



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, 2016

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, 2016

Government of the United States Virgin Islands

Contents

Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

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*

3-5

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

6-14

Schedule of Expenditures of Federal Awards

15-24

Notes to Schedule of Expenditures of Federal Awards

25-26

Schedule of Findings and Questioned Costs

27-136

Management's Appendices

Appendix A: Status of Prior Audit Findings

137-167

Appendix B: Corrective Action Plan

168-195



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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, 2016, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated June 27, 2017. We expressed a disclaimer of opinion on the financial statements of governmental activities, business-type activities, general fund, federal grants fund, unemployment insurance-enterprise fund, and the aggregate remaining fund information based on the circumstances noted in our aforementioned report. In addition, we expressed a qualified opinion on the financial statements of the debt service fund and the aggregate discretely-presented component units based on the circumstances described in our aforementioned report.

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

Internal Control over Financial Reporting

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

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

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

Finding #	Nature of Finding
2016-001	Year-End Close Process
2016-002	Revenue and Receivables
2016-003	Grants Management
2016-004	Capital Assets and Related Expenditures
2016-005	Recording of Liabilities
2016-006	Management of the Medicaid Program
2016-007	Unemployment Insurance Trust Fund
2016-008	Workers Compensation Program
2016-009	Pension Plan Obligations

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
2016-010	Bank Accounts
2016-011	Payroll, Related Accruals, and Other Expenditures
2016-012	Information Technology Environment

Compliance and Other Matters

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



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

Finding #	Nature of Finding
2016-013	Landfill Consent Decrees
2016-014	Establishment of a Medical Malpractice Trust Fund
2016-015	Procurement Regulations

The Government's Responses to Findings

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

Purpose of this Report

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

BDO USA, LLP

June 27, 2017



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, 2016. The Government's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Government's basic financial statements include the operations of the Virgin Islands Public Finance Authority (VIPFA), Virgin Islands Housing Authority (VIHA), Virgin Islands 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), Employees' Retirement System of the Government of the Virgin Islands (GERS), Virgin Islands Lottery (V.I. Lottery), University of the Virgin Islands (UVI), University of the Virgin Islands Research and Technology Park Corporation (RTPark), and Tobacco Settlement Financing Corporation (TSFC). The financial statements of UVI, RTPark, and TSFC had not been audited, and we were not engaged to audit these 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 Water and Power Authority (WAPA), the Virgin Islands Port Authority (VIPA), and the Virgin Islands Public Broadcasting System (VIPBS). As may be applicable, the results of our testing of compliance for WAPA, VIPA, 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).



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

Basis for Adverse Opinion on CFDA 93.778 Medicaid Cluster and CFDA 93.044/93.045/93.053 Aging Cluster

As described in the accompanying schedule of findings and questioned costs, and as listed below, the Government did not comply with requirements regarding the following for CFDA 93.778 Medicaid Cluster and CFDA 93.044/93.045/93.053 Aging Cluster. Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to those programs.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-023	93.778	Medicaid Cluster	Cash Management
2016-024	93.778	Medicaid Cluster	Eligibility
2016-025	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2016-026	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2016-028	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity
2016-033	93.044 93.045 93.053	Aging Cluster	Allowable Costs/Cost Principles - Payroll Activities
2016-034	93.044 93.045 93.053	Aging Cluster	Cash Management
2016-035	93.044 93.045 93.053	Aging Cluster	Eligibility
2016-036	93.044 93.045 93.053	Aging Cluster	Matching, Level of Effort, and Earmarking
2016-037	93.044 93.045 93.053	Aging Cluster	Subrecipient Monitoring



Adverse Opinion on CFDA 93.778 Medicaid Cluster and CFDA 93.044/93.045/93.053 Aging Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the Government did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778 Medicaid Cluster and CFDA 93.044/93.045/93.053 Aging Cluster for the year ended September 30, 2016.

Basis for Qualified Opinion on CFDA 10.561 Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 93.563 Child Support Enforcement, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants for Wastewater Treatment Works, CFDA 17.207/17.801 Employment Service Cluster, and CFDA 10.555/10.556 Child Nutrition Cluster

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

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-018	10.561	Supplemental Nutrition Assistance Program Cluster	Procurement, Suspension, and Debarment
2016-038	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2016-039	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Non-Payroll Activities
2016-050	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2016-053	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Wage Rate Requirements
2016-056	66.418	Construction Grants For Wastewater Treatment Works	Special Tests and Provisions - Wage Rate Requirements
2016-063	17.207 17.801	Employment Service Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2016-067	10.555 10.556	Child Nutrition Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles

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

Qualified Opinion on CFDA 10.561 Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 93.563 Child Support Enforcement, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants for Wastewater Treatment Works, CFDA 17.207/17.801 Employment Service Cluster, and CFDA 10.555/10.556 Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.561 Supplemental Nutrition Assistance Program (SNAP) Cluster, CFDA 93.563 Child Support Enforcement, CFDA 20.205 Highway Planning and Construction Cluster, CFDA 66.418 Construction Grants for Wastewater Treatment Works, CFDA 17.207/17.801 Employment Service Cluster, and CFDA 10.555/10.556 Child Nutrition Cluster for the year ended September 30, 2016.



