Forty (40) invoices related to assets capitalized in fiscal year 2018 were incurred in fiscal year 2017.
- Four (4) invoices disbursed by a component unit in fiscal year 2019 but pertaining to Government assets purchased during fiscal year 2018 had not been reflected in the initial additions listing.

Although these items were adjusted and rectified during the audit process, we recommend an enhancement to the process by instituting a system of tagging capitalizable assets in the ERP system from the time of requisition to the time when the assets are received and paid for. Requisitions should be agreed to approved capital expenditure budgets. This also entails that requesting agencies and departments are given appropriate guidance as to the capitalization thresholds to ensure transactions are properly tagged in the ERP system. In turn, this would allow additions to be easily generated by the capital assets team via the ERP system, instead of manually scrubbing the disbursements listing at year-end.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Reconciliation and Review of Subsidiary Registers

#### *Finding and Recommendation:*

The Government maintains a subsidiary asset register for the purpose of calculating depreciation for all assets. Based on our review of the subsidiary asset registers, we noted the following:

- 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.
- Certain machinery and equipment that had been purchased in bulk in the past was grouped together into one asset code and others did not contain tagging information to physically identify the items.
- Certain depreciable assets in the asset registers had inaccurate depreciation start dates and useful lives.

To prevent the need for major adjustments at the end of each year, we recommend that the general ledger accounts be reconciled to the detailed records on a quarterly basis. This examination should be comprised of a review of acquisition dates, depreciation calculations, and asset descriptions. Additionally, unique asset numbers and sufficient tagging information should always be assigned to separately identifiable assets. Moreover, routine physical counts should be performed and reconciled with the asset registers.

Additionally, asset transfers to/from the Government should be monitored on a timely basis and a thorough review of the asset custodians should be regularly performed to ensure that all central Government assets are properly accounted for and formal transfer of the title(s) has occurred, as applicable.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Construction in Progress (CIP) Monitoring

The Government has a significant number of on-going construction projects. The necessary analysis to identify the status of projects was only completed and/or necessary adjustments were made during the audit process. Confirmation procedures should be performed in a timely manner in order to have accurate CIP information.

- During our sampled procedures over the construction in progress activity, we noted the following:
  - One hundred and eighty-six (186) CIP projects initially did not have a confirmed status at year-end.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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- Four (4) projects were confirmed to be complete but had not been closed out and transferred to the completed assets category.
- One (1) project addition recorded during the year related to a damaged school property which had not been closed out and/or expensed.
- One (1) project was confirmed to be an asset of a component unit but was initially reflected in the Government's CIP listing.
- The Government adopted the method of using the 'release of claims' date as the date the project was placed in service. However, we noted an 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. For instance, one road infrastructure project was completed and transferred out to the infrastructure asset class as of the end of September 2018 but the 'release of claims' had not yet been provided by the contractor until February 2019. In another instance, a project with 'release of claims' in October 2018 for a project completed as of September 2018 had not yet been transferred out to the building account.
  - In other instances, we noted that the 'release of claims' date was not known, and the date of the last invoice received on the project was utilized as an indicator of when the project was completed and as the depreciation start dates.

With the increase in activity in the number of CIP projects due to the hurricane restoration activity, it is imperative to maintain a good system of recording project costs accurately and timely, and monitoring project status on a consistent basis with the respective project owners.

It is critical that the Government reconciles these costs with the reports and records of the respective project managers, ensuring agreement to contract costs and capital expenditure budgets, and applying a consistent method of determining project completion and transfer to the related depreciable asset class.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Capital Assets Impairment Process

#### *Finding and Recommendation:*

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

- While an annual impairment assessment was performed by the Department of Property and Procurement (DPP), the process to ensure completeness of the impairment assessments across the asset classes was not readily addressed. Moreover, conclusions reached by DPP should be processed and accounted for by the Department of Finance and adjustments recorded in the asset registers, as necessary.
- We noted that certain vehicles were auctioned and disposed during the year. However, most of these assets were not readily traceable to the asset registers due to incomplete tagging information. This may result in improper accounting of the transaction(s) with respect to the gain/loss on the sale and the derecognition of the assets from the books.
- We noted that some damage assessments for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them. Further, each division or department seemed to have its own separate process or methodology.

We recommend that the Government implement a standard, formal process whereby, annual impairment assessments are conducted, independent of the external audit. Further, 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 and communicated to the Department of Finance so that necessary adjustments can be recorded. This will help improve the tracking of assets for disposal and impairment purposes. It should also be noted that as a recipient of Federal grant funds, the Government is required to have in place an inventory management system to track items purchased with Federal funds.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Capital Assets - Business-Type Activities

The Government is currently utilizing an excel worksheet to monitor capital assets within its business-type activities. During fiscal year 2017, the Government began the process of uploading additions into the ERP asset registers. However, the asset register for the beginning balances has yet to be uploaded. We recommend the completion of the automation process for these assets and implementation of subsequent review and reconciliation procedures in order to ensure that accurate and timely information is available.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### **Finding 2018-006: Recording of Liabilities**

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

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

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

### **Retroactive Pay Liability**

#### ***Finding and Recommendation:***

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

- We noted that currently there is a \$195 million retroactive pay liability reflected on the books and records; however, the supporting schedules can only confirm \$184 million which, in turn, is based on an analysis of collective bargaining agreements (CBAs) from the initial retroactive pay wage Commission findings.
- Approximately 77% of the Government's employees are paid varying rates, based on different CBAs. We noted that there are several CBAs that have not been evaluated, implemented, ratified, and accrued for. We recommend that management set up a master file that summarizes the pay rate from each CBA and related factors that influence the rate. Management should then periodically review the master file and compare pay rates to the authorized rates contained in personnel files to determine that the current and effective rates in usage are appropriate.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Medical Malpractice Liability

#### *Finding and Recommendation:*

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

Due to a lack of controls around the Government's claims data process, it has been unable to gather and generate the proper information which is needed for an actuary to compile an estimated liability at year-end. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficiently to determine the extent by which the Business-Type Activities and the Aggregate Remaining Fund Information may have been impacted, as of and for the year ended September 30, 2018, thereby effecting the auditor's ability to opine on said opinion units. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be provided to an actuarial service provider as it facilitates the Government in calculating the year-end liability.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Accounts Payable

#### *Finding and Recommendation:*

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

This routine also impacts the accuracy in recordation of capital assets in that any accruals for goods and services received is not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods. In addition, during our review and inquiry of subsequent disbursements, we noted that the accounts payable did not include accrual of invoices for services performed as of year-end.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Income Tax Refunds Payable

#### ***Finding and Recommendation:***

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Landfill Closure and Post Closure Costs Liability

#### ***Finding and Recommendation:***

The Government obtains various reports with respect to its closure and post closure cost estimates for the three landfills in the U.S. Virgin Islands. The post-closure cost estimates for fiscal year 2018 for all three landfills were updated by applying an inflation rate. While updating the landfill closure and post-closure cost estimates using an inflation factor is an acceptable procedure, going forward, we recommend the Government comprehensively review all reports and calculations to ensure that assumptions included are accurate. For instance, we noted that currently, the annual closure maintenance costs are calculated based on 37 years of monitoring versus the required 30 years.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Quality of Census Data

#### *Finding and Recommendation:*

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### **Finding 2018-007: Management of the Medicaid Program**

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

### **Cost Report Audits and System Security Review**

#### ***Finding and Recommendation:***

- Two Government owned and operated hospitals, the Governor Juan F. Luis Hospital & Medical Center and the Roy Lester Schneider Hospital, provide Medicaid services to eligible Territory residents. Both hospitals function on a non-DRG platform, meaning that they charge through daily per diem rates based upon the number of patients serviced. The costs incurred by the hospitals, long-term care facilities and/or Federally Qualified Health Centers (FQHC) participating in the Medicaid program are to be summarized in a cost report which, in turn, is to be submitted to the Department. The cost reports are then required to be audited per the Government's Medicaid State Plan. Based on audits of the cost reports, a receivable or a payable should be recorded for the difference between costs submitted for reimbursement and the costs actually reimbursed.

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

- 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. As a result, there is no assurance that the system is working as intended. This exposes the program to possible unauthorized activity and payment to ineligible participants.

The Government's records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside. As such, we are unable to determine how the Governmental Activities and the General Fund information may have been impacted, as of and for the year ended September 30, 2018, thereby effecting the auditor's ability to opine on said opinion units.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Utilization Control and Medicaid Fraud Control Unit

#### *Finding and Recommendation:*

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-008: Unemployment Insurance Trust Fund

#### Account Reconciliation Process

##### *Finding and Recommendation:*

We noted that the majority of the account reconciliations were not available during the audit process. Others contained incomplete information and/or were not in accordance with required accounting practices. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficient to determine the extent by which the Business Type Activities and Unemployment Insurance Trust Fund may have been impacted, as of and for the year ended September 30, 2018, thereby affecting the auditor's ability to opine on said opinion unit.

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### **Finding 2018-009: Workers Compensation Program**

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

#### **Plan Valuation Methodology**

#### ***Finding and Recommendation:***

The Government has not obtained the required annual actuarial valuation for its worker's compensation liability in order to determine the projected liability for inclusion in its financial statements. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficiently to determine the extent by which the Business Type Activities may have been impacted, as of and for the year ended September 30, 2018, thereby effecting the auditor's ability to opine on said opinion unit.

We recommend that the Government consider engaging an actuarial service provider to calculate the worker's compensation liability and consider the following:

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

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-010: Other Postemployment Benefits Obligation

During fiscal year 2018, the Government implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government.

#### Administration and Recordkeeping

##### *Finding and Recommendation:*

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

- The V.I. Code states 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 which has been funded 75% or more each year from federal or local government funds, are legally responsible for providing health benefits to active and retired service personnel. It is noted that the component units and organizations referenced above have paid the aforementioned benefit costs for active employees only; the Government has accepted and assumed the responsibility for the payment of benefit costs for retirees. We recommend that the Government formalize the current practice or ensure that benefit payments for the component units and organizations referenced above include retirees.
- Many of the special accounting issues for postemployment retirement plans have become increasingly complex and require extensive expertise to ensure that the accounting and reporting are accurate and in accordance with applicable standards. We recommend that the Government and/or Division of Personnel consider hiring or contracting an employee with specific accounting and plan administration knowledge, possibly even on a part-time basis, to provide the needed higher-level accounting role consistently throughout the year. We believe this change in the Division of Personnel will help clarify the transactions actually occurring, provide stronger internal controls, reduce confusion regarding the numerous transfers and transactions occurring between funds and component units along with providing articulacy when working with actuaries and insurers.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-011: Payroll, Related Accruals, and Other Expenditures

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

#### Payroll Expenditures

##### *Finding and Recommendation:*

As a result of the ADI Time payroll system not having been backed up before the September 2017 hurricanes, the Department of Human Services was unable to provide readily available supervisor approved timesheets for the first several months of the fiscal year. Manual timesheets, in lieu of system generated timesheets, were provided. Adequate arrangements should be made for protection of files and use of backup space.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

#### Formalize Emergency Payroll Procedures

Payroll processing commences with timesheets which are approved by agency heads in the STATS system (timesheet system), which then forms the basis for payroll processing at Department of Finance. It was noted that payroll processing during the last month of the fiscal year was severely impacted as result of the September 2017 hurricanes.

The hurricanes resulted in a major loss of power and displacement of personnel. Employees could not attend work for days as the roads were rendered inaccessible. As a result, the recording of timesheets in the STATS system was temporarily shelved.

As a transitory relief measure, the Government instituted the "Straight 80" payroll process where all "active" employees in the employee database (ERP system) were paid for 80 hours during the last payroll. For employees who were paid under the "Straight 80" payroll process, manual timesheets were utilized by the employees and approved by the respective supervisors. However, we noted that the manual timesheet process was not consistently followed. During our testing, we noted two (2) employees under the "Straight 80" payroll process where the Government was not able to provide the corresponding manual timesheets.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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It is also noted that a formal written emergency procedures manual should be developed for use by the Government in case of a major disruption to operations. This manual should address the processes to be performed, the key contacts or personnel, and the reconciliations that would be required.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Transactions with Personnel

#### ***Finding and Recommendation:***

The Government has policies with respect to executive and/or other employee expense reimbursements indicating that each business expense incurred either by credit cards or advance payments must be substantiated with adequate documentation, such as statement of expense, purchase order, approved Government Travel Request (GTR), travel voucher, and receipts, which, in combination, are sufficient to establish each element of the expenditure.

We noted instances where sufficient supporting documentation was not available to substantiate reimbursements. Moreover, in some instances we noted that there was no evidence of independent review or approval of expenses incurred by executives.

This area can receive intense scrutiny and as a best practice, we recommend the Government consider instituting a stricter monitoring process to ensure compliance with stated policies and an independent review process for executive expenses. In addition, we recommend that the Government ensure documentation is readily available to support the purpose of and approval of employee recognition gifts purchased.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Supporting Documentation and Reporting for Expenditures

#### ***Finding and Recommendation:***

- The Government's policies dictate that all expenditure items must have adequate support and resulting approvals, as maintained within its ERP system. During our sampled procedures, we identified thirteen (13) items for which proper support for the expenditures was not readily available within the ERP system, yet the expenditures had been approved. While the supporting information was subsequently provided, in order to strengthen internal controls over disbursements, it is recommended that the Government adhere to its stated policies.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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- During our sampled procedures, we identified seven (7) items in which the expenditure tested was not recorded in the proper period. It is recommended that the Government adhere to its established written policies and procedures related to the proper recording and reporting of expenditures. The timely review and reconciliation of expenditures will allow for recording expenditures in the correct period.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-012: Bank Accounts

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.

#### Strengthen Controls Over Bank Reconciliations

##### *Finding and Recommendation:*

During fiscal year 2018, we noted some instances where the bank reconciliation variances were not properly explained or investigated. We continue to recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. In addition, there was insufficient documentation to support the reconciliations had been reviewed. There is no capability within the accounting system to formally approve or indicate review of the bank reconciliations. We recommend that management implement a process to track when bank reconciliations are reviewed and approved. Additionally, we observed the following:

- We noted a significant amount of outstanding checks, some issued as far back as 1998, which are still being carried on the reconciliations and were eventually reclassified to accounts payable at year-end. Alternatively, we also noted \$7.4 million in outstanding checks over one year old that had not properly reclassified to accounts payable. Outstanding checks and other uncleared reconciling items that are over one year old should be investigated and removed from the bank reconciliations and the original transactions should be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month and from year to year. As an auxiliary step, consideration should also be given to the Territory's unclaimed property laws.
- In one instance, we noted a check that cleared the bank in fiscal year 2018 was improperly included on the September 30, 2018 outstanding check list. This error resulted in a \$552,000 adjustment to cash. We recommend that management perform a more detailed review of reconciling items on the bank reconciliations to avoid adjustments after the year-end close.
- We noted \$24.0 million in checks that were printed in fiscal year 2018 but had not been mailed prior to year-end. These checks were properly reclassified to due to other government. It is best practice to mail checks once they have been printed to avoid confusion as to what invoices are truly outstanding. Further, checks should only be printed once there are enough funds in the account(s) to cover the requisite payment amounts.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Cash Pooling and Allocation(s)

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 have a separate bank account for each fund and for each of the cash accounts in the general ledger. Therefore, 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.

We recommend that management enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. More specifically, there should be a clear link between the confirmed cash account balances and the cash balance per fund presented within the year-end financial statements.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-013: Information Technology Environment

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

#### *Finding and Recommendation:*

We noted the following during our procedures over user access:

- The Oracle Programmer has root or administrative access to the Red Hat operating system, VIDOLA\$ application, and Oracle database management system. In addition, some individuals were granted inappropriate administrative access to the Oracle database (including non-IT personnel).
- Members of the Windows domain administration at the Bureau of Internal Revenue appear to be excessive. There are 26 total user accounts that have this domain access.
- There are no formal re-certifications of user access security rights performed for the following Windows domains and applications:

#### *Windows Domain:*

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

#### *Applications:*

- |              |                               |
|--------------|-------------------------------|
| ○ Timeforce  | ○ RawData                     |
| ○ MUNIS      | ○ CAVU                        |
| ○ VIDOLA\$   | ○ CAMA                        |
| ○ VITAX      | ○ Property Information System |
| ○ ScanOptics | ○ CARIBS                      |
| ○ MMIS       | ○ VIBES                       |

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

- Administrative access rights to the Windows domain at the Bureau of Internal Revenue is provided to non-IT personnel as well as IT consultants.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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We noted the following with respect to operating system security:

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

*Operating Systems:*

- Department of Finance
- Bureau of Internal Revenue
- Lieutenant Governor's Office
- Department of Labor (including Red Hat)
- Department of Human Services

*Applications:*

- Timeforce
- VIBES
- MMIS
- VIDOLA\$

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-014: Landfill Consent Decrees

#### *Finding and Recommendation:*

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-015: Establishment of a Medical Malpractice Trust Fund

#### *Finding and Recommendation:*

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-016: Procurement Regulations

#### *Finding and Recommendation:*

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

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement, 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.

We noted the following during our procedures:

- Nine (9) instances where the contract files did not contain the requisite documentation such as purchase orders or requisitions from the agencies, evaluation committee recommendations, and approved justification letters, to provide evidence that the procurement met the stated requirements.
- Two (2) instances where a single invoice quotation from a vendor appeared to be split into two separate purchase orders.
- Four (4) vendors with twenty-one (21) purchase orders in total that used the same vendor invoice quotation multiple times as support.

We recommend that the Government obtain all necessary supporting documentation for contract purchase orders and contracts to ensure that regulations are being adhered to.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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### Finding 2018-017: Casino Control Commission

#### *Finding and Recommendation:*

*Title 32, Chapter 21, Section 514* of the Virgin Islands Code states that the Chairman of the Casino Control Commission “shall submit to the Department of Finance by the 30<sup>th</sup> day of the month following the end of each quarter a report detailing the amount, nature, and the justification for each item of expenditure in the previous quarter. The report shall be accompanied by receipts and any other documentation required by the Department of Finance’s rules and regulations or other laws of the Virgin Islands. An annual financial report of the fiscal year’s expenditures from the special checking account shall be compiled by the Chairman of the Commission and submitted to the Legislature and the Department of Finance by the 30<sup>th</sup> of the month following the end of the fiscal year.”

We noted that the Casino Commission is not submitting the requisite reports to the Department of Finance. It is recommended that the Department of Finance maintain proper oversight over the Casino Control Commission and obtain and review the required reports. The reviews should encompass supporting documentation for all financial transactions and a review of compliance with Virgin Islands policies and procedures.

**Views of Responsible Officials** - The Government concurs with the auditor’s findings and recommendations. The planned corrective actions are presented in the Government’s Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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

Finding Number: 2018-018  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Costs/Cost Principles - Non-Payroll Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal statutes, regulations, and other terms and conditions.

In addition, per 2 CFR Section 200.403, "Except where otherwise authorized by statute, costs must meet the following general criteria in order 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 period period.
- g. Be adequately documented."

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Condition** - We sampled and selected 60 non-payroll expenditures and noted 9 expenditures were charged to the grant without sufficient grant award funding. As a result, DHS subsequently adjusted such expenditures from the total expenditures in the SEFA.

The amount represents 12% of the total sampled items related to the 60 sampled items \$1,432,722.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of non-payroll expenditures charged to the program in fiscal year 2018 were \$1,705,638.

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

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles including procedures with respect to pre-award costs.

**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. 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, 2018

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Finding Number: 2018-019  
Prior Year Finding Number: 2017-025  
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal statutes, regulations, and other terms and conditions.

Additionally, the Uniform Guidance in 2 CFR Section 200.430(i) states that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must also support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Condition** - We sampled and selected 60 payroll transactions and noted the following:

- 9 Notices of Personnel Action (NOPA) were not available for review.
- 1 transaction had salary rate per payroll register that is different from the salary rate stated in NOPA.
- 1 transaction had overtime hours charged to the federal grant award at 100% instead at 50%.
- 8 transactions had regular hours charged to the federal grant award at 100% instead at 50%.
- 3 fringe benefit calculations utilized an incorrect salary base.

The amount represents 26% of the total sampled items related to the 60 sampled items \$20,718.

**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 payroll expenditures charged to the program in fiscal year 2018 were \$2,219,278.

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Cause*** - DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

***Recommendation*** - We recommend that DHS improve internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work solely on a single federal program, charges for their salaries and wages should be supported by periodic certifications. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of DHS in a timely manner.