Basis for Qualified Opinion on CFDA 17.225 Unemployment Insurance

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Government with CFDA 17.225 Unemployment Insurance as described in finding 2016-057 Activities Allowed or Unallowed. Consequently, we were unable to determine whether the Government complied with those requirements applicable to that program.

Qualified Opinion on CFDA 17.225 Unemployment Insurance

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 17.225 Unemployment Insurance for the year ended September 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2016.

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 listed below. Our opinion on each major Federal program is not modified with respect to these matters.

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-016	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
2016-017	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2016-019	10.561	Supplemental Nutrition Assistance Program Cluster	Reporting
2016-020	93.600	Head Start	Cash Management
2016-021	93.600	Head Start	Equipment and Real Property Management
2016-022	93.600	Head Start	Period of Performance
2016-029	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed
2016-030	93.767	Children's Health Insurance Program	Cash Management
2016-031	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking
2016-032	93.767	Children's Health Insurance Program	Reporting
2016-040	93.563	Child Support Enforcement	Cash Management
2016-041	93.563	Child Support Enforcement	Equipment and Real Property Management
2016-042	93.563	Child Support Enforcement	Matching, Level of Effort, Earmarking



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-043	93.563	Child Support Enforcement	Period of Performance
2016-044	93.563	Child Support Enforcement	Reporting
2016-045	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2016-046	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking
2016-047	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance
2016-048	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2016-049	20.205	Highway Planning and Construction Cluster	Cash Management
2016-051	20.205	Highway Planning and Construction Cluster	Procurement, Suspension, and Debarment
2016-052	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Quality Assurance Program
2016-054	66.418	Construction Grants for Wastewater Treatment Works	Cash Management
2016-055	66.418	Construction Grants for Wastewater Treatment Works	Reporting
2016-058	17.225	Unemployment Insurance	Cash Management
2016-059	17.225	Unemployment Insurance	Eligibility
2016-060	17.225	Unemployment Insurance	Period of Performance
2016-061	17.225	Unemployment Insurance	Special Tests and Provisions - UI Program Integrity - Overpayment
2016-062	17.207 17.801	Employment Service Cluster	Allowable Costs/Cost Principles - Payroll Activities
2016-064	17.207 17.801	Employment Service Cluster	Cash Management
2016-065	17.207 17.801	Employment Service Cluster	Eligibility
2016-066	17.207 17.801	Employment Service Cluster	Reporting
2016-068	10.555 10.556	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2016-069	10.555 10.556	Child Nutrition Cluster	Cash Management
2016-070	10.555 10.556	Child Nutrition Cluster	Equipment and Real Property Management
2016-071	10.555 10.556	Child Nutrition Cluster	Period of Performance

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 identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-016	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
2016-017	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2016-018	10.561	Supplemental Nutrition Assistance Program Cluster	Procurement, Suspension, and Debarment
2016-019	10.561	Supplemental Nutrition Assistance Program Cluster	Reporting
2016-020	93.600	Head Start	Cash Management
2016-021	93.600	Head Start	Equipment and Real Property Management
2016-023	93.778	Medicaid Cluster	Cash Management
2016-024	93.778	Medicaid Cluster	Eligibility
2016-025	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2016-026	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2016-028	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-029	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed
2016-030	93.767	Children's Health Insurance Program	Cash Management
2016-032	93.767	Children's Health Insurance Program	Reporting
2016-033	93.044 93.045 93.053	Aging Cluster	Allowable Costs/Cost Principles - Payroll Activities
2016-034	93.044 93.045 93.053	Aging Cluster	Cash Management
2016-035	93.044 93.045 93.053	Aging Cluster	Eligibility
2016-036	93.044 93.045 93.053	Aging Cluster	Matching, Level of Effort, and Earmarking
2016-037	93.044 93.045 93.053	Aging Cluster	Subrecipient Monitoring
2016-038	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2016-039	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Non-Payroll Activities
2016-040	93.563	Child Support Enforcement	Cash Management
2016-041	93.563	Child Support Enforcement	Equipment and Real Property Management
2016-043	93.563	Child Support Enforcement	Period of Performance
2016-045	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2016-046	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking
2016-048	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2016-049	20.205	Highway Planning and Construction Cluster	Cash Management
2016-050	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2016-054	66.418	Construction Grants for Wastewater Treatment Works	Cash Management
2016-056	66.418	Construction Grants For Wastewater Treatment Works	Special Tests and Provisions - Wage Rate Requirements
2016-057	17.225	Unemployment Insurance	Activities Allowed or Unallowed
2016-058	17.225	Unemployment Insurance	Cash Management
2016-063	17.207 17.801	Employment Service Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2016-065	17.207 17.801	Employment Service Cluster	Eligibility



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-067	10.555 10.556	Child Nutrition Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles
2016-069	10.555 10.556	Child Nutrition Cluster	Cash Management
2016-070	10.555 10.556	Child Nutrition Cluster	Equipment and Real Property Management

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

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-022	93.600	Head Start	Period of Performance
2016-031	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking
2016-042	93.563	Child Support Enforcement	Matching, Level of Effort, Earmarking
2016-044	93.563	Child Support Enforcement	Reporting
2016-047	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance
2016-051	20.205	Highway Planning and Construction Cluster	Procurement, Suspension, and Debarment
2016-052	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Quality Assurance Program
2016-053	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions - Wage Rate Requirements
2016-055	66.418	Construction Grants for Wastewater Treatment Works	Reporting
2016-059	17.225	Unemployment Insurance	Eligibility
2016-060	17.225	Unemployment Insurance	Period of Performance
2016-061	17.225	Unemployment Insurance	Special Tests and Provisions - UI Program Integrity - Overpayment
2016-062	17.207 17.801	Employment Service Cluster	Allowable Costs/Cost Principles - Payroll Activities
2016-064	17.207 17.801	Employment Service Cluster	Cash Management
2016-066	17.207 17.801	Employment Service Cluster	Reporting
2016-068	10.555 10.556	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2016-071	10.555 10.556	Child Nutrition Cluster	Period of Performance



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, 2016, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We issued our report thereon dated June 27, 2017, which expressed a disclaimer opinion on the financial statements of the governmental activities, business type activities, general fund, federal grants fund, unemployment insurance-enterprise fund, and aggregate remaining fund information based on the circumstances noted in our aforementioned report. In addition, we which expressed a qualified opinion on the financial statements of the debt service fund and the aggregate discretely-presented component 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

June 30, 2017

Schedule of Expenditures
of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$ -	\$ 99,044
Specialty Crop Block Grant Program - Farm Bill	10.170		3,784	3,784
Organic Certification Cost Share Programs	10.171		1,500	1,500
<u>Child Nutrition Cluster</u>				
National School Lunch Program	10.555			8,032,944
Special Milk Program for Children	10.556			24,006
Total Child Nutrition Cluster				8,056,950
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			5,883,191
Child and Adult Care Food Program	10.558			847,332
State Administrative Expenses for Child Nutrition	10.560			368,972
<u>SNAP Cluster</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			62,680,827
<u>Food Distribution Cluster</u>				
Emergency Food Assistance Program (Administrative Costs)	10.568			79,553
WIC Farmers' Market Nutrition Program	10.572			5,462
Child Nutrition Discretionary Grants Limited Availability	10.579			54,640
Fresh Fruit and Vegetable Program	10.582			29,807
Cooperative Forestry Assistance	10.664			79,725
Urban and Community Forestry Program	10.675		31,219	126,722
Forest Legacy Program	10.676			50,217
Forest Stewardship Program	10.678			66,775
Total U.S. Department of Agriculture			36,503	78,434,501

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through		Total Federal Expenditures
		Entity Identifying Number	Passed Through to Subrecipients	
U.S. Department of Health and Human Services				
Special Programs for the Aging-Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042			18,002
Special Programs for the Aging-Title III, Part D-Disease				
Prevention and Health Promotion Services	93.043			533,368
<u>Aging Cluster</u>				
Special Programs for the Aging-Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044			563,404
Special Programs for the Aging-Title III, Part C				
Nutrition Services	93.045		83,273	2,797,244
Nutrition Services Incentive Program	93.053			70,070
Total Aging Cluster				3,430,718
Special Programs for the Aging-Title IV-and				
Title II-Discretionary Projects	93.048			30,206
National Family Caregiver Support, Title III, Part E	93.052			318,922
Public Health Emergency Preparedness	93.069			8,346
Hospital Preparedness Program (HPP) and Public Health				
Emergency Preparedness (PHEP) Aligned				
Cooperative Agreements	93.074			787,886
Affordable Care Act (ACA) Personal Responsibility				
Education Program	93.092			136,734
Maternal and Child Health Federal Consolidated Programs	93.110			127,016
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116			121,109
Emergency Medical Services for Children	93.127			96,752
Cooperative Agreements to States/Territories for the				
Coordination and Development of Primary Care Offices	93.130			196,208
Injury Prevention and Control Research and State and				
Community Based Programs	93.136			65,545
Projects for Assistance in Transition from Homelessness (PATH)	93.150			50,000