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-020  
Prior Year Finding Number: 2017-026  
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to the benefitted functions. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation must be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made using a selected base which produces results that are equitable to both the federal Government and the governmental unit.

**Condition** - DHS did not reconcile and record indirect costs accurately in the accounting system and did not accurately allocate the share of indirect costs to the program. It appears that there was no true-up analysis performed in indirect costs for fiscal year 2018 which resulted in an understatement of indirect costs claimed for the period.

**Questioned Costs** - Not determinable.

**Context** - This condition was identified per review of DHS' compliance with the specified requirements. DHS has an approved indirect cost rate agreement of 24.55%.

**Effect** - Reimbursable amounts were understated.

**Cause** - Indirect costs were not properly calculated and captured in the accounting system.

**Recommendation** - We recommend that DHS should review and reconcile cost allocations to ensure accuracy. DHS may also consider revising its future cost allocations for any understatements.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-021  
Prior Year Finding Number: 2017-027  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

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

**Condition** - We reviewed 8 out of 22 drawdowns made during fiscal year 2018, totaling \$2,914,838, and noted there are no agency level controls in place to review journal entries to record receipt of reimbursements. Further, all month-end cash drawdown reconciliations were not provided for audit.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$4,894,024.

**Effect** - DHS is not in compliance with the stated provisions. There is a risk that drawdowns are not properly reconciled to the general ledger.

**Cause** - DHS did not appear to have adequate controls over recording and reconciling drawdowns received from the federal government.

**Recommendation** - We recommend for DHS to institute controls over reviewing journal entries to record drawdowns and ensure that month-end reconciliation of drawdowns against the general ledger are properly filed and available for audit.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-022  
Prior Year Finding Number: 2017-028  
Compliance Requirement: Equipment/Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

**Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in fiscal year 2018.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. 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, 2018

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Finding Number: 2018-023  
Prior Year Finding Number: N/A  
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)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - In accordance with the Uniform Guidance in 2 CFR Section 200.306, *Cost Sharing or Matching*, and the requirements of the grant agreements, the program is required to contribute matching funds through cash, in-kind contributions, and/or other non-cash support.

**Condition** - We sampled and selected 40 matching expenditures and noted that:

- DHS is unable to provide evidence of review and approval of the matching calculation on all sampled expenditures.
- DHS is unable to provide 29 of 40 payroll matching expenditures such as timesheets, payroll reports and employment agreements.

In addition, DHS was unable to provide evidence of review of the monthly financial reports from the accounting system and payroll reports, as well as reconciling the amount to the quarterly percentages, to ensure compliance with the matching requirement.

The amount represents 57% of the total sampled items related to the 40 sampled items \$348,081.

**Questioned Costs** - \$197,045.

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

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

**Cause** - DHS did not appear to exercise due diligence in following internal procedures over reconciliation and reviews of monthly match. DHS also did not have proper procedures to ensure that support for expenditures are filed and available for audit.

**Recommendation** - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the match requirements throughout the fiscal year and ensure that supporting documents are available to support local match.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-024  
Prior Year Finding Number: 2017-029  
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)  
CFDA #: 10.551, 10.561  
Award #: 1VI430457, 1VI400408  
Award Year: 10/01/2016 - 09/30/2018  
10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.309, 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 that were authorized by the Federal awarding agency or pass-through entity.

Per the Uniform Guidance in 2 CFR Section 200.343(b), unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 156 transactions totaling \$1,576,388, and noted that:

- DHS is unable to provide support for all 25 payroll transactions, which includes timesheets, payroll records and employment agreements;
- 1 non-payroll transaction was charged outside the grant award period;
- 1 instance of control over project initiation set up, no support was available to show that the project set up in the system was reviewed;
- 7 instances where the expenditures were liquidated beyond the allowable liquidation period;
- 11 expenditures were incurred before the date of the grant award and charged to the grant without pre-award cost approval;
- 22 transactions did not have evidence of review and approval; and
- 4 transactions did not have proper review and approval by the Director of Financial Services to ensure that expenditures are within the period of performance as they relate to the project period when NOPAs were not updated.

It was further noted that the agency reported federal expenditures under several grants in excess of the grant award funding; thus lacks control over review of the period of performance.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' 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, 2018

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

**Cause** - DHS did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations such as review and approval of expenditures and maintenance of records.

**Recommendation** - We recommend that DHS strengthen its processes with respect to setting up and 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. Such information should also be monitored, retained, and approved by a responsible official of DHS in a timely manner.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-025  
Prior Year Finding Number: 2017-030  
Compliance Requirement: Procurement/Suspension and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 7 out of 95 procurement transactions, we noted the following:

- 1 procurement file did not have sufficient supporting documents available to validate the procurement decisions made, such as verification of the contractors' exclusion from the Excluded Parties List System, method of procurement, support indicating full and open competition, rationale to limit competition and cost price analysis.
- 1 procurement file showed DHS entered to a contract with a vendor despite the vendor being excluded in System for Award Management System.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. We reviewed 7 procurement files with expenditures totaling to \$239,316, for fiscal year 2018.

**Effect** - DHS could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

**Cause** - DHS 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, 2018

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**Recommendation** - We recommend that DHS 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 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, 2018

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Finding Number: 2018-026  
Prior Year Finding Number: N/A  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - In accordance with the Compliance Supplement, the State or Territory is required to submit SF-425, *Federal Financial Report*, FNS-46, *SNAP Issuance Reconciliation Report*, and FNS-209, *Status of Claims Against Households*.

**Condition** - We reviewed 8 of 21 reports submitted during the fiscal year and noted there were no evidence of a review or approval prior to submission.

**Questioned Costs** - Not determinable.

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

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

**Cause** - It appears that policies and procedures, including review over reporting procedures were not functioning as intended for financial reports. Further, DHS does not have policies and procedures to ensure review and approval is in place on program reports.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-027

Prior Year Finding Number: 2017-033

Compliance Requirement: Special Tests and Provisions - ADP System for SNAP - Recertifications

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR Section 272.10(a), All State or Territory agencies are required to sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP.

Per the Uniform Guidance in 7 CFR Sections 272.10 and 277.18, State agencies are required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP. This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

**Condition** - We sampled 60 out of 1,611 recertifications and noted that 57 recertification decisions of case workers did not have evidence of review and approval by an appropriate individual or supervisor.

**Questioned Costs** - Not determinable.

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

**Effect** - Without an established review and approval process, ineligible beneficiaries may receive benefits under the SNAP grant and DHS may make payments on behalf of those beneficiaries resulting in noncompliance.

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure that review and approval of case officer decisions are in place.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**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. 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, 2018

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Finding Number: 2018-028  
Prior Year Finding Number: 2017-032  
Compliance Requirement: Special Tests and Provisions - EBT Reconciliation

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance 7 CFR Sections 274.3(a)(1) and 274.4(a)), the State or Territory must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State or Territory's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State or Territory's issuance files of postings to recipient accounts with the EBT contractor.

**Condition** - During our tests of the monthly EBT card reconciliations, we noted that:

- 1 of 4 monthly reconciliations selected for the food stamp issuance information in the CARIBS system was not properly reviewed and approved.
- 1 of 4 monthly reconciliations selected for the reconciliation indicated a discrepancy and was not subsequently resolved.

**Questioned Costs** - Not determinable.

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

**Effect** - Noncompliance with program requirements could result in disallowances of costs.

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

**Recommendation** - We recommend that DHS perform regular reviews of the data and reconciliations to ensure accuracy and completeness. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the process.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-029  
Prior Year Finding Number: 2017-031  
Compliance Requirement: Special Tests and Provisions - EBT Card Security

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)

CFDA #: 10.551, 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2018

10/01/2017 - 09/30/2018

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

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

During our review, we noted the following:

- For 9 of 9 monthly card reconciliation, DHS did not have a process in place to review and approve monthly EBT cards reconciliation
- 9 out of the 9 monthly EBT cards reconciliation selected, cards destroyed did not have signed status reports to verify that the cards returned were actually destroyed or shredded.

**Questioned Costs** - Not determinable.

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

**Effect** - Without adequate internal controls to ensure compliance with EBT card security requirements, there is an increased risk that the inventory of EBT cards will not be properly maintained and accounted for.

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

**Recommendation** - We recommend that DHS implement formal policies and procedures to maintain adequate security over, and documentation and records for EBT Cards.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-030  
Prior Year Finding Number: 2017-019  
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to the benefitted functions. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation must be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made using a selected base which produces results that are equitable to both the Federal Government and the governmental unit.

**Condition** - DOE did not reconcile and record indirect costs accurately in the accounting system and did not accurately allocate the share of indirect costs to the program. It appears that indirect costs of approximately \$264,458 were excluded and this resulted in an understatement of indirect costs claimed for the period.

**Questioned Costs** - Not applicable.

**Context** - This condition was identified per review of DOE's compliance with the specified requirements. For fiscal year 2018, DOE has an approved indirect cost rate agreement of 25.14% from 10/1/2017 - 12/13/2017 and of 21.65% from 12/14/2017 - 9/30/2018.

**Effect** - Reimbursable amounts were understated.

**Cause** - Indirect costs were not properly calculated and captured in the accounting system.

**Recommendation** - We recommend that DOE should review and reconcile cost allocations to ensure accuracy. DOE may also consider revising its future cost allocations for any understatements.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-031  
Prior Year Finding Number: 2017-020  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

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

**Condition** - We reviewed 12 out of 122 drawdowns made during fiscal year 2018, totaling \$446,802 and noted that none of the 12 sampled drawdowns contained evidence of review of monthly reconciliation.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$3,832,523.

**Effect** - DOE is not in compliance with the stated provisions. Inaccurate information may have been reported to the federal government in the absence of required reviews.

**Cause** - DOE did not appear to have adequate controls over reconciling drawdowns received from the federal government.

**Recommendation** - We recommend that DHS 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 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, 2018

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Finding Number: 2018-032  
Prior Year Finding Number: 2017-021  
Compliance Requirement: Equipment/Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

**Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DOE. DPP was unable to provide complete property records which met the stated requirements.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-033  
Prior Year Finding Number: 2017-022  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - In accordance with the Uniform Guidance in 2 CFR Section 200.306, *Cost Sharing or Matching*, the State or Territory is required to contribute State-appropriated funds amounting to at least 30 percent of funds it received under Section 4 of the National School Lunch Act (NSLA) in the school year beginning July 1, 1980, unless otherwise exempted by 7 CFR section 210.17. In the fall of each year, the Food and Nutrition Service (FNS) furnishes each State or Territory with a report giving data for use in determining its matching requirements. However, the State or Territory revenues derived from the operation of the NSLP and State or Territory revenues expended for salaries and administrative expenses of the NSLP at the State or Territory level are not considered in this computation. In States or Territories with per capita income lower than the national average, the 30 percent match is proportionately reduced (sections 7(a)(1) and (2) of the NSLA, and 7 CFR section 210.17(a)).

**Condition** - We sampled and selected 40 transactions totaling \$5,074, and noted 16 transactions were not available for review to ascertain proper review and approval.

**Questioned Costs** - Not determinable.

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

**Effect** - DOE is not in compliance with the stated provisions.

**Cause** - DOE did not have proper procedures to ensure that support for expenditures are filed and available for audit.

**Recommendation** - We recommend that DOE deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the match requirements throughout the fiscal year and ensure that supporting documents are available to support local match.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-034  
Prior Year Finding Number: 2017-023  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.309, 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 that were authorized by the Federal awarding agency or passthrough entity

Per the Uniform Guidance in 2 CFR Section 200.343(b), unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

**Condition** - We analyzed all project codes and noted that a total of 8 transactions for 1 project were paid outside of period of performance.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements. Total amount of payroll expenditures charged to the project code in fiscal year 2018 were \$15,008.

**Effect** - DOE is not in compliance with the stated provisions.

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

**Recommendation** - We recommend that DOE strengthen its processes with respect to setting up and charging expenditures between various grant awards. We also recommend that DOE enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance. Such information should also be monitored, retained, and approved by a responsible official of DOE in a timely manner.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-035  
Prior Year Finding Number: 2017-024  
Compliance Requirement: Procurement/Suspension and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 6 out of 40 procurement transactions, we noted 2 procurement contracts that did not have complete procurement provisions required.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements using a statistically valid sample. We reviewed 6 procurement files with expenditures totaling \$144,093, for fiscal year 2018.

**Effect** - DOE is not in compliance with the stated provisions. DOE could inadvertently contract with or make sub-awards to parties that are not in compliance with the specified requirements.

**Cause** - DOE does not appear to have a process in place to ensure all required provisions are included and maintain completed contract files comprising of all supporting documents.

**Recommendation** - We recommend that DOE and DPP re-evaluate its policies and procedures and implement the necessary changes to ensure that the required provisions are included in the before execution of the contracts.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-036  
Prior Year Finding Number: 2017-036  
Compliance Requirement: Equipment/Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children (WIC)  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

**Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DOH. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in fiscal year 2018.

**Questioned Costs** - Not determinable.

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

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

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

**Recommendation** - We recommend that DPP and DOH 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 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, 2018

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Finding Number: 2018-037  
Prior Year Finding Number: 2017-037  
Compliance Requirement: Procurement/Suspension and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children (WIC)  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2017 - 09/30/2018

**Criteria** - Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 13 out of 133 procurement transactions, we noted 12 procurement files that did not have sufficient supporting documents to support that vendor checks have been performed before entering into an agreement with the vendors.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOH's compliance with the specified requirements using a statistically valid sample. We reviewed 13 procurement files with expenditures totaling \$27,025, for fiscal year 2018.

**Effect** - DOH could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

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

**Recommendation** - We recommend that 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 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, 2018

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Finding Number: 2018-038  
Prior Year Finding Number: 2017-071  
Compliance Requirement: Activities Allowed or Unallowed

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance (UI)

CFDA #: 17.225

Award #: Various

Award Period: 10/01/2012 - 12/31/2020

**Criteria** - In accordance with the Uniform Guidance in 2 CFR Section Part 200, a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of the 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.

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

**Questioned Costs** - Not determinable.

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

**Effect** - Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or Federal reports. A lack of timely preparation of complete and accurate reconciliations results in the absence of adequate control over both cash receipts and disbursements.

**Cause** - VIDOL does not appear to have adequate policies and procedures in an effort to adequately administer the expending and accounting for all funds.

**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. 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, 2018

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Finding Number: 2018-039  
Prior Year Finding Number: 2017-072  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance (UI)

CFDA #: 17.225

Award #: Various

Award Period: 10/01/2012 - 12/31/2020

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

**Condition** - We reviewed 60 out of 264 drawdowns made during fiscal year 2018, totaling \$1,839,169 and noted that 2 out of the 60 sampled drawdowns did not have evidence for review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$2,577,283.

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

**Cause** - VIDOL did not appear to exercise due diligence in requesting federal funds by not following internal procedures over review and authorization.

**Recommendation** - We recommend that VIDOL 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 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, 2018

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Finding Number: 2018-040  
Prior Year Finding Number: 2017-073  
Compliance Requirement: Eligibility

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance (UI)

CFDA #: 17.225

Award #: Various

Award Period: 10/01/2012 - 12/31/2020

**Criteria** - Public Law 112-96 Sec. 2101 requires that as a condition of eligibility for regular compensation, a claimant must be able to work, available to work, legally authorized to work in the United States, and actively seeking work.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

**Condition** - In our review of 60 unemployment claimant files, we noted 9 instances where VIDOL was not able to provide evidence that the claimant met the criteria for participating in the UI program, but had received benefits during the year.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-041  
Prior Year Finding Number: N/A  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance (UI)

CFDA #: 17.225

Award #: Various

Award Period: 10/01/2012 - 12/31/2020

**Criteria** - In accordance with the Compliance Supplement, the State or Territory is required a matching on *Shareable Compensation Program* (EB). From its UI tax revenues, the State is required to pay zero percent (UCFE, UCX), 50 percent (EB), or 100 percent (regular compensation) of the UC paid by the SWA to eligible claimants. The State is required to provide 50 percent of the amounts paid to the majority of eligible EB claimants (those not covered by Federal law or special provisions of State law) (20 CFR sections 615.2 and 615.14(a)). Those EB amounts paid by the SWA, and that are not the responsibility of the State, are reimbursable to the State from the UTF (20 CFR section 615.14). The first week of EB is reimbursable to the State only if, in addition to other requirements, the State requires the first week of an individual's benefit year to be an "unpaid waiting week" (EUCA section 204; 20 CFR section 615.14). The 50 percent share of EB for which the State is responsible is prorated for those claimants whose base period includes wages from both public and private sector employment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

**Condition** - VIDOL was unable to provide matching population and documentation that VIDOL met the stated requirements.

**Questioned Costs** - Not determinable.

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

**Effect** - VIDOL is not in compliance with the stated provisions.

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-042  
Prior Year Finding Number: 2017-070  
Compliance Requirement: Equipment/Real Property Management

**Program:**

U.S. Department of Transportation

**Government Department/Agency:**

Department of Public Works (DPW)

Highway Planning and Construction Cluster  
CFDA #: 20.205  
Award #/Name: Territorial Highway Program  
Implementation and Stewardship Agreement  
Award Period: 10/01/2016 - 09/30/2020

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

**Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DPW. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in fiscal year 2018.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-043  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement/Suspension and Debarment

**Program:**

U.S. Department of Transportation

**Government Department/Agency:**

Department of Public Works (DPW)

Highway Planning and Construction Cluster  
CFDA #: 20.205  
Award #/Name: Territorial Highway Program  
Implementation and Stewardship Agreement  
Award Period: 10/01/2016 - 9/30/2020

**Criteria** - Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. We reviewed 8 out of 83 procurement transactions during fiscal year 2018 and noted 1 out of 8 procurement files did not have sufficient supporting documents available to validate the procurements decision made to engage contactors.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DPW's compliance with the specified requirements using a statistically valid sample. We reviewed 8 procurement files with expenditures totaling \$1,425,659 for fiscal year 2018.

**Effect** - DPW could inadvertently contract with or sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

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

**Recommendation** - We recommend that DPW and DPP improve internal controls to ensure adherence to Federal regulations relating to the procurement of goods and services and review current record 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 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, 2018

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Finding Number: 2018-044  
Prior Year Finding Number: N/A  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Education

**Government Department/Agency:**

Department of Education (DOE)

Special Education - Grants to States (IDEA, Part B)  
CFDA #: 84.027  
Award #: H027A150004-15A, H027A160004, H027A170004,  
H027A180004  
Award Periods: 07/01/2015 - 09/30/2016  
07/01/2016 - 09/30/2017  
07/01/2017 - 09/30/2018  
07/01/2018 - 09/30/2019

**Criteria** - 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.

**Condition** - We recalculated the dollar amount of financial support for 2018 as well as financial support on the per child basis for 2018 and noted both were lower than prior year based on the reduction of the per capita amount which is not in accordance to the requirement of the program. In addition, DOE failed to provide evidence of review of the calculation and the control activity failed to detect the exception of compliance requirement for level of effort.

**Questioned Costs** - Not determinable.

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

**Effect** - DOE is in not in compliance with the stated provisions.

**Cause** - DOE did not appear to exercise due diligence in following internal procedures over review and authorization.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-045  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Education

**Government Department/Agency:**

Department of Education (DOE)

Consolidated Grant to the Outlying Areas

CFDA #: 84.403

Award #: S403A150007, S403A160004, S403A170004, S403A180004

Award Periods: 07/01/2015 - 09/30/2016

07/01/2016 - 09/30/2017

07/01/2017 - 09/30/2018

07/01/2018 - 09/30/2019

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

Additionally, the Uniform Guidance in 2 CFR Section 200.430(i) states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must also support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Condition** - We sampled and selected 25 payroll transactions and noted that the following:

- Timesheet was not provided for 1 out of the 25 payroll transactions reviewed.
- For 1 of the 25 payroll transactions, the salary amount from the Notice of Personnel Action (NOPA) did not agree with the salary amount on the payroll register.
- One employee was on unpaid leave for the pay period, however, based on the employee's check stub for the pay period, the employee was paid their regular salary amount.

The amount represents 15% of the total sampled items related to the 25 sampled items \$32,556.