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Health and Human Services (continued)				
Family Planning-Services	93.217			943,992
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243			204,491
Universal Newborn Hearing Screening	93.251			208,599
Rural Access to Emergency Devices Grant and Public Access to Defibrillation Demonstration Grant	93.259			5,600
Immunization Cooperative Agreements	93.268			1,488,989
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			677,879
Behavioral Risk Factor Surveillance System	93.336			32,727
ACL Independent Living State Grants	93.369			56,193
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			608,936
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521			476,428
Promoting Safe and Stable Families	93.556			649,426
<u>TANF Cluster</u>				
Temporary Assistance for Needy Families State Programs	93.558		1,216,935	2,780,161
Family Support Payments to States - Assistance Payments	93.560		707,436	707,436
Child Support Enforcement	93.563			4,365,023
Low-Income Home Energy Assistance	93.568			496,546
Community Services Block Grant	93.569		28,950	1,168,321
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	93.575			1,801,265

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Grants to States for Access and Visitation Programs	93.597		40,000	53,147
Head Start	93.600			7,770,258
Developmental Disabilities Basic Support and Advocacy Grants	93.630			247,968
Stephanie Tubbs Jones Child Welfare Services Program	93.645			221,225
Social Services Block Grant	93.667			49,058
Child Abuse and Neglect State Grants	93.669			3,940
Family Violence Prevention and Services/Domestic Violence				
Shelter and Supportive Services	93.671			95,811
PPHF: Health Care Surveillance/Health Statistics - Surveillance				
Program Announcement: Behavioral Risk Factor Surveillance				
System Financed in Part by Prevention and Public Health Fund	93.745			52,907
Preventive Health and Health Services Block Grant				
Funded solely with Prevention and Public Health Funds (PPHF)	93.758			225,612
Children's Health Insurance Program	93.767			6,143,471
<u>Medicaid Cluster</u>				
Medical Assistance Program	93.778			51,423,335
HIV Care Formula Grants	93.917			1,003,499
HIV Prevention Activities-Health Department Based	93.940			665,323
Human Immunodeficiency Virus (HIV)/Acquired				
Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			122,814
Assistance Programs for Chronic Disease Prevention and Control	93.945			252,807
Block Grants for Community Mental Health Services	93.958			48,748
Block Grants for Prevention and Treatment of Substance Abuse	93.959			881,793
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977			181,736
Maternal and Child Health Services Block Grant to the States	93.994			1,167,288
Total U.S. Department of Health and Human Services			2,076,594	93,203,564

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through		Total Federal Expenditures
		Entity Identifying Number	Passed Through to Subrecipients	
U.S. Department of Transportation				
<u>Highway Planning and Construction Cluster</u>				
Highway Planning and Construction	20.205			23,516,625
Motor Carrier Safety Assistance	20.218			262,386
<u>Federal Transit Cluster</u>				
Federal Transit - Capital Investment Grants	20.500			31,493
Federal Transit - Formula Grants	20.507			1,065,232
Total Federal Transit Cluster				1,096,725
<u>Highway Safety Cluster</u>				
State and Community Highway Safety	20.600			634,340
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			9,917
Total U.S. Department of Transportation				25,519,993
U.S. Department of Labor				
Labor Force Statistics	17.002			304,285
Compensation and Working Conditions	17.005			106,259
<u>Employment Service Cluster</u>				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,442,101
Disabled Veterans' Outreach Program (DVOP)	17.801			121,171
Total Employment Service Cluster				1,563,272
Unemployment Insurance	17.225			12,670,860
Senior Community Service Employment Program	17.235			1,062,630
<u>WIA/WIOA Cluster</u>				
WIA/WIOA Adult Program	17.258			598,960
WIA/WIOA Youth Activities	17.259			938,578
WIA/WIOA Dislocated Worker Formula Grant	17.278			332,797
Total WIA Cluster				1,870,335

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through		Total Federal Expenditures
		Entity Identifying Number	Passed Through to Subrecipients	
Work Opportunity Tax Credit Program (WOTC)	17.271			14,718
Temporary Labor Certification for Foreign Workers	17.273			61,499
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			16,178
Occupational Safety and Health-State Program	17.503			78,348
Total U.S. Department of Labor				17,748,384
U.S. Department of Education				
<u>Special Education Cluster (IDEA)</u>				
Special Education - Grants to States	84.027			8,292,960
Impact Aid	84.041			142,571
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			1,972,777
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177			31,652
Special Education - Grants for Infants and Families	84.181			787,570
School Safety National Activities (formerly Safe and Drug-Free Schools and Communities-National Programs)	84.184			670,280
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			31,890
Territories and Freely Associated States Education Grant Program	84.256			662,200
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330			12,971
Striving Readers	84.371			162,590
Statewide Longitudinal Data Systems	84.372			634,902
Consolidated Grant to the Outlying Areas	84.403			5,299,118
Total U.S. Department of Education				18,701,481

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Interior				
<u>Fish and Wildlife Cluster</u>				
Sport Fish Restoration Program	15.605			849,782
Wildlife Restoration and Basic Hunter Education	15.611			614,277
<u>Total Fish and Wildlife Cluster</u>				1,464,059
Cooperative Endangered Species Conservation Fund	15.615			16,125
Sportfishing and Boating Safety Act	15.622			54,845
State Wildlife Grants	15.634			69,800
Economic, Social, and Political Development of the Territories	15.875		115,718	1,294,970
Historic Preservation Fund Grants-In-Aid	15.904		124,300	525,759
<u>Total U.S. Department of the Interior</u>			240,018	3,425,558
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			3,862,245
U.S. Environmental Protection Agency				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			16,915
State Clean Diesel Grant Program	66.040			307,945
Construction Grants for Wastewater Treatment Works	66.418			3,901,219
Water Quality Management Planning	66.454			74,584
<u>Drinking Water State Revolving Fund Cluster</u>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468			1,937,712
Beach Monitoring and Notification Program Implementation Grants	66.472			106,170
Performance Partnership Grants	66.605			1,682,726
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			95,132
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			20,170
State and Tribal Response Program Grants	66.817			98,997
<u>Total U.S. Environmental Protection Agency</u>				8,241,570

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
U.S. Department of Homeland Security				
Boating Safety Financial Assistance	97.012			649,768
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		314,637	830,406
Emergency Management Performance Grants	97.042			795,417
Pre-Disaster Mitigation	97.047		348,598	421,439
Homeland Security Grant Program	97.067			889,454
Total U.S. Department of Homeland Security			663,235	3,586,484
U.S. Department of Justice				
Sexual Assault Services Formula Program	16.017			45,322
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540			75,155
National Criminal History Improvement Program (NCHIP)	16.554			7,529
Crime Victim Assistance	16.575		99,585	276,490
Crime Victim Compensation	16.576			74,137
Violence Against Women Formula Grants	16.588		112,272	439,432
Residential Substance Abuse Treatment for State Prisoners	16.593			64,523
State Criminal Alien Assistance Program	16.606		17,000	19,786
Public Safety Partnership and Community Policing Grants	16.710			741,283
Enforcing Underage Drinking Laws Program	16.727			9,900
Edward Byrne Memorial Justice Assistance Grant Program	16.738		60,590	360,984
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			65,647
Support for Adam Walsh Act Implementation Grant Program	16.750			155,351
Total U.S. Department of Justice			289,447	2,335,539

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through		Total Federal Expenditures
		Entity Identifying Number	Passed Through to Subrecipients	
U.S. Department of Commerce				
<u>Economic Development Cluster</u>				
Economic Adjustment Assistance	11.307			101,975
Interjurisdictional Fisheries Act of 1986	11.407			1,844
Coastal Zone Management Administration Awards	11.419			702,139
Financial Assistance for National Centers for Coastal Ocean Science	11.426			5,310
Marine Fisheries Initiative	11.433			68,178
Cooperative Fishery Statistics	11.434			141,640
Southeast Area Monitoring and Assessment Program	11.435			194,191
Regional Fishery Management Councils	11.441			152
Meteorologic and Hydrologic Modernization Development	11.467			283,363
Coral Reef Conservation Program	11.482			477,542
State and Local Implementation Grant Program	11.549			144,888
Total U.S. Department of Commerce				2,121,222
National Endowment for the Arts				
Promotion of the Arts - Partnership Agreements	45.025		315,300	315,300
Grants to States	45.310			125,990
Total National Endowment for the Arts			315,300	441,290
U.S. Department of Energy				
State Energy Program	81.041			126,298
Weatherization Assistance for Low-Income Persons	81.042			149,104
Total U.S. Department of Energy				275,402

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002			26,292
<u>Foster Grandparent/Senior Companion Cluster</u>				
Foster Grandparent Program	94.011		316	201,520
Total Corporation for National and Community Service			316	227,812
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001			86,261
Total Expenditures of Federal Awards			\$ 3,621,413	\$ 258,211,306

See accompanying notes to the schedule of expenditures of federal awards.

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all Federal award programs administered by the Government of the United States Virgin Islands (the Government), as defined in a manner consistent with the entity defined in the basic financial statements as of and for the year ended September 30, 2016, 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, 2016.

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 Agency number followed by (.000).

3. Basis of Accounting

The expenditures for each of the Federal award programs are presented in the Schedule on a modified accrual basis, except for nonmonetary programs, which are presented based on the fair value of the food stamps (CFDA No. 10.561 in the amount of \$56,766,573) and the food cost (CFDA No. 10.557 in the amount of \$3,894,629) distributed during the year. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. The Government's accounting system provides the primary information from which the Schedule is prepared.