**Questioned Costs** - Below reporting threshold.

**Context** - This is a condition identified per review of DOE compliance with the specified requirements using a statistically valid sample. Total amount of payroll expenditures charged to the program in fiscal year 2018 were \$4,821,690.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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

**Cause** - DOE does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

**Recommendation** - We recommend that DOE 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 solely on a single Federal program, charges for their salaries and wages should be supported by periodic certifications. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of DOE in a timely manner.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-046  
Prior Year Finding Number: N/A  
Compliance Requirement: Subrecipient Monitoring

Program:

U.S. Department of Education

Government Department/Agency:

Department of Education (DOE)

Consolidated Grant to the Outlying Areas

CFDA #: 84.403

Award #: S403A150007, S403A160004, S403A170004, S403A18

Award Periods: 07/01/2015 - 09/30/2016

07/01/2016 - 09/30/2017

07/01/2017 - 09/30/2018

07/01/2018 - 09/30/2019

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

In accordance with §200.331(a) Requirements for Pass-Through Entities requires that pass-through entities must ensure that every sub-award is clearly identified to the subrecipient as a sub-award and includes certain information at the time of the subaward, and if any of the required data elements change, the pass-through entity must include the changes in subsequent subaward modifications.

In accordance with §200.331(b), §200.331(d), and §200.331(f), Requirements for Pass-Through Entities, pass-through entities must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Pass-through entities must also monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Pass-through entity monitoring of the subrecipient must include: (1) reviewing financial and performance reports required by the pass-through entity; (2) following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means; and (3) issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity. Additionally, pass-through entities must verify that every subrecipient is audited as required by Subpart F - Audit Requirements when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 audit requirements

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Condition** - We sampled and selected 2 out of 8 subrecipients and were not able to substantiate compliance by DOE of the below stated provisions relating to subrecipient monitoring:

- Whether DOE determined and verified that subrecipients were expected to be audited as required by 2 CFR par 200, subpart F, met this requirement and issued management decisions on audit findings within 6 months after receipt of the subrecipient's audit report;
- Whether DOE has follow-up procedures to determine if corrective action was implemented on deficiencies noted, if any, during the subaward monitoring; and
- In cases of continued inability or unwillingness of a subrecipient to have the required audits, whether DOE took appropriate action using sanctions.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements using a statistically valid sample. Total amount of expenditures by subrecipients charged to the program in fiscal year 2018 were \$435,751.

**Effect** - DOE is not in compliance with the stated provisions. Failure to properly review and support expenditures and a lack of or inadequate subrecipient monitoring follow up can result in noncompliance with laws and regulations due to unallowable expenses being charged to the program by the subrecipients resulting in loss of funding.

**Cause** - DOE does not appear to have adequate policies and procedures in place to monitor subrecipients to ensure they are following applicable federal regulations including expending federal awards for allowable expenditures.

**Recommendation** - We recommend that DOE improve its policies and procedures and internal controls to ensure adequate monitoring of subrecipients to ensure that federal awards are being expended in adherence to Federal regulations related to the fiscal and administrative requirements.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-047  
Prior Year Finding Number: 2017-039  
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

Additionally, the Uniform Guidance in 2 CFR Section 200.430(i) states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must also support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Condition** - We sampled and selected 60 payroll transactions and noted the following:

- Supporting timesheets for 10 transactions had no evidence of review and approval
- 3 instances where the time charges per the timesheet did not agree with the payroll register

The amount represents 26% of the total sampled items related to the 60 sampled items \$110,581.

**Questioned Costs** - \$27,738.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of payroll expenditures charged to the program in fiscal year 2018 were \$6,097,107.

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

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure compliance with 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, 2018

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**Recommendation** - We recommend that DHS improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work solely on a single Federal program, charges for their salaries and wages should be supported by periodic certifications. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of DHS in a timely manner.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-048  
Prior Year Finding Number: 2017-040  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

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

**Condition** - We reviewed 13 out of 58 drawdowns made during fiscal year 2018, totaling \$3,840,268 and noted the following:

- 3 instances where the request for funds did not have evidence of review and approval;
- 2 instances where the month-end reconciliation were not properly reviewed and approved.

Moreover, there are no agency level controls in place to review journal entries to record receipt of reimbursements. Such lack of control resulted into 2 instances where receipt were not posted at fiscal year 2018 in the accounting system, aggregating to \$390,123.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$8,043,590.

**Effect** - DHS is not in compliance with the stated provisions. There is a risk that drawdowns are not properly reconciled to the general ledger.

**Cause** - DHS did not appear to have adequate controls over recording and reconciling drawdowns received from the federal government.

**Recommendation** - We recommend for DHS to institute controls over reviewing journal entries to record drawdowns and ensure that month-end reconciliation of drawdowns against the general ledger are properly filed and available for audit.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-049  
Prior Year Finding Number: 2017-041  
Compliance Requirement: Equipment/Real Property Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

**Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in fiscal year 2018.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. 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, 2018

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Finding Number: 2018-050  
Prior Year Finding Number: 2017-042  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

**Criteria** - In accordance with the Uniform Guidance in 2 CFR Section 200.306, *Cost Sharing or Matching*, and the requirements of the grant agreements, the program is required to contribute matching funds through cash, in-kind contributions, and/or other non-cash support.

**Condition** - We sampled and selected 40 matching expenditures and noted 1 instance in which the federal funds were used for the local share of the expenditures. This also reflects the lack of control on the proper review and separate budget and accounting codes established to track compliance with the matching requirement.

In addition, we sampled and tested 3 out of 12 Administrative/matching reports and noted that all sampled reports did not have evidence of review and approval.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS did not appear to exercise due diligence in following internal procedures over review and authorization.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-051  
Prior Year Finding Number: 2017-043  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.309, 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 that were authorized by the Federal awarding agency or passthrough entity

Per the Uniform Guidance in 2 CFR Section 200.343(b), unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 60 non-payroll expenditures and noted 1 instance where the expenditure was incurred outside the period of performance.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using statistically valid sample. Total amount of non-payroll expenditures charged to the program in fiscal year 2018 were \$1,211,179.

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

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic review of its transactions.

**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. 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, 2018

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Finding Number: 2018-052  
Prior Year Finding Number: N/A  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04, 02CH3011-05, 02CH010576-01

Award Year: 07/01/2016 - 06/30/2017

07/01/2017 - 06/30/2018

07/01/2018 - 06/30/2019

**Criteria** - In accordance with the Uniform Guidance in 2 CFR Section 200, Appendix XI for this program, each State or Territory must file various financial, programmatic and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

**Condition** - We reviewed 3 out of 4 reports, due for existing projects, as submitted by DHS in fiscal year 2018, and noted 1 instance where there were no evidence of review and approval.

**Questioned Costs** - Not determinable.

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

**Effect** - DHS is not in compliance with the stated provisions. Failure to properly review the report may pose inaccurate information reported to the Federal government.

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The 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, 2018

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Finding Number: 2018-053  
Prior Year Finding Number: N/A  
Compliance Requirement: Activities Allowed or Unallowed

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Award #: 1705VQ5R21, 1805VQ5R21

Award Year: 10/01/2016 - 09/30/2017

10/01/2017 - 09/30/2018

10/01/2017 - 09/30/2019

**Criteria** - The Uniform Guidance in 2 CFR Section 200.302(a), *Financial Management*, states that each state must expend and account for the federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-federal entity's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award.

The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

**Condition** - We noted an unreconciled difference of \$771,951 between the amount of CHIP claims processed in the Medicaid Management Information System (MMIS) and the amount recorded in the Munis Accounting System. As a result, DHS subsequently adjusted such expenditures from the total expenditures in the SEFA.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. Total claims paid in fiscal year 2018 were \$10,596,303.

**Effect** - Noncompliance with program requirements could result in disallowances of costs.

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure the proper Federal Medical Assistance Percentages (FMAP) rate is correctly applied to CHIP claims.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Recommendation** - We recommend that DHS apply the correct FMAP rates when processing CHIP claims. Additionally, we recommend that DHS perform a periodic reconciliation for CHIP claims processed in the MMIS and recorded in the MUNIS. Furthermore, levels of review by a supervisor or manager can provide more timely quality assurance oversight over the process.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-054  
Prior Year Finding Number: 2017-057  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Award #: 1705VQ5R21, 1805VQ5R21

Award Year: 10/01/2016 - 09/30/2017

10/01/2017 - 09/30/2018

10/01/2017 - 09/30/2019

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

**Condition** - We reviewed 5 out of 11 drawdowns made during fiscal year 2018, totaling \$5,452,410, and noted that all the selections did not contain proper evidence of review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using statistically valid sample. Total fiscal year 2018 drawdown requests were \$11,754,555.

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

**Cause** - DHS did not appear to exercise due diligence in requesting federal funds by not following internal procedures over review and authorizations.

**Recommendation** - We recommend that DHS 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 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, 2018

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Finding Number: 2018-055  
Prior Year Finding Number: 2017-058  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Award #: 1705VQ5R21, 1805VQ5R21

Award Year: 10/01/2016 - 09/30/2017

10/01/2017 - 09/30/2018

10/01/2017 - 09/30/2019

**Criteria** - In accordance with the Compliance Supplement, the State matching rate for its CHIP expenditures is determined in accordance with the Federal matching rate for such expenditures, referred to as the enhanced Federal medical assistance percentage (Enhanced FMAP) for a State. That is, the CHIP State matching rate is calculated by subtracting the Medicaid FMAP rate from 100, taking 30 percent of the difference, and then adding it to the Medicaid FMAP rate. The Enhanced FMAP is calculated in accordance with 42 USC 1397ee(b), which provides that the Enhanced FMAP for a State shall never exceed 85 percent.

**Condition** - We sampled and selected 2 matching calculations from the CMS-21, *Quarterly CHIP Expenditures* reports and noted that 2 of 2 samples selected did not contain evidence of review and approval. We also tested 61 claims totaling \$804,054, and noted the following:

- 9 out of 61 claims tested required matching contribution was not met. DHS did not apply the 91.5% FMAP for CHIP claims. Subsequent adjustment applied the FMAP rate at 100%.
- 8 out of 60 claims tested were missing from the VIFIN007 report, therefore, we could not verify whether the required matching contribution was met.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using statistically valid sample. In addition, the CHIP program would incur a higher percentage of costs when the appropriate FMAP rate is not applied.

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

**Cause** - DHS did not appear to exercise due diligence in following internal procedures over reviews and authorizations, as well as ensuring compliance with the matching requirement.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-056  
Prior Year Finding Number: 2017-059  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Award #: 1705VQ5R21, 1805VQ5R21

Award Year: 10/01/2016 - 09/30/2017

10/01/2017 - 09/30/2018

10/01/2017 - 09/30/2019

**Criteria** - In accordance with the Compliance Supplement, the State or Territory is required to submit CMS-21, *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI for the Children's Health Insurance Program*, thirty days after the end of the quarter.

**Condition** - We reviewed 2 out of the 4 quarterly CMS-21 reports submitted during the fiscal year and noted that the report's financial information did not agree with the underlying records. We noted a difference of \$1,358,121 between the expenses reported on the CMS-21 of \$10,396,119 compared to the expenses reported on the SEFA amounting to \$11,754,240. We also noted that there was no evidence of review or approval prior to submission of reports.

In addition, DHS reported expenses totaling \$1,086,833 in FY17 but incurred the expenses in FY18. The funds were provided under a FY17 redistribution grant that ended September 30, 2017. Grant funds provided via a redistribution grant are only valid for the period of the grant, therefore, instead of DHS losing those grant funds, they reported them as expensed in FY17 but actually incurred the expense in FY18.

**Questioned Costs** - Not determinable.

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

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

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

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-057  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Costs/Cost Principles - Non-Payroll Activities

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal statutes, regulations, and other terms and conditions.

In addition, per 2 CFR Section 200.403, "Except where otherwise authorized by statute, costs must meet the following general criteria in order 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."

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Condition** - We reviewed 44 out of 680 expenses charged to the Medicaid program totaling \$11,752,973 and noted the following:

- 4 out of the 44 expenses, there was insufficient documentation to support the expense.
- 5 out of the 44 expenses, we noted that DHS made advance payments to vendor and requested drawdowns before the funds were fully expensed.
- 1 out of the 44 expenses, DHS paid monthly fee for a storage trailer to store excess furniture and other administrative items that the Medicaid staff no longer needs. This expense totaling \$5,082 does not appear to be necessary to operate the Medicaid program.
- 1 out of 44 expense samples were overpaid due to incorrect Federal Medicaid Assistance Percentage rate used in Medicaid Management Information System.

The amount represents 8% of the total sampled items related to the 44 sampled items \$11,752,973.

**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.

**Effect** - DHS is not in compliance with regulations requiring them to incur expenses that are reasonable and necessary to operate the Medicaid program. Incurring unreasonable and unnecessary expenses could result in unallowed expenses.

**Cause** - DHS does not have adequate policies and procedures in place to ensure that expenses are adequately supported and that expenses are reviewed and approved to ensure they are reasonable and necessary.

**Recommendation** - We recommend that DHS comply with the specified requirements and establish adequate policies and procedures to ensure that documentation is maintained to adequately support expenses charged to the Medicaid program. In addition, we recommend that DHS establish adequate review and approval procedures to ensure that expenses are reasonable and necessary to operate the Medicaid program.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-058  
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 Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

Additionally, the Uniform Guidance in 2 CFR Section 200.430(i) states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must also support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Condition** - Payroll charges for an employee on a paid administrative leave due to pending investigation totaling \$59,162 were charged to Medicaid program.

**Questioned Costs** - \$59,162

**Context** - This is a condition identified per review of DHS's payroll charges to the Medicaid program and DHS's compliance with the specified requirements.

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

**Cause** - DHS did not appear to exercise due diligence in following internal procedures over reviews and authorizations.

**Recommendation** - We recommend that DHS discontinue to charge the payroll expense to the Medicaid program while the person is on paid administrative leave. In addition, we recommend that DHS continue to be vigilant in following internal procedures over reviews and authorizations for payroll charges.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-059  
Prior Years Finding Number: 2017-045  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster  
CFDA #: 93.778  
Award #: Various  
Award Period: 10/01/2015 - 09/30/2022

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

**Condition** - We reviewed 17 out of 108 drawdowns made during fiscal year 2018, totaling \$36,726,249 and noted that 16 out of the 17 drawdowns did not contain evidence of proper review and approval.

In addition, we noted that DHS advanced funds totaling \$350,000 to a travel company to transport Medical Assistance patients to off island hospitals for medical services not available in the U.S. Virgin Islands. However, DHS does not reconcile the funds that were advanced to the travel company to ensure the funds were reasonable. In addition, DHS requests reimbursement of these funds before they were fully spent.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$64,434,785

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

**Cause** - DHS did not appear to exercise due diligence in requesting federal funds by not following internal procedures over review and authorizations.

**Recommendation** - We recommend that DHS continue to be vigilant in following internal procedures over reviews and authorizations. Also, we recommend that DHS discontinue the practice of advancing funds to vendors and requesting reimbursement before the funds are fully spent. Furthermore, we recommend that DHS calculate the interest owed to CMS based on the amount of funds advanced.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-060  
Prior Year Finding Number: 2017-046  
Compliance Requirement: Eligibility

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster  
CFDA #: 93.778  
Award #: Various  
Award Period: 10/01/2015 - 09/30/2022

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

The Uniform Guidance in 2 CFR Section 200.303, *Internal Control*, requires the non-federal entity to establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-federal entity is managing Federal awards in compliance with Federal statutes, regulations, and other terms and conditions.

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** - DHS is responsible for determining participant eligibility. During the current fiscal year, DHS was under a Public Health Emergency that provided flexibility for enrolling applicants. DHS used flexibility of presumptive eligibility which allows the applicant to complete an application and self-attest to the requirements of the Medicaid program. For new applicants, DHS could enroll participants so they could receive emergency medical services, however, DHS was required to perform a post-enrollment verification. During our review of the enrollments, we noted that DHS did not perform the required post enrollment verifications. In addition, we were unable to determine that the eligibility population was complete.

**Questioned Costs** - Not determinable.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Recommendation** - We recommend that DHS perform post enrollment verifications for applicants enrolled under the Presumptive Eligibility method. We also 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.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-061  
Prior Year Finding Number: 2017-047  
Compliance Requirement: Matching, Level of Effort, Earmarking

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - In accordance with the Compliance Supplement, the State or Territory is required to pay part of the costs of providing health care to the poor and part of the costs of administering the program. Different participation rates apply to medical assistance payments. There are also different Federal financial participation rates for the different types of costs incurred in administering the entitlement program, such as administration (including administration of family planning services), training, computer, and other costs (42 CFR sections 433.10 and 433.15).

**Condition** - We sampled and selected 2 matching calculations from the CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program* reports and noted that the 2 sampled reports did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS did not appear to exercise due diligence in following internal procedures over reviews and authorizations.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-062  
Prior Year Finding Number: N/A  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - Per the Uniform Guidance in 2 CFR Section 200.309, 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 that were authorized by the Federal awarding agency or pass-through entity.

Per the Uniform Guidance in 2 CFR Section 200.343(b), unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

**Condition** - We sampled and tested 44 out of 680 transactions and noted that 2 did not have evidence of review and approval that the expenses were reasonable and to ensure expenses were within the period of performance.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations such as review and approval of expenditures and maintenance of records.

**Recommendation** - We recommend that DHS strengthen its processes with respect maintaining expenditure supporting documentation.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-063  
Prior Year Finding Number: 2017-048  
Compliance Requirement: Procurement/Suspension and Debarment

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster  
CFDA #: 93.778  
Award #: Various  
Award Period: 10/01/2015 - 09/30/2022

**Criteria** - Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 9 out of 92 procurement transactions, we noted that 2 out of 9 procurement files for procurement transactions less than \$5,000 on an on-island vendor, did not obtain the minimum number of quotation requirement.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. We reviewed 9 procurement files with expenditures totaling \$7,276,537, for fiscal year 2018.

**Effect** - DHS could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

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

**Recommendation** - We recommend that DHS 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 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, 2018

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Finding Number: 2018-064  
Prior Year Finding Number: 2017-049  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - 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.

**Condition** - We reviewed 2 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted that the report's financial information did not agree with the underlying records. We also noted there was no evidence of a review or approval prior to submission.

**Questioned Costs** - Not determinable.

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

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

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

**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. 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, 2018

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Finding Number: 2018-065  
Prior Year Finding Number: 2017-055  
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  
CFDA #: 93.778  
Award #: Various  
Award Period: 10/01/2015 - 09/30/2022

**Criteria** - The State or Territory plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. The State or Territory must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Suspected fraud should be referred to the State or Territory Medicaid Fraud Control Unit (42 CFR part 1007).

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

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

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with 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 have an effective system in place to address the program's requirements.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-066  
Prior Year Finding Number: 2017-052  
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

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

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

**Condition** - DHS provides Medicaid services to eligible Territory residents through inpatient hospitals and long-term care facilities. These hospitals and facilities include various Territory agencies and third-party service providers. The costs incurred by these facilities are summarized in a cost report that is submitted to DHS. 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 2018.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS did not have sufficient time to obtain audited cost reports for fiscal year 2018, due to delays in awarding of the contract for the requisite services.

**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. 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, 2018

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Finding Number: 2018-067  
Prior Year Finding Number: 2017-054  
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

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

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

**Condition** - DHS did not perform the required ADP Risk Analysis and System Security Review for Virgin Islands Benefit Eligibility System (VIBES) that support the Medicaid Program.

**Questioned Costs** - Not determinable.

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

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

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

**Recommendation** - We recommend that management should perform and review a risk analysis and system security review for all systems that support the Medicaid program. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. 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, 2018

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Finding Number: 2018-068  
Prior Year Finding Number: 2017-051  
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

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria** - In order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program. Moreover, in accordance with the disclosure requirements of 42 CFR 455 subpart B, *Disclosure of Information by Providers and Fiscal Agents*, providers that are not practitioners or a group of practitioners are required to disclose certain information when applying to participate in the Medicaid program.

**Condition** - During our review of 12 out of 123 providers receiving payments during the fiscal year, we noted the following:

- 11 out of the 12 providers agreement were not reviewed and approved by the provider relations staff.
- 3 out of the 12 providers were not approved by the Commissioners of both DHS and DPP.
- 2 out of the 12 providers did not have a current license on file.
- 1 out of the 12 providers agreement was not available for review.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-069  
Prior Year Finding Number: 2017-053  
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

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

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

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

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-070  
Prior Year Finding Number: 2017-050  
Compliance Requirement: Special Tests and Provisions - Federal Financial Participation Refunds

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Period: 10/01/2015 - 09/30/2022

**Criteria or Specific Requirement** - Title 42 CFR section 433.40(c), *Refund of Federal Financial Participation* (FFP) for uncashed checks states that if a check remains uncashed beyond a period of 180 days from the date it was issued (i.e., the date of the check), it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

**Condition** - DHS is required to identify cancelled and uncashed checks beyond a period of 180 days of issuance at the end of each calendar quarter and refund all FFP received for uncashed checks by adjusting the CMS-64 report, *Quarterly Statement of Expenditures for the Medical Assistance Program*. We noted that DHS does not have a process in place to identify cancelled or uncashed checks over 180 days after issuance and refund the corresponding FFP in a timely manner.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS does not have adequate policies and procedures in place to request and review the cancelled and uncashed check report on a quarterly basis as required.