4. Matching Costs

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

5. Indirect Cost Rate

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

Government of the United States Virgin Islands

Notes to Schedule of Expenditures of Federal Awards

6. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which 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 2016, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$798,922 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. The State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under CFDA No. 17.225.

Territory UI Benefits (Trust Fund)	\$ 9,808,766
Federal UI Benefits (Administration)	2,862,094
<hr/>	
Total	\$ 12,670,860

9. Research and Development Programs

The Government may receive and expend Federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2016, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.555/10.556	Child Nutrition Cluster	Qualified
10.561	Supplemental Nutrition Assistance Program Cluster	Qualified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Unmodified
17.225	Unemployment Insurance	Qualified
17.207/17.801	Employment Service Cluster	Qualified

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
20.205	Highway Planning and Construction Cluster	Qualified
66.418	Construction Grants for Wastewater Treatment Works	Qualified
93.044/93.045/93.053	Aging Cluster	Adverse
93.563	Child Support Enforcement	Qualified
93.600	Head Start	Unmodified
93.767	Children's Health Insurance Program	Unmodified
93.778	Medicaid Cluster	Adverse

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

 X Yes No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.556	Child Nutrition Cluster
10.561	Supplemental Nutrition Assistance Program Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
17.207/17.801	Employment Service Cluster
20.205	Highway Planning and Construction Cluster
66.418	Construction Grants for Wastewater Treatment Works
93.044/93.045/93.053	Aging Cluster
93.563	Child Support Enforcement
93.600	Head Start
93.767	Children's Health Insurance Program
93.778	Medicaid Cluster

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

\$3,000,000

Auditee qualified as low-risk auditee?

 Yes X No

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Section II - Financial Statement Findings

Finding 2016-001: Year-End Close Process

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

Timeliness and Methodology of Close Process

Finding and Recommendation:

- We noted a significant delay in the year-end closing process and preparation of year-end financial statements. We noted that in many cases, reconciliations were finalized during the audit process, which represents a substantial delay when compared to the Government's fiscal year-end. Therefore, detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Significant post-closing adjustments were provided during the audit process. 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 certain inconsistencies with the incorporation of component units' financial statements as it related to classification and reporting of account balances along with completeness of disclosures in the footnotes to the financial statements. These types of instances resulted in financial reporting adjustments to the Government's draft financial statements.
- We noted a certain Fund had not been presented in accordance with the stated accounting and reporting requirements and resulted in financial reporting adjustments to the Government's draft financial statements.

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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.

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. Management should consider strict adherence to or a revision of its records retention policy.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding 2016-002: 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 and Planned Corrective Actions - 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.

Allowance for Doubtful Accounts

Finding and Recommendation:

Adjustments to the allowances for doubtful accounts are calculated by the use of a formula that was established many years ago.

This computation places a high degree of reliance on past experience and can be greatly influenced by specific large write-offs that may occur from time to time. It is difficult to determine whether these historical formulas are properly matching bad-debt expense and tax revenue in the most appropriate manner, but it appears that the total allowances are somewhat understated.

We believe that consideration should be given to re-evaluating the Government's model for establishing the allowances required to include some accounts receivable performance measures. Poor practices in this area have a direct negative impact on the Government because this affects cash flow. An updated analysis will provide management with accurate doubtful-account allowances that matches bad-debt expense with tax revenue.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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.

Tax Return Processing Method

Finding and Recommendation:

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The 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 Taxes

Finding and Recommendation:

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

- During our procedures over income tax receivables, we noted two (2) items which contained data input errors and forty-six (46) items contained variances with respect to interest and penalty calculations.
- During our procedures over gross receipts tax receivables, the Government was unable to provide supporting documentation for one (1) item. We also noted three (3) items with data input errors and twenty-four (24) items contained variances with respect to interest and penalty calculations.
- During our procedures over income tax refund expenses, the Government was unable to provide supporting documentation for one (1) item.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

- During our procedures over tax refunds payable, the Government was unable to provide supporting documentation for one (1) item and fifteen (15) items contained variances with respect to interest calculation.

Views of Responsible Officials and Planned Corrective Actions - 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 an inability to assess account aging and to produce aged outstanding receivable reports, as well as a lack of ability to generate a cut-off balance as of any given point in time. As a result, knowledge of the composition and quality of the Government's receivables is significantly impaired and this has a direct effect on the accuracy of financial reporting and financial decision-making. For instance, the collections used to calculate the modified accrual basis adjustment(s) for financial reporting purposes are not regularly reconciled to ensure accurate and proper cut-off of information has been captured in order to establish 'available cash.' Management may consider contacting the vendor of the CAVU system to request the development of and/or the capability of producing accurate aged receivable reports as well as a functionality or reporting tool to produce cut-off balances at any given point in time. This would assist the Government in establishing a system that produces timely and accurate financial information.