**Recommendation** - We recommend that DHS comply with the specified requirements and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-071  
Prior Year Finding Number: N/A  
Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Period of Performance

**Program:**

U.S. Department of Homeland Security

**Government Department/Agency:**

Department of Finance (DOF)

Community Disaster Loans

CFDA #: 97.030

Award #: 1660-0083 EMN-2018-TF-4335VI02, 1660-0083

EMN-2018-TF-4335VI03, 1660-0083 EMN-2018-TF-4335VI04

Award Year: 01/03/2018 - 10/01/2037

**Criteria** - Per 44 CFR 206.375 (b) (1), each local government with an approved Special Community Disaster Loan shall establish necessary accounting records, consistent with local government's financial management system, to account for loan funds received and disbursed and to provide an audit trail.

**Condition** - Upon review of the Government's accounting records, underlying details of expenditures that agree to the total loan amount were not reconciled and readily available. Expenditure documentation is maintained at a summary level. Documentation to support expenditure items selected at a more disaggregated level than the summary level documentation submitted to Federal Emergency Management Agency (FEMA), were not readily available.

We sampled and selected 60 payroll transactions with a total amount of \$41,991 and 4 non-payroll transactions with a total amount of \$3,561,585.

- We sampled and selected 60 payroll transactions and noted the following:
  - 24 Notice of Personnel Action (NOPA) was not available for review
  - 30 timesheets were not available in order to ascertain proper review and approval
- The population of payroll expenditures allocated to the loan program was not reconciled. Individual payroll transactions were not directly allocated to drawdown amounts.
- Disaggregated expenditure details beyond the summary level expenditure details on Advance Request forms submitted to FEMA were not maintained and reviewed by the Government. These summary level expenditure details included transfers to component units of the Government.
- Expenditure details that bifurcate amounts allotted to the Government's component units in order to identify loan amounts used for payroll transactions and non-payroll transactions at the Government's component units were not maintained or made available.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOF's compliance with the specified requirements using a statistically valid sample. The total program expenditures related to the program for fiscal year 2018 amounted to \$188,522,218, of which \$86,302,548 and \$102,219,670 pertain to payroll and non-payroll expenditures, respectively.

**Effect** - Underlying and supporting detail expenditures and documentation, beyond the summary level detail prepared for submission to FEMA is not maintained and reviewed by DOF.

**Cause** - Due to the varied components and entities for which loan funds are allocated and their separate accounting functions, inherent complexities exist in accumulating underlying details of expenditures. Due to the Advance Request template form accepted by FEMA for the Government to submit expenditures and drawdown loan funds, a summary level detail of expenditures is sufficient to complete an Advance Request form.

**Recommendation** - We recommend that DOF reevaluates its policies and procedures to ensure that underlying expenditure details are accumulated in order for DOF to review, reconcile and ensure allowability of activities, allowability of costs and accuracy of period of performance.

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-072  
Prior Year Finding Number: N/A  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Homeland Security

**Government Department/Agency:**

Department of Finance (DOF)

Community Disaster Loans  
CFDA #: 97.030  
Award #: 1660-0083 EMN-2018-TF-4335VI02, 1660-0083  
EMN-2018-TF-4335VI03, 1660-0083 EMN-2018-TF-4335VI04  
Award Year: 01/03/2018 - 10/01/2037

**Criteria** - Per 44 CFR 206.375 (a) (1), FEMA will disburse funds to the local government when requested, generally in accordance with the Schedule of Loan Increments in the Promissory Note. Per the Department of Homeland Security Federal Emergency Management Agency Promissory Notes, FEMA shall specify the rules and procedures for determining the timing and amount of drawdowns and may specify the forms of drawdown requests.

**Condition** - We reviewed 5 out of 21 drawdowns made during fiscal year 2018, totaling \$104,109,926, and noted that 2 out of 5 drawdowns did not contain evidence of proper review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOF's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2018 drawdown requests were \$188,522,218.

**Effect** - There is a risk that a lack of DOF review and approval of loan drawdown request prior to submission to FEMA could result in failure to detect errors and noncompliance with laws and regulations along with ineligible uses of loan proceeds. Discrepancies in cash drawdown amounts per accounting records and underlying documents could result in non-compliance by DOF of the stated requirements by making excessive drawdowns and may result in loss of future funding.

**Cause** - DOF does not appear to have adequate policies and procedures and effective internal controls to process, review and approve loan drawdowns in accordance with funding techniques and clearance patterns for this program.

**Recommendation** - We recommend that DOF comply with the provisions of the Department of Homeland Security Federal Emergency Management Agency Promissory Notes and request Federal funds consistent with the Department of Homeland Security Federal Emergency Management Agency Promissory Notes' funding techniques and clearance patterns for this program. We also recommend that DOF improve internal controls to ensure adherence to the applicable provisions.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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Finding Number: 2018-073  
Prior Year Finding Number: N/A  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially  
Declared Disasters)

CFDA #: 97.036

Award #: FEMA-4335-DR, FEMA-4340-DR-VI

Award Periods: 09/20/2017 - 09/07/2025

09/07/2017 - 09/16/2025

**Government Department/Agency:**

Virgin Islands Territorial Emergency  
Management Agency (VITEMA)

**Criteria** - In accordance with the U.S. Department of Homeland Security Federal Emergency Management Agency's Public Assistance Program and Policy Guide, it requires the submission of quarterly performance/progress report to track progress of the projects. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

**Condition** - We reviewed 4 out of the 16 reports submitted during the fiscal year and noted that 2 progress reports (OMB Form 1600-0017 PA) did not have evidence of review and approval prior to submission.

**Questioned Costs** - Not determinable.

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

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

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

**Recommendation** - We recommend that VITEMA 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. 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, 2018

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Finding Number: 2018-074  
Prior Year Finding Number: 2017-088  
Compliance Requirement: Data Collection Form and Single Audit Reporting Package

**Program:**

CFDA # 10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
CFDA # 10.555, 10.559	Child Nutrition Cluster
CFDA # 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA # 17.225	Unemployment Insurance (UI)
CFDA # 20.205	Highway Planning and Construction Cluster
CFDA # 84.027	Special Education - Grants to States (IDEA, Part B)
CFDA # 84.403	Consolidated Grant to the Outlying Areas
CFDA # 93.600	Head Start
CFDA # 93.767	Children's Health Insurance Program (CHIP)
CFDA # 93.778	Medicaid Cluster
CFDA # 97.030	Community Disaster Loans
CFDA # 97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

**Condition** - 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, 2018. The due date for this report was no later than June 30, 2019.

**Questioned Costs** - Not applicable.

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

**Effect** - The Government could be exposed to a reduction or elimination of funds by the Federal awarding agencies.

**Cause** - The Government did not have controls in place to ensure that the reporting package was submitted to the FAC within the required timeframe.

**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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

## Management's Appendices

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GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS  
**THE OFFICE OF MANAGEMENT AND BUDGET**

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Charlotte Amalie, U.S. Virgin Islands 00802  
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July 31, 2020

BDO USA, LLP  
12505 Park Potomac Ave, Suite 700  
Potomac, MD 20854


In connection with the Single Audit of the Government of the United States Virgin Islands (the Government) for the year ended September 30, 2018, transmitted herewith is the Fiscal Year 2018 Status of Prior Audit Findings and a Corrective Action Plan in accordance with 2 CFR §200.511, *Audit Findings Follow-Up*. These schedules provide the status of the *Government Auditing Standards* and the Single Audit findings for fiscal years 2018, 2017, 2016, 2015 and 2014.


The Government's Department of Finance (DOF) and Office of Management and Budget (OMB) have requested department heads to make the required follow-up. OMB has also advised and requested of department heads, a review of outstanding Single Audit findings and to cite 2 CFR §200.511(b)(3) as a means to close the respective audit findings, where applicable, to the respective grants.

DOF and OMB will continue to work with the departments to ensure audit resolution is received for the unresolved findings listed in the Status of Prior Audit Findings and Corrective Action Plan.

If you have any questions, please contact us.

Respectfully,

  
Ms. Jennifer O'Neal  
Director, Office of Management and Budget  
United States Virgin Islands

  
Mr. Kirk Callwood, Sr.  
Commissioner of Finance  
United States Virgin Islands

  
Ms. Clarina Modeste-Elliott  
Executive Assistant Commissioner of Finance  
United States Virgin Islands

## **Status of Prior Audit Findings**

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# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Section I - Financial Statement Findings

#### Finding 2017-001, 2016-009, 2015-009 and 2014-009: Financial Position

##### *Deficits in Unrestricted Net Position*

Current Status: Repeated. Finding 2018-001.

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 continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.

##### *Plan Funding Considerations*

Current Status: Repeated. Finding 2018-001.

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

##### *Government Insurance Fund*

Current Status: Repeated. Finding 2018-001.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### ***Other Post-Employment Benefits Obligation***

Current Status: Corrective action was taken. Finding not repeated in current year.

### **Finding 2017-002, 2016-004, 2015-004, 2014-005: Accounting in the Aftermath of Disasters**

#### ***Capital Assets Impairment Process***

Current Status: Repeated. Finding 2018-005

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: In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system.

#### ***Formalize Emergency Payroll Procedures***

Current Status: Repeated. Finding 2018-011

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 Finance has a draft policy on disaster related payroll processing. We have been and continue to engage in providing information to the Division of Personnel since September 14, 2017, so that records can be kept current, in the event we have to move to another "Straight 80."

### **Finding 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process**

#### ***Timeliness and Methodology of Close Process***

Current Status: Repeated. Finding 2018-002.

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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Corrective Action Plan:** In an effort to develop reliable and timely interim and year-end financial statements, continuous communication and trainings will be made available to all finance users on one consistent and comparable reconciliation process that will allow for any needed adjustments prior to the 13<sup>th</sup> period. In this way, all accounts, accruals, and reconciliations will be available. Any unreconciled differences will be identified and resolved, with any applicable journal entries, recorded in the financial system of the Government.

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

As for more detail reconciliations between accounts that are not visible on a higher reconciliation overview, such as accurate federal classifications, or incorrect postings to grants, this will require additional human resources, to include the option of contractual agreement(s) to ensure that a more detail reconciliation is being completed. The Government will begin to assess the needs and take the necessary steps to provide necessary one-on-one meetings to identify the needs.

### ***Journal Entries***

**Current Status:** Repeated. Finding 2018-002.

**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:** In an effort to maintain a desirable separation of duties, management has updated the policy by implementing controls whereas, the individual that creates a journal entry will not approve or post that journal. This was only available to limited staff at the Department of Finance and the policy has been made effective immediately. We are continuing to find these rare occurrences and reach out to those employees to follow Munis and system permissions. We also have to work with Munis to see if the names generated in the entry and posting area indeed denote no separation of duties.

### **Finding 2017-004, 2016-002, 2015-002 and 2014-003: Revenue and Receivables**

#### ***Reconciliation of Subsidiary Registers***

**Current Status:** Repeated. Finding 2018-003.

**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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Corrective Action Plan:** For purposes of interim financial reporting, the Bureau of Internal Revenue and the Department of Finance has begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation. On an ongoing basis, both agencies exchange those adjustments or corrections needed. This will be more evident in Fiscal Year 2020.

### ***Allowance for Doubtful Accounts***

**Current Status:** Corrective action was taken. Finding not repeated in current year.

### ***Real Property Tax***

**Current Status:** Repeated. Finding 2018-003.

**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:** Department of Finance personnel will collaborate with the Office of the Lieutenant Governor to determine and consider the recommendations set forth. In an effort to provide adequate supporting documentations for sampled items, the Government will review, revise, and redistribute its records retention policy to departments and agencies.

### ***Other Revenues***

**Current Status:** Repeated. Finding 2018-003.

**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:** In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. We will conduct spot checks to ensure employees are adhering to this process.

## **Finding 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 2018-004.

**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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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

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

Changes begin to take effect for Fiscal Year 2019. The process began with the 2018 audit where the task to reconcile the SEFA was outsourced to a vendor to work with departments and agencies and develop a road map for continuation of reconciliation of data.

### ***Federal Grants and Contributions***

**Current Status:** Repeated. Finding 2018-004.

**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:** In an effort to more accurately account for Federal receivables and related transactions, a private firm was contracted to work directly with the agencies to substantiate the Federal receivables. Once the road map to achieve this ongoing task is set, a meeting with all departments and agencies will be conducted to task this to someone at the agency level, where continuous collaboration and meetings will be held.

OMB will also collaboratively work with the Department of Finance to fully implement the Grants Management Module, per the ERP system. In addition, the Government will conduct research to examine the need for training and proper oversight, to ensure that individuals are reconciling and properly classifying federal expenditures. This could also entail outsourcing this responsibility or developing a unit to address the oversight.

### **Finding 2017-006, 2016-004, 2015-004 and 2014-005: Capital Assets and Related Expenditures**

#### ***Record Keeping***

**Current Status:** Repeated. Finding 2018-005.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

---

**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:** Department of Property and Procurement will work collaboratively with Department of Finance to provide trainings and work on the structuring of the entire process to include key personnel and policies. The Government will review and update the necessary manuals to address all of the recommendations set forth.

In addition, the Department of Finance, Capital Asset Coordinator continues to work collaboratively with Department of Property and Procurement, Internal Auditors, and external parties to ensure that from a financial reporting perspective, the information is available and supports the flow of the asset.

### ***Reconciliation and Review of Subsidiary Registers***

**Current Status:** Repeated. Finding 2018-005.

**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:** In an effort to verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Government's Capital Assets team will be responsible for reconciling the general ledger accounts to the detailed records on a quarterly basis.

Department of Finance met with Property and Procurement to discuss some new positions and the policy updates. Coordination for training is well on its way to have Capital Asset Coordinator at Department of Finance assist Property and Procurement new staff on the needs from a financial reporting standpoint.

### ***Construction in Progress (CIP) Monitoring***

**Current Status:** Repeated. Finding 2018-005.

**Reason for recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### ***Capital Assets - Business-Type Activities***

**Current Status:** Repeated. Finding 2018-005.

**Reason for recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** The Department of Property & Procurement will spearhead the monitoring and review of the Government's capital assets and ensure reconciliation of supporting registers to its primary register. As the lead agency for managing the property of the Government, the Department of Property and Procurement will coordinate and communicate amongst all Government departments and/or agencies that are responsible for handling and managing capital assets. The Government will review the recommendations and collaborate with Benham and Hodge (B&H) to incorporate for the fiscal year 2020 audit year.

### **Finding 2017-007, 2016-005, 2015-005 and 2014-006: Recording of Liabilities**

#### ***Retroactive Pay Liability***

**Current Status:** Repeated. Finding 2018-006.

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

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

#### ***Medical Malpractice Liability***

**Current Status:** Repeated. Finding 2018-006.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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

### ***Accounts Payable***

Current Status: Repeated. Finding 2018-006.

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

The Department of Finance will proactively collaborate with the software vendor supporting its ERP Accounts Payable module to ascertain whether a reduction in the existing manual efforts can be achieved. On-going training and employee development will be made available for all users of the accounts payable module and continuous development of the standard operating policies will be enhanced.

Conversation relative to the ERP functionality has began and Tyler Munis Tech and Support Team is gathering data for later review to see how the system can be more accommodating. However, another option is to utilize the Tyler Munis Vendor Self Service Module where vendors can upload their invoices for payment.

### ***Landfill Closure and Post Closure Costs Liability***

Current Status: Repeated. Finding 2018-006.

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 Government will work with its consultants to implement monitoring controls and ensure that all calculations are reviewed timely.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### *Quality of Census Data*

Current Status: Repeated. Finding 2018-006.

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

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

### **Finding 2017-008, 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program**

#### ***Cost Report Audits and System Security Review***

Current Status: Repeated. Finding 2018-007.

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: Department of Finance has already begun conversations with the Department of Human Services on how the recommendations set forth can be achieved.

The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audits were delayed due to the passage of the hurricanes in September 2017. Presently, the auditor is wrapping up the audits inclusive of fiscal year 2017 and anticipates completion by the end of calendar year 2019. With respect to VIBES, a contract was issued to Public Consulting Group who has now tested the implementation, verification, and validation (IV&V) as mandated by the Centers for Medicare & Medicaid Services (CMS).

#### ***Utilization Control and Medicaid Fraud Control Unit***

Current Status: Repeated. Finding 2018-007.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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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: Subsequent to fiscal year-end, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory-wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.

Further, as the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.

### **Finding 2017-009, 2016-007, 2015-007 and 2014-008: Unemployment Insurance Trust Fund**

#### ***Account Reconciliation Process***

Current Status: Repeated. Finding 2018-008.

Reason for recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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

### **Finding 2017-010, 2016-008, 2015-008 and 2014-011: Workers Compensation Program**

#### ***Accuracy of the Program Loss Reserves***

Current Status: Repeated. Finding 2018-009.

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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Corrective Action Plan:** Department of Finance will collaborate with the agency to consider the recommendations set forth.

Workers Compensation claims are handled manually; therefore, assumptions of existing claim losses are unpredictable as it takes on claim (severe injury) to change future claims costs and/or payouts as healthcare rates vary and based on the availability of funds. Projection is made based on previous year's history. VIDOL purchased the ERIC System Risk Management software.

### **Finding 2017-011, 2016-011, 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures**

#### ***Payroll Expenditures***

**Current Status:** Repeated. Finding 2018-011.

**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:** Department of Finance will collaborate with the Department of Human Resources to determine and consider the recommendations set forth. Will enhance monitoring of deactivating employees from the system and we will closely review reports for appropriate and accurate information.

#### ***Transactions with Personnel***

**Current Status:** Repeated. Finding 2018-011.

**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 Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government. Furthermore, we are exploring systems for automatic reconciliations and will consider hiring someone to work at the Department of Finance, specifically to handle credit card payments.

#### ***Supporting Documentation for Expenditures***

**Current Status:** Repeated. Finding 2018-011.

**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:** We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the invoice approval, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module. Significant improvement has been made to ensure proper supporting documentation exist for all expenditures in the ERP system.

### **Finding 2017-012, 2016-010, 2015-010 and 2014-002: Bank Accounts**

#### ***Strengthen Controls Over Bank Reconciliations***

**Current Status:** Repeated. Finding 2018-012.

**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:** The Treasury Director, with oversight from the Assistant Commissioner will reexamine the process to include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year. Upon identifying negotiable instruments that exceed the one-year threshold, the Treasury Director will develop an annual procedure to further research and validate the status of the reconciling items in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

#### ***Cash Pooling and Allocation(s)***

**Current Status:** Repeated. Finding 2018-012.

**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:** The Treasury Director, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure that bank reconciliations are prepared timely as we continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.

### **Finding 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology Environment**

**Current Status:** Repeated. Finding 2018-013.

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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: Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway.

*Action Plan I:* The Bureau of Internal Revenue (the Bureau) acknowledges that there are issues surrounding the IT area that must be addressed to ensure the integrity and protection of the systems. The Bureau will establish change management policies and procedures that would require formal notice of approval of changes, followed by accepted processes for the migration of changes into production. The Bureau will research the ability to change system applications from universal administrative credentials to a user specific/rule specific credential model and establish and implement policies to prevent segregation of duties conflicts.

*Action Plan II:* The Virgin Islands Department of Labor (VIDOL) will adapt standards prescribed by the National Institute of Standards and Technology that directly relate to change and configuration management. As this endeavor seeks to retrain the thought process of technical and program staff to work in harmony, a project plan will need to be created and implemented. The change management plan will provide the timeline, milestones, resources, and framework to identify needed tasks and produce required outcomes. Data and program code integrity as well as segregation of duties are critical to the reduction of risk for the VIDOLA\$ application. VIDOL will focus on mitigating risks of fraud by ensuring that no single individual has the authority to execute program changes without checks and balances. VIDOL will implement structured program change procedures in accordance with best practices and established industry standards. Segregation of duties guidelines and policies will be included in the change management process.

VIDOL is working to create a functional test environment for the VIDOLA\$ application. VIDOL is working in conjunction with the Bureau of Information Technology (BIT) to obtain the needed hardware to upgrade the production application server and leverage the same hardware to implement a test server. The project is moving forward as both agencies are working out details on hardware and related software licensing. Partnering with BIT will provide VIDOL with the ability to utilize the latest in virtualization technology to maximize all aspects of test environment snapshots, deployment procedures, cloning, and performance analysis. Policies and guidelines will be created to govern the security of information systems related to administrative access to systems. Described in these policies will be the least level of access needed for individuals to complete needed tasks. Additionally, the root level access to the operating system will be terminated for programmers. Audit, authorization, and accountability logs will be maintained for review, action, and accountability.

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

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

# Government of the United States Virgin Islands

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### Finding 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2018-014.

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.

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

### Finding 2017-015, 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2018-015.

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

### Finding 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2018-016.

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 continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders and contracts to ensure that regulations are being adhered to by providing justification letters that meet the requirements.

### Finding 2017-017: Casino Control Commission

Current Status: Repeated. Finding 2018-017.



# Government of the United States Virgin Islands

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*Reason for recurrence:* The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

*Corrective Action Plan:* The Government will request reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code. We will review, request, and establish a working document on how this process will be conducted proceeding forward.

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### Section II - Federal Award Findings (By Program)

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555/10.559

Award #: 1VI300308

Award Year: 10/01/2016 - 09/30/2017

**Finding 2017-018, 2016-067, 2015-067 and 2014-055: Allowable Cost/Cost Principles - Payroll Activities**

**Current Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2017-019, 2016-068, 2015-068 and 2014-058: Allowable Cost/Cost Principles - Indirect Cost Activities**

**Current Status:** Repeated. Finding 2018-030.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** The Special Nutrition Programs utilizes prevailing rates for prior years until the new rates are negotiated and received. There are instances where adjustments are done in-house or forwarded to the Department of Finance for processing. Considering that the expenditures reviewed fell within the fiscal year of Hurricanes Irma and Maria when the ERP was inoperable for some time, and most adjustments are completed towards the end of the fiscal year, this may have been an oversight. Nonetheless, the Program will ensure that the correct indirect cost rate is utilized once it is negotiated and received and will adjust as necessary. The Special Nutrition Programs will also follow-up with the Department of Finance with any adjustments that may have been forwarded for processing.

**Finding 2017-020, 2016-069, 2015-069 and 2014-59: Cash Management**

**Current Status:** Repeated. Finding 2018-031.

**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:** DOE will ensure that all drawdowns are reviewed, approved, and reconciled on a monthly basis.

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### Finding 2017-021, 2016-070, 2015-070 and 2014-060: Equipment/Real Property Management

Current Status: Repeated. Finding 2018-032.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Special Nutrition Programs will maintain complete and accurate records pertaining to the location and distribution of all fixed assets in coordination with DPP.

### Finding 2017-022: Matching, Level of Effort, and Earmarking

Current Status: Repeated. Finding 2018-033.

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 Special Nutrition Programs will ensure that the responsible entity for the approval of employee timesheets under its supervision is cognizant that all timesheets must be signed and approved prior to submitting to the Payroll Division for processing. Additionally, the Payroll Division should ensure that signatures are affixed to all timesheets requesting payment.

### Finding 2017-023, 2016-071: Period of Performance

Current Status: Repeated. Finding 2018-034.

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 will work with the responsible entity to ensure that all expenditures are properly reviewed prior to approval to ensure that they occurred within the period of performance as stipulated by the applicable Grant Award Document.

### Finding 2017-024: Procurement/Suspension and Debarment

Current Status: Repeated. Finding 2018-035.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Special Nutrition Programs will work with both District School Food Authorities, as well as communicate with the DPP to ensure that all necessary language and attachments are included in all contracts prior to final approval.

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

Award Year: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

### Finding 2017-025: Allowable Cost/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2018-019.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is restructuring its internal operations to ensure reconciliations of the payroll cycles ensuring accuracy with charges to the Federal grants. Prior to Hurricane's Irma and Maria, time and attendance reports were approved and electronically transmitted in the ADI time and attendance management system requiring various levels of managerial/supervisory approvals. Additionally, payroll time continues to be uploaded into the ERP system, requiring several additional levels of internal approval inclusive of the CFO and the Commissioner, prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the hurricanes, the ADI system was completely disabled. Access to the system was impossible; stored information of data files was limited, with certain periods a total loss, due to a compromised file server. However, DHS has moved away from the ADI system and are in the process of implementing the Government's STATS system. DHS ensures accuracy with payroll charges to federal grants by implementing the NOPA changes, and implementing the STATS system which requires several levels of approval.

### Finding 2017-026: Allowable Costs/Cost Principles - Indirect Cost Activities

Current Status: Repeated. Finding 2018-020.

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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: Operations were severely disrupted for months in the 4th quarter of the Fiscal Year with the passage of Hurricane's Irma and Maria. DHS recently implemented a reconciliation process wherein an indirect cost analysis is performed at the end of each quarter ensuring accurate cost reporting on the Federal financial report.

### **Finding 2017-027, 2016-016, 2015-017 and 2014-015: Cash Management**

Current Status: Repeated. Finding 2018-021.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: While this is a common finding throughout Government, DHS continues to strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, DHS is reorganizing the Fiscal office which further assures the separation of duties coupled with proper authorizations. DHS has instituted the Federal receivables reconciliation to ensure the proper controls over recording and reconciling drawdowns are properly filed.

### **Finding 2017-028, 2016-017, 2015-018 and 2014-016: Equipment/Real Property Management**

Current Status: Repeated. Finding 2018-022.

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: While this is a common finding throughout Government, DHS continues to collaborate its efforts with DPP in ensuring Federal and Local regulations are met. The reconciliation of the asset listing is ongoing. Additional staff is being recruited to support the reconciliation process and correct these issues.

### **Finding 2017-029: Period of Performance**

Current Status: Repeated. Finding 2018-024.

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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 is in the process of restructuring its Fiscal operations to include comprehensive reconciliations. The reconciliation process will include a liquidation journal to ensure compliance with period of performance requirements. DHS Fiscal office is committed to ensuring that staff is retrained to identify period of performance for transactions.

### Finding 2017-030, 2016-018: Procurement/Suspension and Debarment

Current Status: Repeated. Finding 2018-025.

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: DPP now reviews vendor's debarment status on Sams.gov and prints a debarment of suspension certification to ensure that all contractors that are awarded government contracts using federal funds are not debarred. DPP now requires contractual services provide documentation to show that full and open competition was conducted with a cost or price analysis. These documents will then be stored in the contract file. DHS will work in tandem with DPP, requiring a review of documents to ensure compliance.

### Finding 2017-031: Special Tests and Provisions - EBT Card Security

Current Status: Repeated. Finding 2018-029.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program Administrator will prepare an SOPP specific to the handling of the EBT cards. Staff will be trained and cross trained to ensure adherence to the policy. Additional level of approvals will be inserted in the process to adequately safeguard the EBT cards, and the issuance process is in full compliance with Federal mandates. Additionally, its noteworthy to state that cards provided by the vendor (FIS) remain inactive until it is activated in the contractor's system.

DHS is committed to maintaining adequate security over the EBT cards with the assistance of FIS and through the recruitment of additional staff. DHS continues to emphasize the importance of the reconciliations with the proper approvals, as well.

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### Finding 2017-032: Special Tests and Provisions - EBT Card Reconciliation

Current Status: Repeated. Finding 2018-028.

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: The Program Administrator will prepare an SOPP specific to the handling of the EBT cards inclusive of monthly reconciliations. Staff will be trained and cross trained to ensure adherence to the policy. DHS intends on hiring an Internal Auditor to assist in ensuring the reconciliation processes are completed in order to allow for full Federal compliance. The SNAP Administrator or Assistant Administrator are recruiting staff to build capacity to oversee the reconciliations.

### Finding 2017-033: Special Tests and Provisions - ADP System for SNAP-Recertifications

Current Status: Repeated. Finding 2018-027.

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: The SNAP system will be moving to the implementation of the new Virgin Islands Benefits Eligibility System (VIBES). This process will improve monitoring and controls. This process will offer program changes for better oversight of electronic controls. The SNAP program is committed to ensuring that the enrollment and eligibility requirements are being met by recruiting staff to build capacity. The VIBES project is mobilizing to begin user testing.

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Health (DOH)

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

CFDA #: 10.557

Award #: 1VI700708

Award Year: 10/01/2016 - 09/30/2017

### Finding 2017-034: Cash Management

Current Status: Corrective action was taken. Finding not repeated in current year.

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### Finding 2017-035: Eligibility

Current Status: Corrective action was taken. Finding not repeated in current year.

### Finding 2017-036: Equipment/Real Property Management

Current Status: Repeated. Finding 2018-036.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The program will address this finding with the appropriate DOH, DPP, and management officials for intervention to improve the policies and procedures for equipment and real property management.

VI WIC began dialogue in October 2019 with DPP staff responsible for equipment inventory to reconcile inventory shortfalls. Details continue to be worked out for the resolution of this condition.

### Finding 2017-037: Procurement/Suspension and Debarment

Current Status: Repeated. Finding 2018-037.

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 required justification documents will be obtained related to future pronouncements in accordance with established policies. Revamped procurement protocols disseminated to all departments and are addressing past discrepancies with the system. This intends to reduce the incidence of a program processing transactions without all the necessary documents.

### Finding 2017-038: Special Tests and Provisions - Review of Redeemed Food Instruments and Cash-Value Vouchers

Current Status: Corrective action was taken. Finding not repeated in current year.



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**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04-00, 02CH3011-05-01

Award Year: 07/01/2013 - 06/30/2018

**Finding 2017-039: Allowable Cost/Cost Principles - Payroll Activities**

**Current Status:** Repeated. Finding 2018-047.

**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:** Prior to Hurricane's Irma and Maria, time and attendance reports were approved and electronically transmitted in the ADI time and attendance management system requiring various levels of managerial/supervisory approvals. Additionally, payroll time continues to be uploaded into the ERP system, requiring several additional levels of internal approval inclusive of the CFO and the Commissioner, prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the hurricanes, the ADI system was completely disabled. Access to the system was impossible; stored information of data files was limited, with certain periods a total loss, due to a compromised file server; However, DHS has moved away from the ADI system and are in the process of implementing the Government's STATS system. The STATS being implemented will ensure accuracy with timesheet approval.

**Finding 2017-040, 2016-020, 2015-029 and 2014-026: Cash Management**

**Current Status:** Repeated. Finding 2018-048.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** DHS will enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.

**Finding 2017-041, 2016-021, 2015-030 and 2014-028: Equipment/Real Property Management**

**Current Status:** Repeated. Finding 2018-049.

**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

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procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: While this is a common finding throughout Government, DHS continues to collaborate its efforts with DPP in ensuring Federal and Local regulations are met. The reconciliation of the asset listing is ongoing. Additional staff is being recruited to support the reconciliation process and correct these issues.

### **Finding 2017-042: Matching, Level of Effort, and Earmarking**

Current Status: Repeated. Finding 2018-050.

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: While this is a common finding throughout Government, DHS continues to collaborate its efforts with DPP in ensuring Federal and Local regulations are met.

Due to the intricacies of the Head Start program, the program's local funding has historically been heavily overmatched. Forty (40) internal reports were reviewed that included the matching/earmarking reports. While there may have been a lack of approval by the CFO and/or Director of Financial Services, all financial transactions relative to the actual spending of the federal and required local match dollars for the Head Start Program are reviewed and approved by the supervisor, with final approval by the Chief Financial Officer. All required Federal Financial Reports are submitted through the online portal and copies certified by the Chief Financial Officer or designated person are kept on file.

### **Finding 2017-043, 2016-022: Period of Performance**

Current Status: Repeated. Finding 2018-051.

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: DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a liquidation journal to ensure compliance with period of performance requirements. DHS Fiscal office is committed to ensuring that staff is retrained to identify period of performance for transactions.

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**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2014 - 09/30/2022

**Finding 2017-044: Activities Allowed or Unallowed**

Current Status: Corrective action was taken. Finding not repeated in current year.

**Finding 2017-045, 2016-023, 2015-034, 2014-031, 2013-009 and 2012-09: Cash Management**

Current Status: Repeated. Finding 2018-059.

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: DHS will enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.

**Finding 2017-046, 2016-024 and 2015-035: Eligibility**

Current Status: Repeated. Finding 2018-060.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Virgin Islands Benefits Eligibility System (VIBES) was implemented which has improved monitoring and controls. Additionally, a SOPP is being developed requiring the Eligibility Supervisor's review of case files. Management will also conduct random case sampling to ensure compliance. It is noteworthy of stating that the passage of Hurricane's Irma and Maria severely impacted the ongoing process of scanning files into the electronic filing system. The MAP Eligibility unit suffered severe flooding causing extensive damage to a large majority of eligibility files that were stored in boxes. The implementation of the VIBES system will streamline the eligibility and enrollment process.

**Finding 2017-047: Matching, Level of Effort, and Earmarking**

Current Status: Repeated. Finding 2018-061.

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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 is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a matching journal to ensure compliance to the local match requirements. DHS continues to work closely with the MMIS contractors to ensure that the correct rates are used for all claims, and to ensure that it is updated in the system.

### Finding 2017-048: Procurement/Suspension and Debarment

*Current Status:* Repeated. Finding 2018-063.

*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:* DPP now reviews vendor's debarment status on Sams.gov and prints a debarment or suspension certification to ensure that all contractors that are awarded government contracts using federal funds are not debarred. DPP now requires contractual services provide documentation to show that full and open competition was conducted with a cost or price analysis. These documents will then be stored in the contract file. DHS will work in tandem with DPP, requiring a review of documents to ensure compliance. The DPP Policy manual requires the fair and competitive bidding processes, and DHS adheres to these practices.

### Finding 2017-049: Reporting

*Current Status:* Repeated. Finding 2018-064.

*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:* DHS is in the process of restructuring its fiscal operations to include comprehensive reconciliations. The process will include a process of ensuring Schedule of Expenditures of Federal Awards are reconciled to the Federal financial reports on a quarterly basis. The difference between the Schedule of Expenditures of Federal Awards and the CMS reports as MAP functions on the cash basis rather than the standard Government accrual basis. DHS is committed to building capacity to ensure that the resources exist to carry out the mandates in a timely manner.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2017-050: Special Tests and Provisions - Federal Financial Participation Refunds

Current Status: Repeated. Finding 2018-070.

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: DHS will continue to work with the Department of Finance's Treasury Division to allow for quarterly uncashed checks reports to be incorporated into the required reconciliation package. DHS is committed to building capacity to ensure the resources exist to track uncashed check at the end of each quarter.

### Finding 2017-051: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2018-068.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The program staff, inclusive of an Internal Auditor, will perform regularly scheduled sampling of claims to ensure that providers are paid based on the negotiated rate, allowing for corrections within a reasonable time. DHS will also ensure that providers who are required to provide disclosure information, do so before enrollment. Special attention will be given to cases that require out-of-state providers. The Program is seeking assistance from the claims processing contractor in rectifying deficiencies. Additionally, DHS has implemented a SharePoint consisting of various functions inclusive of a tracking feature for provider agreements. This feature flags expired Provider Agreements, alerting the Program for immediate action. If necessary, the provider's payments will be barred from processing until the agreement is renewed. DHS is committed to building capacity to ensure the resources exist internally to track provider eligibility requirements.

### Finding 2017-052, 2016-025, 2015-036, 2014-035, 2013-019 and 12-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2018-066.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Corrective Action Plan:** The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audit was delayed due to the passage of 2 major hurricanes in September 2017. Presently, the auditor is wrapping up the audit inclusive of FY 2017 and anticipates completion by the end of calendar year 2019.

### **Finding 2017-053, 2016-026, 2015-038, 2014-034, 2013-022 and 12-21: Special Tests and Provisions - Medicaid Fraud Control Unit**

**Current Status:** Repeated. Finding 2018-069.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** Subsequent to fiscal year-end and during 2018, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud, and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.

The DHS Medicaid program Fraud Control Unit was created at DOJ in January 2019. The program is also in the process of staffing a quality control unit to oversee and mitigate fraud, waste and abuse. The Program Integrity Analyst was hired October 2018.

### **Finding 2017-054: Special Tests and Provisions - ADP Risk Analysis and System Security Review**

**Current Status:** Repeated. Finding 2018-067.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** With respect to VIBES, a contract was issued to Public Consulting Group (PCG) who has now tested the implementation, verification, and validation (IV&V) as mandated by the Centers for Medicare & Medicaid Services (CMS). DHS has implemented the VIBES system to streamline the eligibility and enrollment process. PCG has now tested the implementation, verification, and validation of the system mandated by CMS.

### **Finding 2017-055, 2016-028, 2015-040, 2014-033, 2013-018 and 12-15: Special Tests and Provisions - Utilization Control and Program Integrity**

**Current Status:** Repeated. Finding 2018-065.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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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:** As the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans. The review of services for utilization of care and services in long term care institutions are provided by the Special Services unit, and the Organ Transplant & Special Services Coordinator.

**Program:**

U.S. Department of Health and Human Services

Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Award #: Various

Award Year: 10/01/2015 - 09/30/2018

**Government Department/Agency:**

Department of Human Services (DHS)

**Finding 2017-056, 2016-029: Activities Allowed or Unallowed**

**Current Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2017-057, 2016-030: Cash Management**

**Current Status:** Repeated. Finding 2018-054.

**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 enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.

**Finding 2017-058, 2016-031: Matching, Level of Effort, Earmarking**

**Current Status:** Repeated. Finding 2018-055.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Corrective Action Plan:** DHS filing of the CMS 21 report is supported with documentation provided to the federal regulatory body. The matched rates report was prepared by DHS Fiscal as part of the support for the audit, and it will be maintained going forward. There is extensive collaboration between CMS the oversight body, the DHS Medicaid team of program and accountants, the MMIS facilitators, and other knowledgeable resources to ensure that the components of the CMS 21 reports are captured accurately. DHS will ensure that the supporting documentation reconciles to the CMS 21 reports.

### **Finding 2017-059, 2016-032: Reporting**

**Current Status:** Repeated. Finding 2018-056.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** DHS is in the process of restructuring its fiscal operations to include comprehensive reconciliations. The process will include a process of ensuring Schedule of Expenditures of Federal Awards are reconciled to the Federal Financial Reports on a quarterly basis. The difference between the Schedule of Expenditures of Federal Awards and the CMS reports as MAP functions on the cash basis rather than the standard Government accrual basis.

DHS is committed to building capacity to ensure that the resources exist to carry out the mandates in a timely manner. The preparer tries to ensure that the ERP system is reconciled to the MMIS to ensure that the supporting documentation is accurate.

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious  
Diseases

CFDA #: 93.323

Award #: CK000377-03

Award Year: 08/01/2014 - 07/31/2019

### **Finding 2017-060: Cash Management**

**Current Status:** On-going implementation. The Virgin Islands Department of Health (DOH) Office of Federal Grants Management (OFGM) have upgraded the Standard Operating Procedures (SOPs) to introduce stronger details to the procedures for the drawdown of funds, and to document the draws from the Treasury, into the Virgin Islands Department of Finance (DOF) as posting into the ERP. The OFGM has instituted trainings internally for process improvement. Procedural training has been held with the entire DOH Program Directorship staff for comprehension of the process, citing their role and responsibility to ensure comprehension of the improved process.



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2017-061: Equipment/Real Property Management

Current Status: On-going implementation. The Department of Health's Program Directors will maintain an internal listing of all equipment purchased by Federal funds, respective to their Program(s). This listing will be shared with DPP upon their Department annual inspection. The DOH will utilize the Federal forms for equipment documentation, as they are required for Program Closeout.

### Finding 2017-062: Reporting

Current Status: On-going implementation. The Virgin Islands Department of Health's program submitted an annual performance report within the agency portal. The signature confirmation was not included in review. The Virgin Islands Department of Health Deputy Commissioners will ensure programmatic reports are submitted by the Program Directors within the proper submission/confirmation standards. The report and confirmation will be printed and filed for proof of submission, within proper standard submission practices. The Virgin Islands Department of Health will educate staff by sending out a memo on standard programmatic report submission and enforce this practice by the up-coming fiscal year.