Views of Responsible Officials and Planned Corrective Actions - The 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 eleven (11) 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.
- 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 and Planned Corrective Actions - 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, 2016

Other Revenue

Finding and Recommendation:

During our procedures over charges for services, interest, and other revenues, the Government was unable to provide adequate supporting documentation for 35%-40% of the sampled items. Management should consider strict adherence to or a revision of its records retention policy.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding 2016-003: Grants Management

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

Control Systems Over the Schedule of Expenditures of Federal Awards

Finding and Recommendation:

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

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

- Approximately \$5.1 million had been reflected as expenditures for Catalog of Federal Domestic Assistance (CFDA) Number 93.041, *Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation*; however, the majority of these funds had actually been spent for various other Federal programs received from the U.S. Department of Health and Human Services and as such, numerous adjustments were necessary.
- Approximately \$956,000 had been reflected as expenditures for CFDA Number 93.569, *Community Services Block Grant*; however, the majority of these funds had actually been spent for various other Federal programs.
- Approximately \$6.1 million had been reflected as expenditures for CFDA Number 93.778, *Medical Assistance Program*; however, these funds had actually been spent for CFDA Number 93.767, *Children's Health Insurance Program*. This resulted in an adjustment to the number of major programs requiring an audit under the prescribed requirements.
- Approximately \$68,000 in expenditures had erroneously been recorded to CFDA Number 10.555, *National School Lunch Program* but belonged to CFDA Number 10.558, *Child and Adult Care Food Program*.
- Approximately \$76,000 in expenditures had erroneously been recorded to CFDA Number 17.207, *Employment Service/Wagner-Peyser Funded Activities* but belonged to CFDA Number 17.271, *Work Opportunity Tax Credit Program* and CFDA Number 17.273, *Temporary Labor Certification for Foreign Workers*.
- Approximately \$772,000 in expenditures had erroneously been recorded to CFDA Number 93.600, *Head Start* but belonged to CFDA Number 10.558, *Child and Adult Care Food Program*.
- Approximately \$711,000 in expenditures had not been reflected in CFDA Number 20.205, *Highway Planning and Construction Program*.

While we noted an improvement in fiscal year 2016, communication and reconciliation mechanisms should be continued 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 and Planned Corrective Actions - 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, 2016

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 and related revenues on a periodic basis. We noted an improvement in record-keeping whereby, the Government implemented a process of establishing a discrete and separate receivable balance on a per grant/project basis. However, the following key components were 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.
- During our sampled procedures over collections, we noted that for eight (8) items in the Federal Grants Fund and for four (4) items in the General Fund, adequate supporting documentation was not readily available.

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. As such, we recommend that management investigate and review these balances and take the appropriate action which would encompass an effective review and follow-up on individual accounts on a periodic basis.

The Government's records do not permit, nor is it practical to extend audit procedures sufficient to determine the extent by which the Governmental Activities and the Federal Grants Fund may have been impacted, as of and for the year ended September 30, 2016, thereby affecting the auditor's ability to opine on said opinion units.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-004: Capital Assets and Related Expenditures

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

- One (1) addition had been reflected in the current year, but was actually an addition for the subsequent fiscal year.
- Fourteen (14) items had invoice dates in fiscal year 2015, but had been paid and capitalized in fiscal year 2016.
- The Government has a significant number of on-going construction projects. The necessary analysis to identify completed projects was completed during the audit process and it was discovered that for many of these completed projects, the actual date of completion was unknown. As such, 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 several instances, the 'release of claims' date did not correspond with the actual date the project was placed in service.
 - 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.
- Effective internal control over financial reporting ensures timely and consistent involvement of key personnel in evaluating the impact of significant agreements and/or transactions. During the fiscal year, the Government received certain properties, which based on the bulk nature and/or industrial site of said properties, should have been catalogued and valued as part of a residential and commercial real estate portfolio. We recommend management consider an evaluation of its approach in integrating key financial liaisons within each of the operating departments or agencies to work as a team and in an effort to streamline the process, to effectively coordinate information processing and retention, to maintain comprehensive accountability, as well as monitor various compliance aspects.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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.

Impairment and Disposals

Finding and Recommendation:

The Government's impairment analysis was performed during the annual financial statement close. During our sampled capital asset observation procedures, we noted the following:

- One (1) item was disposed of in fiscal year 2014 but still appeared on the schedules provided and three (3) other items could not be located.
- One (1) item had been reflected as placed in service in fiscal year 2014; however, the item remained in its shipping package and had not been installed or placed in service.
- Various Government vehicles had been sold; however, no records related to the final sales price or specific identification of which assets were sold was maintained and/or provided to the Department of Finance for record-keeping purposes.
- The Government was unable to provide evidence that a physical inventory had been performed. Additionally, there is no process in place in which the results of the physical inventory are communicated to the Department of Finance so that necessary adjustments can be recorded. 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.