The Program Directors were informed of proper protocols for submission of reports; to include the official DOH letterhead that identifies the reporting agency. The Program Director were informed during the weekly Director's Conference call of the Identifying requirements to submit a program report. They are as follows:

- • Program Name
- • Program Identification
- • Project and Program Period
- • Reporting Period and Awarding Amount

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1704VICSES, 1704VICEST

Award Year: 10/01/2016 - 09/30/2017

### Finding 2017-063, 2016-038: Allowable Costs/Cost Principles - Payroll Activities

Current Status: On-going implementation. The Internal Standard Operating Procedures (SOP) Manual will be created to mirror some of the same stated Standard Operating Procedure and Policies (SOPP) from the Department of Finance and established internal control processes required to complete the entire process from start to finish. The SOPP Manual from the Department of Finance is available at PCSD. So far, the policies and procedures that govern these actions are being utilized by the PCSD Fiscal staff and we will make sure they are always followed.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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The Government's NOPA process is followed and reviewed by the DOJ Director of Human Resources and all fiscal information on the NOPA is reconciled with the PCSD's records upon completion of the process.

The process is as follows:

- a. PCSD fiscal staff fills out the Government of the Virgin Islands (GVI) Federal Request Form with the personnel budget and submit the document to the Department of Justice (DOJ) Human Resources Division so the document can be reviewed and signed by the Director of Human Resources and the Attorney General.
- b. Federal Funds flow through Department of Finance (DOF). DOF creates the account for the Federal Funds and the project codes to use. After the GVI federal request Form is reviewed and signed by the DOJ Human Resources Director and Attorney General, the document is sent to DOF.
- c. The Office of Management and Budget (OMB) receives a PRF Form, the form is returned to DOJ Human Resources Division.
- d. When DOF submits the project number and application number, the document is returned to DOJ Human Resources Division and the Notification of Personnel Action Form (NOPA) is created with the DOF project number and application number.
- e. The NOPA is signed by the DOJ Human Resources Director and the Attorney General and then the document is submitted to Division of Personnel, Department of Finance and Office of the Governor for their respective signatures and eventually processed in the Enterprise Resources Planning System (ERP).
- f. The NOPA is returned to DOJ Human Resources Division for final processing and filing.
- g. A copy of the final NOPA is sent to PCSD to be placed in the division's file.
- h. DOJ Human Resources Division will give a copy of the NOPA to the respective employee for their personal file.
- i. Note: All NOPA's fiscal information must be reconciled with the PCSD's record upon completion of the process.

### Finding 2017-064: Allowable Costs/Cost Principles - Indirect Cost Activities

Current Status: On-going implementation. Once again, the Internal SOP Manual will be created to mirror some of the same stated SOPP from the Department of Finance and established internal control processes required to ensure reconciling cost allocations are followed to ensure accuracy. The SOPP Manual from the Department of Finance is available at PCSD. So far, the policies and procedures that govern these actions are being utilized by the PCSD Fiscal staff and we will make sure they are always followed.

### Finding 2017-065, 2016-040, 2015-049 and 2014-047: Cash Management

Current Status: On-going implementation. The PCSD Director and Fiscal and Operations Director review, sign, and date all invoices and supporting documents before payments are processed in the ERP System. DOJ has complied with the CMIA Agreement and clearance pattern of 4 days or less.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2017-066, 2016-041, 2015-050 and 2014-048: Equipment/Real Property Management

Current Status: On-going implementation. The equipment and real property accountability is ongoing. An internal procedure is being carried out by the PCSD MIS Division. The internal procedure is as follows:

- a. The equipment or real property located in each room on the premises is placed on a list of the respective room.
- b. As soon as the list is completed with the current equipment and real property items, the Property Division of the Department of Property and Procurement (P&P) will be contacted to come on PCSD's premises and tag the equipment and real property with official P&P tags. Note: This is the procedure P&P follows. Their P&P personnel is the only personnel allowed to provide and place the official P&P tags. The tags P&P used will show the equipment or real property was purchased with Federal funds.
- c. The information will be reconciled with the PCSD's list.
- d. A copy will be on file and sent to P&P for their file.
- e. Note: If equipment or real property is moved from one section to another in PCSD, the list will reflect all changes.
- f. All rules set by P&P concerning the disposal of equipment and real property will be followed and the changes will be reflected on PCSD's list.

### Finding 2017-067, 2016-042: Matching, Level of Effort, and Earmarking

Current Status: On-going implementation. PCSD will update its SOP by adding to its policies and procedures a written statement concerning the creation of a Matching Requirement Report to monitor the matching requirement. So far, calculations are conducted by the PCSD Fiscal Division to ensure they are adhered to by following the 66/34 percentage rule. Individual documentation can be provided but the actual report is pending to be created.

### Finding 2017-068, 2016-044: Reporting

Current Status: On-going implementation. The policies and procedures will be put in place concerning monitoring and review of reports. A vendor will be hired to conduct the report. The process is as follows

- a. The internal policy and procedures have been set up. The PCSD Director reviews, signs, and date the documentation. Parts of the PCSD's SOP must be updated.
- b. A vendor has been hired to monitor the report process. When PCSD receives the report, it is reviewed by the PCSD's fiscal staff and the PCSD Director.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Program:**

U.S. Department of Transportation

**Government Department/Agency:**

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2016 - 09/30/2020

**Finding 2017-069, 2016-049, 2015-054, 2014-050, 2013-009 and 12-09: Cash Management**

**Current Status:** Corrective action was taken. Finding not repeated in current year.

**Finding 2017-070, 2016-050 and 2015-055: Equipment/Real Property Management**

**Current Status:** Repeated. Finding 2018-042.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

**Corrective Action Plan:** DPW is working with the Department of Property & Procurement so that all equipment is registered, properly tagged, and reviewed by DPP in a prescribed required timeframe. The Department is also implementing its own asset management system to facilitate the tracking of all its own assets internally.

As of March 2020, DPW has received approval from the Department of Property and Procurement to acquire its own asset management software. The contract is currently being executed with the provider to assess, set up and implement this system during this Fiscal Year.

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: Various

Award Year: 10/01/2012 - 12/31/2019

**Finding 2017-071, 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed**

**Current Status:** Repeated. Finding 2018-038.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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

Currently the VIDOL has contracted the services of Benham, Hodge & Upson to conduct the reconciliation for FY 18 and FY 19. VIDOL will continue with this arrangement until an accountant is hired to perform this duty.

### **Finding 2017-072, 2016-058: Cash Management**

*Current Status:* Repeated. Finding 2018-039.

*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 VIDOL currently has an effective Cash Management and Drawdown Policy in place. A The guidelines outlined in the department's Cash Management and Draw Down Policy was reiterated to the accounting staff.

### **Finding 2017-073, 2016-059 and 2015-066: Eligibility**

*Current Status:* Repeated. Finding 2018-040.

*Reason for Recurrence:* The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

*Corrective Action Plan:* The VI Department of Labor (VIDOL) will implement a schedule for regular file review and work to strengthen its Benefits Payment Control Unit to prevent such discrepancies.

VIDOL began inserting work search forms in the claimants checks to ensure receipt. Management will conduct quarterly case reviews to ensure the proper documents are being collected. VIDOL is working to bring the UI claimant portal back on-line.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Program:**

U.S. Department of the Interior

**Government Department/Agency:**

Various

Economic, Social, and Political Development  
of the Territories

CFDA #: 15.875

Award #: Various

Award Year: Various

**Finding 2017-074, 2015-062 and 2014-051: Cash Management**

**Current Status:** On-going implementation. The Office of Management and Budget - Federal Grants Management Unit (OMB-FGMU) is continuously taking steps to comply with the stated guidelines of the CMIA agreement. Departments/agencies are continually reminded that drawdowns are on a reimbursable basis, therefore, draw requests will not be submitted for payment until the check has been issued by the Department of Finance, and the departments/agencies have a check number, and a check date.

OMB-FGMU will continue to be vigilant when request for reimbursements are submitted to DOI-OIA for processing and ensures the date indicated on the SF-270 (Request for Advance or Reimbursement) is not before the issuance of the check.

**Finding 2017-075, 2015-063 and 2014-053: Equipment/Real Property Management**

**Current Status:** On-going implementation. The OMB continues to work in collaboration with the various departments/agencies and the Department of Property and Procurement (DPP) in establishing and the adequate maintenance of the property and equipment record. This is to ensure that all equipment and/or real property purchased with federal funds are properly accounted for.

**Finding 2017-076 and 2015-064: Procurement/Suspension and Debarment**

**Current Status:** On-going implementation. The DPP revised and updated its Procurement Manual for use by all government's departments/agencies. All users are to utilize the guidelines outlined in the revised manual. OMB will continue to work with departments/agencies in collaboration with DPP to ensure that all the requirements for the procurement process are met.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Program:**

U.S. Department of Defense

**Government Department/Agency:**

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance  
(O&M) Projects  
CFDA #: 12.401  
Award #: W9127P-15-2-1000  
Award Year: 10/01/2016 - 09/30/2017

**Finding 2017-077: Allowable Cost/Cost Principles - Payroll Activities**

Current Status: On-going implementation. Office of the Adjutant General (OTAG) implemented new policies and procedures and restructured our organization. The OTAG employed additional staffing, particularly an Employee Relations Coordinator to enforce the development, validation, and endorsement of each transaction. The Employee Relations Coordinator generates requirements, the Director of Administration and Business Management validates, and the Adjutant General endorses the entitled disbursement.

**Finding 2017-078, 2016-045 and 2015-051: Cash Management**

Current Status: Corrective action was taken. The program was removed from the CMIA agreement.

**Finding 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking**

Current Status: On-going implementation. The Master Cooperative Agreement (MCA) through the appendices identifies the cost share and what is required by persons performing management functions. OTAG has developed a new policy and procedure manual that includes tracking the match fulfillment for each expenditure.

OTAG implemented new policies and procedures and restructured our organization. OTAG employed additional staffing, particularly Contract Specialist and Resource Specialist to enforce the development, validation, and endorsement of each transaction. The Contract Specialist is responsible to accurately log and generate requests for processing for the Resource Specialist to allocate the funding source based. Once this process is complete, the Director of Administration and Business Management validates, and the Adjutant General endorses each entitled expenditure.

**Finding 2017-080, 2016-047: Period of Performance**

Current Status: On-going implementation. OTAG implemented new policies and procedures and restructured our organization. OTAG employed additional staffing, particularly a Data Transcriber to input requisite information into the Enterprise Resource System (ERP) for Purchase Order processing and expenditure approval through the ERP approval chain. Agency will implement seize of all new transactions in conjunction with ERP System Fiscal Year closure. At the start of a new fiscal year's funding release, only emergency transactions will be authorized.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

**Current Status:** On-going implementation. OTAG implemented new policies and procedures and restructured our organization. OTAG employed additional staffing, particularly a Financial Control Officer to enforce development, validation, and endorsement of each expenditure for reimbursement. The Financial Control Officer is responsible to generate request for the Adjutant General or Director of Administration and Business Management to certify.

The Federal Program Manager will then validate the certified request for the United States Property and Fiscal Officer to endorse the entitled reimbursement. Once the disbursement occurs, allocation of reimbursed funds will be logged. This information logged will consist of the deposit number, description, amount, and account to deposit the reimbursement. The received batch number and receipt number will enable for monthly accountability of these transactions.

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 3/31/2018

**Government Department/Agency:**

Department of Planning and Natural Resources (DPNR)

### Finding 2017-082: Allowable Costs/Cost Principles - Indirect Cost Activities

**Current Status:** On-going implementation. The program will ensure that all indirect calculations are properly allocated and reviewed by senior staff to prevent this finding from reoccurring. The program continues to work closely with all the accountants and fiscal staff to ensure that the indirect cost calculations are properly allocated and thoroughly reviewed by the Grants Manager and Senior staff before submission to external parties.

### Finding 2017-083: Cash Management

**Current Status:** On-going implementation. The program is in the process of requesting the removal of the DPNR and by extension the Environmental Protection Program from the Treasury State Agreement since it is resulting in a negative impact on the program due to its high-risk designation.



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2017-084: Equipment/Real Property Management

Current Status: On-going implementation. The physical conditions of the vehicles were as a result of hurricanes Irma and Maria that were beyond DPNR's controls. The funding to repair the vehicles was issued to a Project Worksheet through VITEMA from FEMA, following a satisfactory review and approval of DPNR's documentation to support the claim. However, to date, the funding has not been released. The Program will continue to enhance its maintenance of vehicles by ensuring that funding is made more readily available to repair vehicles when damages occur. Vehicles are parked in an enclosed and locked facility with nightly security. The program has made intentional efforts to ensure its inventory is current and complete. The Program began its physical inventory in August 2019 and is working closely with the Department of Property and Procurement (DPP) to ensure that both agencies' inventory records are accurate, complete, and reconciled.

The Program continues to be intentional in the completion of its physical inventory. It is envisioned this process will be completed within the near future. Every effort is being made to ensure that all vehicles are properly maintained and secured.

### Finding 2017-085: Matching, Level of Effort, Earmarking

Current Status: On-going implementation. The program continues to closely monitor its matching requirements and will strive to ensure that within the FY 2020 and beyond the matching dollar amounts of the grants are fulfilled.

### Finding 2017-086: Procurement/Suspension and Debarment

Current Status: On-going implementation. The Program will ensure that the evidence is present indicating that it reviewed the Excluded Parties List System (EPLS). Moreover, the Department of Property and Procurement issued a Policy Memorandum No. 005-2019 relative to "Vendor Set-Up and Maintenance Required to Conduct Business with the Government of the Virgin Islands", and this policy will also assist in enhancing and enforcing the Program's availability of evidence for the actual review process.

### Finding 2017-087: Reporting

Current Status: On-going implementation. Going forward, the Program will communicate with US EPA relative to this matter and formulate a plan of action relative to the evidence needed for review of reports and implement it in the immediate future. The Program has been in communication with EPA relative to signatures on reports once reviewed by the Director. Though this is not a requirement by USEPA, the Program is currently seeking ways of resolving this issue to prevent re-occurrence of this finding.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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<u>Program:</u>	<u>Program Name</u>
CFDA # 10.555/10.559	Child Nutrition Cluster
CFDA # 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA # 10.561	Supplemental Nutrition Assistance Program Cluster
CFDA # 12.401	National Guard Military Operations and Maintenance (O&M) Projects
CFDA # 15.875	Economic, Social, and Political Development of the Territories
CFDA # 17.225	Unemployment Insurance
CFDA # 20.205	Highway Planning and Construction Cluster
CFDA # 66.605	Performance Partnership Grants
CFDA # 93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
CFDA # 93.563	Child Support Enforcement
CFDA # 93.600	Head Start
CFDA # 93.767	Children's Health Insurance Program (CHIP)
CFDA # 93.778	Medicaid Cluster

### Finding 2017-088: Data Collection Form and Single Audit Reporting Package

Current Status: Repeated. Finding 2018-074

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government was unable to transmit the Data Collection Package to FAC timely by the required submission date. It is expected that the Government will meet the next required submission date for the fiscal year 2020.

Program:  
U.S. Department of Health and Human Services

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

Aging Cluster  
CFDA #: 93.044, 93.045, 93.053  
Award #: 1601VISOSR, 1501VISOSR, 1401VISOSR  
Award Year: 10/01/2015 - 09/30/2018  
10/01/2014 - 09/30/2017,  
10/01/2013 - 09/30/2016

### Finding 2016-033: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Resolved. DHS continues to strive to ensure that the time and effort certification reports are accurate by having the supervisors review and approve, while a copy is sent to HR and kept by Fiscal.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2016-034: Cash Management

Current Status: Ongoing implementation. Non-governmental emails are no longer being used. DHS continues to take corrective measures to resolve the cash management issue.

### Finding 2016-035: Eligibility

Current Status: Ongoing implementation. DHS is committed to implementing internal policies and procedures to determine eligibility by developing a checklist of requirements and ensuring that it is consistently used.

### Finding 2016-036: Matching, Level of Effort, Earmarking

Current Status: Resolved. DHS tracks the administrative costs separately, so this issue should be resolved.

### Finding 2016-037: Subrecipient Monitoring

Current Status: Ongoing implementation. The subrecipient monitoring on subgrantees has been implemented with the requirements of reports submission and other performance requirements.

**Program:**

U.S. Environmental Protection Agency

**Government Department/Agency:**

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003201, 78003401, 78003501

Award Year: 10/01/2014 - 09/30/2018

### Finding 2016-055 and 2015-060: Reporting

Current Status: Resolved. The Virgin Islands Waste Management Authority (VIWMA) submitted the quarterly reports to DPW on a timely basis and will continue to do so.

### Finding 2016-056 and 2015-061: Special Tests and Provisions - Wage Rate Requirements

Current Status: Resolved. The Program Manager of Office of Highway Engineering has ensured that all Project Managers have completed the necessary documentation for review of the certified payrolls.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Employment Service Cluster

CFDA #: 17.207, 17.801

Award #: ES260501455A78, ES275221555A78,  
ES294431655A78, ES275221555A78, ES260501455A78,  
ES246501355A78, DV64, 266241555578

Award Year: 07/01/2014 - 09/30/2017,  
07/01/2015 - 09/30/2018,  
07/01/2016 - 07/01/2019,  
07/01/2015 - 09/30/2018,  
07/01/2014 - 09/30/2017,  
07/01/2013 - 09/30/2016,  
10/01/2015 - 09/30/2016

**Finding 2016-062: Allowable Costs/Cost Principles - Payroll Activities**

Current Status: Resolved.

**Finding 2016-063: Allowable Costs/Cost Principles - Indirect Cost Activities**

Current Status: Resolved.

**Finding 2016-064: Cash Management**

Current Status: Ongoing implementation. DOL will enforce its policy that all drawdowns are thoroughly reviewed and approved before request is submitted.

**Finding 2016-065: Eligibility**

Current Status: Resolved.

**Finding 2016-066: Reporting**

Current Status: Resolved.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster

CFDA #: 93.558

Award #: 1501VITANF

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

**Finding 2015-020 and 2014-018: Activities Allowed or Unallowed**

Current Status: Ongoing implementation. DHS continues to work with its Federal partners to rectify the issue of funding distribution. A complete historic reconciliation of the account is wrapping up as requested by our Federal partners. This will allow for the funding to be distributed according to the areas of need eliminating overspending in one area and underspending in the other.

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

Current Status: Resolved.

**Finding 2015-022 and 2014-019: Cash Management**

Current Status: Resolved.

**Finding 2015-023 and 2014-020: Eligibility**

Current Status: Ongoing implementation. The Department continues to reinforce policies and procedures with staff during regularly scheduled meetings. Additionally, periodic internal audits of the files are completed to ensure compliance.

**Finding 2015-024: Equipment/Real Property Management**

Current Status: Ongoing implementation. Processes were delayed with the passage of Hurricane's Irma and Maria at the latter part of FY2017. To compound the problem, there were severe staff displacement. Hence, the Department of Human Services continues to move forward in implementing its CAP.

**Finding 2015-025 and 2014-021: Reporting**

Current Status: Resolved.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2015-026 and 2014-022: Special Tests and Provisions - Child Support Non-Cooperation

Current Status: Ongoing implementation. The Department continues to reinforce policies and procedures with staff during regularly scheduled meetings. Additionally, periodic internal audits of the files are completed to ensure compliance.

### Finding 2015-027 and 2014-023: Special Tests and Provisions - Penalty for Refusal to Work

Current Status: Ongoing implementation. The Department continues to reinforce policies and procedures with staff during regularly scheduled meetings. Additionally, periodic internal audits of the files are completed to ensure compliance.

### Finding 2015-028, 2014-025, 2013-017 and 12-14: Special Tests and Provisions - Income Eligibility and Verification System

Current Status: Ongoing implementation. The passage of Hurricane's Irma and Maria severely delayed the implementation of the new eligibility system. However, the project is restarting with expected completion in FY2021. In the interim DHS staff are periodically retrained on policies and procedures relevant to programmatic rules and regulation.

**Program:**

U.S. Department of Commerce

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

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

**Government Department/Agency:**

Department of Planning and Natural Resources (DPNR)

### Finding 2015-042 and 2014-040: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Ongoing implementation. The Program continues to ensure that adjustment vouchers are processed on a bi-weekly basis.

### Finding 2015-043 and 2014-041: Equipment/Real Property Management

Current Status: Ongoing implementation. With the impact of two category five (5) hurricanes - Irma and Maria at the end of FY 2017, numerous equipment was destroyed, and it was a challenge to keep abreast of the reconciliation of the equipment. However, concerted efforts were implemented to create a record of the equipment that were lost. Despite these challenges, the department continues to work towards updating its records and reconciling all new equipment purchases going forward.

### Finding 2015-044 and 2014-042: Matching, Level of Effort, Earmarking

Current Status: Resolved.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2018

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### Finding 2015-045: Reporting

Current Status: Ongoing implementation. DPNR continues to closely monitor the grantor's electronic system for reporting, so that accessibility issues can be noted early enough to allow for a resolution that will enable timely submission of financial, programmatic, and special reports.

Program:

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

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

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

### Finding 2015-046 and 2014-044: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Ongoing implementation. The Program's loss of administrative staff resulted in the incomplete reports of time and effort certifications.

### Finding 2015-047: Equipment/Real Property Management

Current Status: Ongoing implementation. DPNR continues to collaborate with P&P staff to reconcile all equipment purchases within the department

### Finding 2015-048 and 2014-045: Matching, Level of Effort, Earmarking

Current Status: Ongoing implementation. The Program continues to utilize the Time Distribution for the CZM Director, Accountant, and Grant Manager to track in-kind match associated with this award.

## Corrective Action Plan

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## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
29	2018-001: Financial Position  • Deficits in Unrestricted Net Position	Kirk Callwood, Commissioner, Department of Finance (DOF)	On-going	The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.
29	• Plan Funding Considerations	Albert Bryan, Jr., Governor Jenifer O'Neal, Director, Office of Management and Budget (OMB) Kirk Callwood, Commissioner, DOF Austin Nibbs, Administrator, Government of the Virgin Islands Employees' Retirement System (GERS)	On-going	In prior fiscal years, the Government allocated the relevant resources to conduct comprehensive studies and recommend revisions to benefits as well as establish funding policies to ensure the minimum ARC obligations are met each year. Much of the efforts put forth are now being deliberated by the Legislature for approval and submission to the Governor.
30	• Government Insurance Fund	Albert Bryan Jr., Governor Kirk Callwood, Commissioner, DOF Novelle Francis, Jr. President, V.I. Legislature	On-going	The Executive and Legislative branches of the Government will collaborate to implement various recommendations of its actuary in an effort to provide for the long-term financial viability of the Fund.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
31	<p>2018-002: Year-End Close Process</p> <ul style="list-style-type: none"> <li>Timeliness and Methodology of Close Process</li> </ul>	<p>Kirk Callwood, Commissioner, DOF Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Ebony Serrano, Director of Accounting, DOF Calvert Birmingham, Director of Treasury, DOF Grace Fahie-Londo, Director of Payroll, DOF</p>	Immediately	<p>In an effort to develop reliable and timely interim and year-end financial statements, continuous communication and trainings will be made available to all finance users on one consistent and comparable reconciliation process that will allow for any needed adjustments prior to the 13<sup>th</sup> period. In this way, all accounts, accruals, and reconciliations will be available. Any unreconciled differences will be identified and resolved, with any applicable journal entries, recorded in the financial system of the Government.</p> <p>The Accounting Director, with oversight from the Assistant Commissioner, will continue to enforce the closing procedures whereby all post-closing and audit adjustments maintained in the manual excel working trial balance are reviewed, ratified, and recorded in the financial management system throughout the audit engagement, such that the general ledger reflects audited balances and correct opening balances for the upcoming fiscal year.</p> <p>As for more detail reconciliations between accounts that are not visible on a higher reconciliation overview, such as accurate federal classifications, or incorrect postings to grants, this will require additional human resources, to include the option of contractual agreement(s) to ensure that a more detail</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
32	<ul style="list-style-type: none"> <li>Journal Entries</li> </ul>	Ebony Serrano, Director of Accounting, DOF	Immediately	<p>reconciliation is being completed. The Government will begin to assess the needs and take the necessary steps to provide necessary one-on-one meetings to identify the needs.</p> <p>In an effort to maintain a desirable separation of duties, management has updated the policy by implementing controls whereas, the individual that creates a journal entry will not approve or post that journal. This was only available to limited staff at the Department of Finance and the policy has been made effective immediately. We are continuing to find these rare occurrences and reach out to those employees to follow Munis and system permissions.</p> <p>We also have to work with Munis to see if the names generated in the entry and posting area indeed denote no separation of duties.</p>
33	<p>2018-003: Revenue and Receivables</p> <ul style="list-style-type: none"> <li>Reconciliation of Subsidiary Registers</li> </ul>	<p>Davis Roosevelt, Assistant Chief of Processing, Bureau of Internal Revenue (IRB)</p> <p>Calvert Birmingham, Director of Treasury, DOF</p> <p>Ebony Serrano, Director of Accounting, DOF</p>	Fiscal Year 2020	<p>For purposes of interim financial reporting, the Bureau of Internal Revenue and the Department of Finance has begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
33	<ul style="list-style-type: none"> <li>Optimum Usage of the Real Property Tax System</li> </ul>	Ebony Serrano, Director of Accounting, DOF Ira Mills, Tax Assessor, Lieutenant Governor's Office (LGO) Monica Williams Carbon, Chief of Staff, LGO	Fiscal Year 2021	Department of Finance personnel will collaborate with the Lieutenant Governor's office to determine possible modifications to the system to achieve the necessary data for financial reporting.
34	<ul style="list-style-type: none"> <li>Real Property Tax</li> </ul>	Ira Mills, Tax Assessor, LGO Monica Williams Carbon, Chief of Staff, LGO	Fiscal Year 2020	Department of Finance personnel will collaborate with the Office of the Lieutenant Governor to determine and consider the recommendations set forth.
34	<ul style="list-style-type: none"> <li>Other Revenues</li> </ul>	Calvert Birmingham, Director of Treasury, DOF Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF	Fiscal Year 2020	In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. We will conduct spot checks to ensure employees are adhering to this process.
36	2018-004: Grants Management  <ul style="list-style-type: none"> <li>Control Systems Over the Schedule of Expenditures of Federal Awards</li> </ul>	Jenifer O'Neal, Director, OMB (for the Grants Management Module) Kirk Callwood, Commissioner, DOF (for SEFA)	Immediately	The SEFA is prepared by the Department of Finance via a customized report that extracts information from the ERP system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
37	<ul style="list-style-type: none"> <li>Federal Grants and Contributions</li> </ul>	Jenifer O'Neal, Director, OMB Ebony Serrano, Director of Accounting, DOF	Fiscal Year 2020	<p>As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies. Therefore, in an effort to enhance the monthly reconciliation function, the Office of Management and Budget will fully implement the Grants Management Module, per the ERP system.</p> <p>Given that certain financial data related to the SEFA is provided to the Department of Finance by certain third-parties using separate financial systems, the Department of Finance will continue to coordinate with said parties - through the respective department/agency - in order mitigate the prospect of duplicating entries by documenting the roles, responsibilities, and timelines associated with posting financial data onto the central Government's ERP system.</p> <p>In an effort to more accurately account for Federal receivables and related transactions, a private firm was contracted to work directly with the agencies to substantiate the Federal receivables.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
38	2018-005: Capital Assets and Related Expenditures  • Record Keeping	Anthony Thomas, Commissioner, Department of Property & Procurement, (DPP)	Immediately	Department of Property and Procurement will work collaboratively with Department of Finance to provide trainings and work on the structuring of the entire process to include key personnel and policies. The Government will review and update the necessary manuals to address all of the recommendations set forth.
39	• Reconciliation and Review of Subsidiary Registers	Anthony Thomas, Commissioner, DPP Nelson Perry, Jr., Commissioner, Department of Public Works (DPW)	Fiscal Year 2020	In an effort to verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Government's Capital Assets team will be responsible for reconciling the general ledger accounts to the detailed records on a quarterly basis.
39	• Construction in Progress (CIP) Monitoring	Anthony Thomas, Commissioner, DPP Nelson Perry, Jr., Commissioner, DPW	Immediately	<p>The Department of Property &amp; Procurement will spearhead the monitoring and review of the Government's capital assets and ensure reconciliation of supporting registers to its primary register.</p> <p>As the lead agency for managing the property of the Government, the Department of Property &amp; Procurement will coordinate and communicate amongst all Government departments and/or agencies that are responsible for handling and managing capital assets.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
41	<ul style="list-style-type: none"> <li>Capital Assets Impairment Process</li> </ul>	Anthony Thomas, Commissioner, DPP Nelson Perry, Jr., Commissioner, DPW	Immediately	In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system.
41	<ul style="list-style-type: none"> <li>Capital Assets - Business-Type Activities</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Ebony Serrano, Director of Accounting, DOF Nazareen Stephen, Capital Asset Coordinator	Fiscal Year 2020	The Government will review the recommendations and collaborate with Benham and Hodge (B&H) to incorporate for the fiscal year 2020 audit year.
43	2018-006: Recording of Liabilities  <ul style="list-style-type: none"> <li>Retroactive Pay Liability</li> </ul>	Cordell Rhymer, Information Technology Manager, Department of Personnel (DOP) Joss Springette, Chief Negotiator, Office of Collective Bargaining Jenifer O'Neal, Director, OMB	Fiscal Year 2020	The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) and the Office of Management and Budget (OMB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
44	<ul style="list-style-type: none"> <li>Medical Malpractice Liability</li> </ul>	Justa Encarnacion, Commissioner, Department of Health (DOH)	Fiscal Year 2020	<p>OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/Records Management staff, along with senior budget analysts from OMB to first develop a firm number with regard to the Government's retroactive obligation. This process has already started.</p> <p>Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and OMB. OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.</p> <p>The Department of Health will allocate the requisite resources to properly evaluate the necessary information, which can then be provided to an actuarial service provider for purposes of facilitating the Government in calculating the year-end medical malpractice liability.</p>



## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
44	<ul style="list-style-type: none"> <li>Accounts Payable</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Ebony Serrano, Director of Accounting, DOF	Immediately	<p>At present, the ERP system does not allow departments/agencies to enter vendor invoices unless a sufficient allotment is approved by OMB. As a result of this system functionality, certain vendor invoices are set-aside, rather than entered (or accrued for immediately), until OMB provides for a periodic allotment - which may occur several months after year-end.</p> <p>Therefore, given that the OMB allotment process is the underlying controlling mechanism for entering vendor invoices, the Department of Finance must perform a manually intensive review of year-end transactions that are posted in a subsequent year.</p> <p>The Department of Finance will proactively collaborate with the software vendor supporting its ERP Accounts Payable module to ascertain whether a reduction in the existing manual efforts can be achieved. On-going training and employee development will be made available for all users of the accounts payable module and continuous development of the standard operating policies will be enhanced.</p>
45	<ul style="list-style-type: none"> <li>Income Tax Refunds Payable</li> </ul>	Tamarah Smalls, Chief Counsel, IRB	Fiscal Year 2020	<p>The Bureau of Internal Revenue will revise its methodology in establishing the year-end liability and will continue to monitor the reports to avoid any duplication of reporting.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
45	<ul style="list-style-type: none"> <li>Landfill Closure and Post Closure Costs Liability</li> </ul>	Adrian Taylor, Executive Director, Virgin Islands Waste Management Authority (VIWMA)	Fiscal Year 2020	The Government will work with its consultants to implement monitoring controls and ensure that all calculations are reviewed timely.
46	<ul style="list-style-type: none"> <li>Quality of Census Data</li> </ul>	Austin Nibbs, Administrator, GERS Dayna Clendinen, Commissioner, Department of Personnel (DOP)	Fiscal Year 2020	<p>For the past three (3) years, since the implementation of the new Benefits system (V3), the Government Employees' Retirement System (GERS) has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries.</p> <p>Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.</p> <p>The Division of Personnel will coordinate with the GERS Administrator to discuss how both agencies can collaborate to effectively improve the quality of the census data. It is anticipated that GERS and the Division of Personnel will do an annual comparative analysis of the employee and retiree related data held by both entities. During this process, data will be reconciled in both databases. After the initial reconciliation is completed, an annual review will be done to ensure that relevant information is synchronized within both systems. Information Technology and Records Management personnel from both agencies will be intimately involved in these meetings.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
47	<p>2018-007: Management of the Medicaid Program</p> <ul style="list-style-type: none"> <li>Cost Report Audits and System Security Review</li> </ul>	<p>Kimberly Causey-Gomez, Commissioner, Department of Human Services (DHS)</p> <p>Charmaine Antoine-Modeste, Chief Financial Officer, DHS</p>	On-going	<p>Department of Finance has already begun conversations with the Department of Human Services on how the recommendations set forth can be achieved.</p>
48	<ul style="list-style-type: none"> <li>Utilization Control and Medicaid Fraud Control Unit</li> </ul>	<p>Kimberly Causey-Gomez, Commissioner, DHS</p>	On-going	<p>Subsequent to fiscal year-end, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory-wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.</p> <p>Further, as the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
49	2018-008: Unemployment Insurance Trust Fund <ul style="list-style-type: none"> <li>Account Reconciliation Process</li> </ul>	Gary Molloy, Commissioner, Department of Labor (DOL)	Fiscal Year 2020	The Virgin Islands Department of Labor (VIDOL) recognizes the need to properly report the activities of the Unemployment Insurance Trust Fund. VIDOL has requested and received approval from the Virgin Islands Office of Management and Budget for the hiring of accountants, whose responsibilities will be to record the activities of the Fund in accordance with generally accepted accounting practices. In addition, as part of the year-end financial reporting process related to the Government's financial statement preparation, VIDOL will work with the Department of Finance to ensure that it receives the Unemployment Insurance Trust Fund information timely.
50	2018-009: Workers Compensation Program <ul style="list-style-type: none"> <li>Plan Valuation Methodology</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF	Fiscal Year 2020	Department of Finance will collaborate with the agency to consider the recommendations set forth.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
51	2018-010: Other-Postemployment Benefits Obligation <ul style="list-style-type: none"> <li>Administration and Recordkeeping</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF	Fiscal Year 2020	Department of Finance has already begun working with the Division of Personnel on this matter. Going forward, we will continue to establish a process that will address the findings noted.
52	2018-011: Payroll, Related Accruals, and Other Expenditures <ul style="list-style-type: none"> <li>Payroll Expenditures</li> </ul>	Dayna Clendinen, Commissioner, DOP Grace Fahie-Londo, Director of Payroll, DOF	Fiscal Year 2020	Department of Finance will collaborate with the Department of Human Resources to determine and consider the recommendations set forth.
52	<ul style="list-style-type: none"> <li>Formalize Emergency Payroll Procedures</li> </ul>	Dayna Clendinen, Commissioner, DOP Grace Fahie-Londo, Director of Payroll, DOF	On-going	The Department of Finance has a draft policy on disaster related payroll processing. We have been and continue to engage in providing information to the Division of Personnel since September 14, 2017, so that records can be kept current, in the event we have to move to another "Straight 80."

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
53	<ul style="list-style-type: none"> <li>Transactions with Personnel</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF	Fiscal Year 2020	The Department of Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government. Furthermore, we are exploring systems for automatic reconciliations and will consider hiring someone to work at the Department of Finance, specifically to handle credit card payments.
53	<ul style="list-style-type: none"> <li>Supporting Documentation for Expenditures</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Ebony Serrano, Director of Accounting, DOF	On-going	We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the invoice approval, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module
55	<p>2018-012: Bank Accounts</p> <ul style="list-style-type: none"> <li>Strengthen Controls Over Bank Reconciliations</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Calvert Birmingham, Director of Treasury, DOF	Fiscal Year 2020	The Treasury Director, with oversight from the Assistant Commissioner will re-examine the process to include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year. Upon identifying negotiable instruments that exceed the one-year threshold, the Treasury Director will develop an annual procedure to further research and validate the status of the reconciling items in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
56	<ul style="list-style-type: none"> <li>Cash Pooling and Allocation(s)</li> </ul>	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Calvert Birmingham, Director of Treasury, DOF	Fiscal Year 2020	The Treasury Director, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure that bank reconciliations are prepared timely as we continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.
57	2018-013: Information Technology Environment	Tamarah Smalls, Chief Counsel, BIR Monica Williams Carbon, Chief of Staff, LGO Cindy Richardson, Assistant Commissioner, DOL Charmaine Antoine-Modeste, Chief Financial Officer, DHS	On-going	Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway.
59	2018-014: Landfill Consent Decrees	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Adrian Taylor, Executive Director, VIWMA	Fiscal Year 2020	The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.
60	2018-015: Establishment of a Medical Malpractice Trust Fund	Justa Encarnacion, Commissioner, DOH Tatia Monell-Hewitt, Chief Financial Officer, DOH	Fiscal Year 2020	The Department of Health will continue to closely monitor the applicable laws related to professional medical malpractice by setting up a separate trust fund to be managed by a licensed broker or brokerage firm and to set up an investment plan approved by the Medical Malpractice Action Review Committee.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
61	2018-016: Procurement Regulations	Anthony Thomas, Commissioner, DPP	Fiscal Year 2020	The Government will continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders and contracts to ensure that regulations are being adhered to.
62	2018-017: Casino Control Commission	Clarina Modeste-Elliot, Executive Assistant Commissioner, DOF Ebony Serrano, Director of Accounting, DOF	Fiscal Year 2020	The Government will request reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code. We will review, request, and establish a working document on how this process will be conducted proceeding forward.
63	2018-018: Allowable Costs/ Cost Principles - Non-Payroll Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS is working to ensure the resources are available for the proper internal control procedures to adhere to 2 CFR 200. DHS has the proper structure in place to adhere to internal control procedures in regulations 2 CFR 200.303. DHS continues to ensure that only allowable expenses are charged to the program. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. There were instances when systems connectivity was questionable and the access to current up to date grant awards were extremely limited, and eventually awarded grant funds were reduced and subsequently defunded. The staffing level at DHS was reduced, and this impacted the timing of reconciliations and adjustments. DHS will reconcile expenses to grant awards, and review and approvals are being done.



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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
65	2018-019: Allowable Costs/ Cost Principles - Payroll Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS is working to ensure the resources are available for the proper internal control procedures to adhere to 2 CFR 200. DHS has the proper structure in place to adhere to internal control procedures in regulations 2 CFR.303 and 2 CFR 200.430. DHS continues to ensure that only allowable expenses are charged to the program. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. Prior to the 2 category 5 Hurricanes NOPAs were done timely and consistently by programs. After the Hurricanes, HR staffing was reduced, and this impacted the HR staff assigned to processing NOPAs for this program. The strained resources assigned to assist with this program had limited knowledge specific to this program and were managing as best as could be expected with the processing and reconciliation of NOPAs.</p> <p>As it relates to the cost principles the match requirements on the programs has been maintained and the distribution of costs can be upheld across federal and local funds once all allowable expenses across the program are authorized specifically for the program.</p>
67	2018-020: Allowable Costs/ Cost Principles - Indirect Cost Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	Operations were severely disrupted in FY2018 due to the 2 category 5 Hurricanes that devastated the territory. The review and reconciliation analysis to cost allocate indirect costs will be reinstated to appropriately fund the program.

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
68	2018-021: Cash Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS has instituted the Federal receivables reconciliation to ensure the proper controls over recording and reconciling drawdowns are properly filed.
69	2018-022: Equipment/Real Property Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	This is a common finding throughout the GVI, and DHS continues to collaborate its efforts with DPP to ensure the internal controls and proper recordkeeping related to equipment and its maintenance are available.
70	2018-023: Matching, Level of Effort, Earmarking	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS is working to ensure the resources are available for the proper internal control procedures to adhere to 2 CFR 200. DHS has the proper structure in place to adhere to internal control procedures in regulations 2 CFR 200.306(b)(1-7). DHS continues to ensure that only allowable expenses are charged to the program.</p> <p>On a monthly basis the local financial reports and federal financial reports are completed, reviewed and distributed to the Program Administrator and Assistant Administrator. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. As it relates to the cost principles, the match requirements on the programs has been maintained and the distribution of costs can be upheld across federal and local funds once all allowable expenses across the program are authorized 100% specifically for the program. DHS will deploy staff to monitor the compliance of the match requirements throughout the fiscal year and ensure that supporting documents are available to support the local match.</p>

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
72	2018-024: Period of Performance	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS is working to ensure the resources are available to strengthen the processes for maintaining the support for expenditures. DHS has the proper structure in place to adhere to internal control procedures in regulations 2 CFR 200.309 and 2 CFR 200.343. DHS continues to ensure that only allowable expenses are charged to the program during the period of performance. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. Prior to the 2 category 5 Hurricanes time and attendance reports were approved and electronically transmitted in the ADI system (time and attendance management system) requiring various levels of managerial/supervisory approvals. Additionally, payroll time continues to be uploaded into the ERP system. Several levels of internal approvals are required prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the Hurricanes, the ADI system server was completely disabled, and access to the system was halted. Stored information of data files was limited with certain periods.
74	2018-025: Procurement/ Suspension and Debarment	Kimberly Causey-Gomez, Commissioner, DHS	July 2019	DHS has the proper internal control procedures in place to ensure adherence to the open competition requirements. DPP instituted the sam.gov review of vendor debarment status as of July 2019 to ensure that all vendors meet the requirements. DHS will continue to collaborate with DPP to ensure compliance.

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
76	2018-026: Reporting	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS will ensure that the proper monitoring and review of the required reports are documented by the appropriate officials. DHS has the proper internal control procedures in place to ensure adherence to federal regulations reporting of the Federal Financial Report FNS-46. The reports were appropriately filed. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the DHS operations in FY2018. The filing of the required quarterly report is a collaboration between the program Administrators and the Fiscal office team.</p> <p>The Director of Financial Services works closely with the program Accountant to ensure that the component requirements of the report are compiled accurately. Since most of the compilation and review of the reports are done electronically the subsequent step of printing out the reports for signature was omitted.</p>
77	2018-027: Special Tests and Provisions - ADP System for SNAP - Recertifications	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS has the proper internal control procedures in place to ensure adherence to federal regulations 2 CFR 200.303. Related to 2 CFR 272.10(a) in order to come into compliance, the DHS SNAP program is in the process of acquiring the Virgin Islands Benefits Eligibility Systems (VIBES). The design and development is 95% complete and the staff is ready to move into the User Acceptance Testing (UAT) phase.</p>

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79	2018-028: Special Tests and Provisions - EBT Reconciliation	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS SNAP program will prepare an SOPP specific to the handling of the EBT cards inclusive of monthly reconciliations. The staff will be trained and crossed trained to ensure adherence to the policy. DHS intends on hiring additional staff to assist in ensuring that the reconciliation process is completed in order to allow for full federal compliance.
80	2018-029: Special Tests and Provisions - EBT Card Security	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	Due to the staffing changes that occurred after the 2 category 5 Hurricanes that devastated the territory after September 5, 2017, and impacted operations in FY2018, DHS plans to appropriately evaluate staffing levels to ensure proper oversight of as per 7 CFR Section 274.8(b)(3), as an addition to or component of the Security Program required of Automated Data Processing (ADP) systems, the State or Territory agency shall ensure that the certain electronic benefits transfer (EBT) security requirements are established. DHS is hopeful that once staffing is sufficient to adequately cover compliance functions DHS can maintain adequate security over, and documentation/records for EBT cards, to prevent their theft, embezzlement, loss damage, destruction, unauthorized transfer, negotiation, or use. DHS SNAP program will prepare an SOPP specific to the handling of the EBT cards inclusive of monthly reconciliations. The staff will be trained and crossed trained to ensure adherence to the policy. DHS intends on hiring additional staff to assist in ensuring that the reconciliation process is completed in order to allow for full federal compliance.

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82	2018-030: Allowable Costs/ Cost Principles - Indirect Cost Activities	Racquel Berry-Benjamin, Commissioner, Department of Education (DOE)	January 2021	Once drawn and posted, all indirect cost transactions are forwarded to the respective division for further processing and payment. The State agency developed an internal log beginning FY 2019 to track all indirect costs to ensure that all reimbursements are received by the GVI. The State agency will continue to work with the respective division to ensure that costs are reported timely.
83	2018-031: Cash Management	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	DOE will ensure that all drawdowns are reviewed, approved, and reconciled on a monthly basis.
84	2018-032: Equipment/Real Property Management	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	The DOE has an updated equipment listing; however, DPP is unable to reconcile against the list that DOE has provided. We will continue to work with DPP.
85	2018-033: Matching, Level of Effort, Earmarking	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	The missing information was not provided due to the storage area being damaged and files destroyed during the Hurricanes of 2017. The State agency will work with the appropriate division in regard to proper storage of files.
86	2018-034: Period of Performance	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	The State agency will work with the appropriate DOE division to provide guidance on the period of performance to ensure that no expenditures are charged against expired grants.
87	2018-035: Procurement/ Suspension and Debarment	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	The State agency will reach out to the appropriate staff at the SFAs to ensure that when contracts are awarded all pertinent documents and/or provisions are included.

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88	2018-036: Equipment/Real Property Management	Justa Encarnacion, Commissioner, DOH	October 2019	WIC continues to work with P&P staff responsible for equipment inventory to reconcile inventory shortfalls. Details continue to be worked out for the resolution of this condition.
89	2018-037: Procurement/ Suspension and Debarment	Justa Encarnacion, Commissioner, DOH	October 2019	It should be noted that some of the requests for transaction documents crossed over procurement protocol changes and these procurement protocol changes were provided showing the effective date that the procedure was initiated in June 2018, and then it became mandatory on July 1, 2019 (FY 2019). This resulted in vendors not being notified timely that these supporting documents were needed and therefore they were not given the deadline date to respond. Therefore, mandatory requirement for these documents on transactions before the effective date of these changes does not concur with transactions reviewed before these changes came into full effect. However, this issue will be resolved in FY 2019 since the mandatory date given to vendors occurred in this FY 2019.
90	2018-038: Activities Allowed or Unallowed	Gary Molloy, Commissioner, DOL	July 2020 and on-going	The VIDOL Unemployment Insurance program concurs with the finding and has set in place a corrective action plan to establish internal controls, and procedures for the Virgin Islands Trust Fund accounts. This action plan will set forth criteria for periodic reconciliations of the VI revenue account (clearing account) revenue, and deposits. In addition to the cash draws for benefit payments from the Trust fund to the benefit account and provide guidelines in conformity with Cash Management Improvement Act of 1990 (CMIA).

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				The agency has launched a task force and conducted its first kick off meeting on July 10,2020.
91	2018-039: Cash Management	Gary Molloy, Commissioner, DOL	August 2020 and on-going	The VIDOL concurs with this finding; however due the two category five hurricanes, Irma and Maria, the ERP system was not functional. In addition, the VIDOL offices were damaged and not accessible with no electricity and internet connectivity. All of these factors contributed to the untimely drawdowns identified. In addition to the state of emergency declared, an Incident report should be noted from the GVI along with the creation of an ERP MUNIS continuity plan from the Department of Finance. The VI Department of Labor currently has an effective Drawdown and Cash Management Policy in place that will be reviewed and enhanced to accommodate natural disaster continuity. Going forward, DOL will enforce its policy that all drawdowns are thoroughly reviewed and approved before request is submitted.
92	2018-040: Eligibility	Gary Molloy, Commissioner, DOL	July 2020 and on-going	The VIDOL Unemployment Insurance program concurs with the finding and has set in place a corrective action plan to establish internal controls, and procedures for the Benefits Unit and will implement a schedule for regular file review and to prevent such discrepancies.
93	2018-041: Matching, Level of Effort, Earmarking	Gary Molloy, Commissioner, DOL	July 2020 and on-going	The VIDOL Unemployment Insurance program concurs with the finding and has set in place a corrective action plan to establish internal controls, and procedures for the Virgin Islands Extended Benefits program.



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				This action plan will set forth accounting criteria for matching cash draws for the extended benefit payments and provide guidelines in conformity with Cash Management Improvement Act of 1990 (CMIA). The agency has launched a task force and conducted its first kick off meeting on July 10,2020.
95	2018-042: Equipment/Real Property Management	Nelson M. Petty, Jr. Commissioner, DPW	On-going, December 2020	Even though it is the responsibility of the Department of Property and Procurement (DPP) to conduct physical inventory of equipment and reconcile to the equipment records. DPW will continue to work with the Department of Property & Procurement so that all equipment is registered, properly tagged, and reviewed by DPP. The Department has initiated communications with the Department of Finance to begin the tracking of equipment and real property internally. We also await the arrival of the tracking software in fiscal year 2021 which will be instrumental.
96	2018-043: Procurement/ Suspension and Debarment	Nelson M. Petty, Jr. Commissioner, DPW	Immediately	The Department will coordinate with the Department of Property and Procurement to ensure that all procurement procedures are followed, include the verification of suspension and debarment for all contracts, and maintain supporting evidence for procedures performed.
97	2018-044: Matching, Level of Effort, Earmarking	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	VIDE was unable to meet the Maintenance of Effort amount for FY18. Due to the 2 catastrophic category 5 hurricanes that VIDE experienced in September of 2017, many activities were not able to take place. As a result, funds were not expended at the level as planned.

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				VIDE will ensure that level of effort calculations are reviewed and that they go through an approval process.
98	2018-045: Allowable Costs/Cost Principles - Payroll Activities	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	VIDE will review and strengthen internal controls to ensure adherence to requirements for expending and accounting for payroll expenditures. Moreover, VIDE will ensure that prescribed policies, guidance and regulations will be enforced.
100	2018-046: Subrecipient Monitoring	Racquel Berry-Benjamin, Commissioner, DOE	January 2021	VIDE will determine and verify whether subrecipients are required to be audited as per 2 CFR par 200 subpart F. In addition, VIDE will perform program monitoring of subrecipients to include follow on corrective action when deficiencies were noted.
102	2018-047: Allowable Costs/ Cost Principles - Payroll Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS will ensure that timesheets that has the proper approval requirements are available for inspection. DHS has the proper internal control procedures and structure in place to ensure adherence to federal regulations 2 CFR 200.303 and 2 CFR 200.430(i). DHS continues to ensure that only allowable expenses are charged to the program. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. Prior to the 2 category 5 Hurricanes time and attendance reports were approved and electronically transmitted in the ADI system (time and attendance management system) requiring various levels of managerial/supervisory approvals.

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				Additionally, payroll time continues to be uploaded into the ERP system. Several levels of internal approvals are required prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the Hurricanes, the ADI system server was completely disabled, and access to the system was halted. The STATS system is now being used to track the staff time and attendance. If there are any discrepancies between the time sheet and the payroll register, the adjustment is done subsequently.
104	2018-048: Cash Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	DHS will enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.
105	2018-049: Equipment/Real Property Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	This is a common finding throughout the GVI, and DHS continues to collaborate its efforts with DPP to ensure the internal controls and proper recordkeeping related to all procurement and equipment and its maintenance are available.
106	2018-050: Matching, Level of Effort, Earmarking	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS will assign resources to ensure that an evaluation of the match is done consistently. The Head Start program has historically been overmatched. DHS has the proper internal control procedures and structure in place to ensure adherence to federal regulations 2 CFR 200.306(b)(1-7). DHS continues to ensure that only allowable expenses are charged to the program.

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				On a monthly basis the local financial reports and federal financial reports are completed, reviewed and distributed to the Program Administrator. As it relates to the cost principles, the match requirements on the programs has been maintained and the distribution of costs can be upheld across federal and local funds once all allowable expenses across the program are authorized 100% specifically for the program.
107	2018-051: Period of Performance	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS will ensure that the expenditures occur within the correct period of performance by ensuring that the proper resources consistently provides monitoring and review of transactions. DHS has the proper internal control procedures and structure in place to ensure adherence to federal regulations 2 CFR 200.303. DHS continues to ensure that only allowable expenses are charged to the program during the period of performance. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018, so it's noteworthy that this is a one-time occurrence.
108	2018-052: Reporting	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS will ensure that there is evidence of the proper monitoring, review, and approval by the authorized official to ensure that information submitted is accurate and complete. DHS has the proper internal control procedures in place to ensure adherence to federal regulations reporting in accordance with 2 CFR 200 Appendix XI. The reports were appropriately filed.

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				The filing of the required quarterly report is a collaboration between the program Administrator and the Fiscal office team.
109	2018-053: Activities Allowed or Unallowed	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS provided the CHIP Match report for FY2018, and the report will be maintained going forward to ensure that the correct FMAP rates are consistently applied. Also, resources will be assigned to reconcile the ERP to the MMIS. GVI has the proper internal control procedures and structure in place to ensure adherence to federal regulations 2 CFR 200.303. DHS continues to ensure that only allowable expenses are charged to the program.</p> <p>Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. As a result of the hurricane devastation to the territory, CMS, the federal regulatory oversight body for the CHIP program, issued FMAP rate changes, and various other flexibilities related to allowable spending. Also, as a result of the hurricane devastation aftermath, the DHS staffing level was stretched with emergency shelter responsibilities, so the implementation of the FMAP changes and reconciliation were delayed.</p>
111	2018-054: Cash Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	DHS will enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.

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112	2018-055: Matching, Level of Effort, Earmarking	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	The DHS filing of the CMS 21 report is supported with documentation provided to the federal regulatory body. The matched rates report was prepared by DHS Fiscal as part of the support for the audit, and it will be maintained going forward. There is extensive collaboration between CMS the oversight body, the DHS Medicaid team of program and accountants, the MMIS facilitators, and other knowledgeable resources to ensure that the components of the CMS 21 reports are captured accurately. DHS will ensure that the supporting documentation reconciles to the CMS 21 reports.
114	2018-056: Reporting	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	DHS will ensure that a reconciliation is done for the CMS 21 report and the supporting documentation. DHS will also ensure that evidence of review and approval is available. DHS files the CMS-21 in accordance with the Compliance Supplement. Due to the 2 category 5 Hurricanes that occurred after September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018. As a result of the hurricane devastation to the territory, CMS, the federal regulatory oversight body for the CHIP program, issued FMAP rate changes, and various other flexibilities related to allowable spending. Also, as a result of the hurricane devastation aftermath, the DHS staffing level was stretched with emergency shelter responsibilities, so the implementation of the FMAP changes and reconciliation were delayed. The program received the approvals to spend the FY2017 Redistribution as expended.

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
116	2018-057: Allowable Costs/Cost Principles - Non- Payroll Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	<p>DHS is working to ensure the resources are available for the proper internal control procedures to adhere to 2 CFR 200. DHS continues to ensure that only allowable costs are charged to the program by maintaining support for expenditures and providing documentation of review and approval to ensure that expenses are reasonable and necessary to operate the Medicaid Program in accordance with 2 CFR.303 and 2 CFR 200.430 as well as Grants and Cooperative Agreements with States and Local Government.</p> <p>DHS adopted fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of the 2 CFR 200, but due to the 2 category 5 Hurricanes that occurred on September 5, 2017, the devastating impact affected the operations of DHS in FY2018. The displacement of staff extended through most of FY2018 due to the aftermath of the devastation. The staffing level at DHS was reduced, and this impacted a few of the transactions for FY2018. Due to the urgent lack of healthcare services available on island there was an arrangement with a travel agency to expedite the service to Medicaid patients seeking treatment off island. The practice of advance payments to this vendor has since been halted. The storage trailer that held the Medicaid administrative records were being secured for the appropriate record retention period. The 2 category 5 Hurricanes that occurred on September 5, 2017, affected the contents of the storage.</p>

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				An evaluation of the storage is being done to determine the next steps on whether the contents will be destroyed or moved. The MMIS system has controls in place to continually evaluate rates and claims payments related to the various FMAPs.
118	2018-058: Allowable Costs/ Cost Principles - Payroll Activities	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	DHS has the proper internal control procedures in place to ensure adherence to federal regulations 2 CFR 200.430(i). DHS continues to ensure that only allowable expenses are charged to the program, but due to the 2 category 5 Hurricanes that occurred on September 5, 2017, there was a lack of resources and communication between HR Labor Relations, Program, and Fiscal failed. This employee has since been removed from the federal grant. The Program will perform regular reviews of the payroll to ensure that all employees are actively working on the Medicaid program.
119	2018-059: Cash Management	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	DHS will enforce its policy with respect to review and approval of all drawdowns, and month-end reconciliations. Additionally, DHS will institute agency level of controls that address proper review of journal entries and receipt of reimbursements.
120	2018-060: Eligibility	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The Virgin Islands Benefits Eligibility System (VIBES) was implemented which has improved monitoring capabilities and controls. Additionally, an SOPP is being developed requiring the Eligibility Supervisor's review of case files. Management will also conduct random case sampling to ensure compliance.



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				Since the 2 category 5 hurricanes that happened after September 5, 2017, the Medicaid program has not resumed regular progressive movement towards total electronic capabilities but is making steady improvements every day.
122	2018-061: Matching, Level of Effort, Earmarking	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	The DHS filing of the CMS 64 report is supported with documentation provided to the federal regulatory body. The matched rates reports was prepared by DHS Fiscal as part of the support for the audit, and it will be maintained going forward. There is extensive collaboration between CMS the oversight body, the DHS Medicaid team of program and accountants, the MMIS facilitators, and other knowledgeable resources to ensure that the components of the CMS 64 report are captured accurately.
123	2018-062: Period of Performance	Kimberly Causey-Gomez, Commissioner, DHS	October 2019	The Medical Assistance Program operates on a cash basis. The date the expenditure is processed by the program becomes the reporting date of the expenditure. DHS has the proper internal control procedures in place to ensure adherence to federal regulations. As it relates to the review and approval of the expenses, all payments requests are submitted to the DHS Fiscal office after being processed and approved by program leadership. DHS will ensure that the review and approval documentation is maintained.

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124	2018-063: Procurement/ Suspension and Debarment	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	This is a common finding throughout the GVI, and DHS continues to collaborate its efforts with DPP to ensure the internal controls and proper recordkeeping related to all procurement and equipment and its maintenance are available.
125	2018-064: Reporting	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The DHS filing of the CMS 64 report is supported with documentation provided to the federal regulatory body. There is extensive collaboration between CMS (the federal regulatory oversight body), the DHS Medicaid team of program and accountants, the MMIS facilitators, and other knowledgeable resources to ensure that the components of the CMS 64 report are captured accurately. Going forward, DHS will ensure that the reports reconcile to the quarterly CMS 64 report.
126	2018-065: Special Tests and Provisions - Utilization Control and Program Integrity	Kimberly Causey-Gomez, Commissioner, DHS	On-going	DHS has hired a program integrity analyst as of October 2018 to reduce fraud, waste, and abuse for the Medicaid program. The program is in the process of hiring more staff for the quality control unit.
128	2018-066: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The DHS Medicaid program is presently in an active contract with a vendor who is providing the cost audit reports and reconciliations as required by the Federal regulations. Due to the delays caused by the passage of 2 major category 5 hurricanes in September 2017, the reports are still outstanding, but the work to complete the reports are being done.

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129	2018-067: Special Tests and Provisions - ADP Risk Analysis and System Security Review	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The DHS Medicaid program will move forward to take steps to ensure that the VIBES system is reviewed biennially in order to be in compliance with the requirements.
130	2018-068: Special Tests and Provisions - Provider Eligibility	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The DHS MAP program is continuing to work with the Director of MAP, provider relations staff, the DHS Commissioner, and the DPP Commissioner to ensure the provider agreements are reviewed and approved appropriately and are available for inspection.
131	2018-069: Special Tests and Provisions - Medicaid Fraud Control Unit	Kimberly Causey-Gomez, Commissioner, DHS	On-going	The DHS Medicaid program Fraud Control Unit was created at DOJ in January 2019. The program is also in the process of staffing a quality control unit to oversee and mitigate fraud, waste and abuse. The Program Integrity Analyst was hired October 2018.
132	2018-070: Special Tests and Provisions - Federal Financial Participation Refunds	Kimberly Causey-Gomez, Commissioner, DHS	October 2020	The DHS will continue to work with the Department of Finance's Treasury Division on the uncashed checks report to allow for quarterly reports to be incorporated to review and request modifications based on the reporting results.

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133	2018-071: Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Period of Performance	Kirk Callwood, Commissioner, DOF	Fiscal Year 2020	DOF believes the department was following the guidelines of the CDL loans as this was a new grant and a number of controls were put in place. Additionally, DOF will continue to work with the semiautonomous agencies and make sure that the necessary controls are in place in order to maintain consistency when reporting.
135	2018-072: Cash Management	Kirk Callwood, Commissioner, DOF	Fiscal Year 2020	DOF believes the department was following the guidelines of the CDL loans as this was a new grant and a number of controls were put in place. Additionally, DOF will continue to work with the semiautonomous agencies and make sure that the necessary controls are in place in order to maintain consistency when reporting.
137	2018-073: Reporting	Daryl Jaschen, Director, VITEMA	Immediately	<p>VITEMA will establish the internal control to document the review and approval of electronic reports via an email statement which will indicate that "VITEMA has reviewed the attached document(s)".</p> <p>However, physical sign off is not required by FEMA. The process for approving reports includes electronically sharing the document between preparer, reviewer, and submitter. Any issues identified are communicated by e-mail and addressed prior to submitting the final version of the report.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2018

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
138	2018-074: Data Collection Form and Single Audit Reporting Package	Vincent Thomas, Associate Director, OMB	Fiscal Year 2020	The Government agrees that the Data Collection Package was not provided timely. However, the Government will set up appropriate measures to ensure that the data collection form and reporting package is submitted to the FAC on the required due date for the fiscal year 2020.