We recommend that the Government implement a formal process whereby, a periodic impairment assessment is conducted, independent of the external audit. Further, to ensure that all disposals and retirements are consistently processed, we recommend that formal policies be adopted. The results of periodic physical counts should be readily available for analysis by external parties and further, the results should be compared to the detailed capital asset subsidiary ledger. This will help improve the tracking of assets for disposal and impairment purposes.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Reconciliation of Subsidiary Register

Finding and Recommendation:

The Government maintains a subsidiary register for the purpose of calculating depreciation for all assets. We noted that a reconciliation of the subsidiary ledger to the general ledger was not available. We recommend that all assets in the subsidiary register be reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation. To prevent the need for major adjustments at the end of each year, we suggest that the general ledger accounts be reconciled to the detailed records on a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-005: Recording of Liabilities

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

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

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

Retroactive Pay Liability

Finding and Recommendation:

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

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, 2016, thereby effecting the auditor's ability to opine on said opinion units. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be provided to an actuarial service provider as it facilitates the Government in calculating the year-end liability.

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

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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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 and Planned Corrective Actions - 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 / post closure cost estimates for the three landfills in the U.S. Virgin Islands. During our procedures, we noted several discrepancies in these reports as it related to the assumptions utilized and to the cost reconciliation. For instance, the annual closure maintenance costs were calculated based on 34 years of monitoring versus the required 30 years. We recommend the Government adhere to its monitoring controls to ensure that all calculations are reviewed.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding 2016-006: Management of the Medicaid Program

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

Cost Report Audits

Finding and Recommendation:

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

The costs incurred by the hospitals, long-term care facilities and/or Federally Qualified Health Centers (FQHC) participating in the Medicaid program are to be summarized in a cost report which, in turn, is to be submitted to the Department. The cost reports are then required to be audited per the Government's Medicaid State Plan. Based on audits of the cost reports, a receivable or a payable should be recorded for the difference between costs submitted for reimbursement and the costs actually reimbursed.

We noted that the Department has not audited cost reports 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 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, 2016, thereby effecting the auditor's ability to opine on said opinion units.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

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 and Planned Corrective Actions - 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, 2016

Finding 2016-007: Unemployment Insurance Trust Fund

Account Reconciliation Process

Finding and Recommendation:

We noted that the majority of the account reconciliations were not available during the audit process. Others contained incomplete information and/or were not in accordance with required accounting practices. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficient to determine the extent by which the Business Type Activities and Unemployment Insurance Trust Fund may have been impacted, as of and for the year ended September 30, 2016, thereby affecting the auditor's ability to opine on said opinion unit.

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-008: Workers Compensation Program

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

Accuracy of the Program Loss Reserves

Finding and Recommendation:

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

We noted that the data underlying the Government's analysis is as of September 30, 2013. A delay in claims payments during the 36 months beginning October 1, 2013 and ended September 30, 2016, resulted in significantly lower paid amounts in the data valued as of September 30, 2016, compared with the prior period evaluation. As such, the Government's actuary concluded that there is no predictive value in the data as of September 30, 2016. Since loss development factors are determined based on the assumption that a percentage of the total reported losses are paid at any given point in time, the application of the paid patterns underlying the Government's loss triangles to the paid losses valued as of September 30, 2016, would have resulted in understating the ultimate values.

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Government Insurance Fund

Finding and Recommendation:

We noted a financial strain (from claims) due to a mismatch from the Government's employers' premium contributions into the *Government Insurance Fund*. For the years ended September 30, 2016 and 2015, the ratio of expenditures to income has been 211% and 152%, respectively. It appears that losses since the financial crisis of 2008 have easily exceeded the premiums collected *sans* the impact of operational costs to run the Workers Compensation portion of the Fund. In order to maintain continued solvency, we recommend that management consider an evaluation of the claims adjudication and related processes (as an attempt to lower the costs) in lieu of making any increases to the likely mandated employer contribution formulas. Management may also consider embarking on an advisory path to consider some alternatives that could minimize the severity of any losses.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-009: Pension Plan Obligations

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 post-employment benefits (OPEB) for healthcare, prescriptions, dental, and life insurance coverage.

Plan Funding Considerations

Finding and Recommendation:

We noted that the Government has not funded the minimum annual required contributions (ARC) for the Retirement System and the OPEB plan for a number of years.

- The Government funded 28% of the minimum ARC for the Retirement System for the year ended September 30, 2016. The most recent GERS actuarial valuation report as of October 1, 2015, disclosed a net pension liability of \$4.1 billion which represents a long-term obligation the Government has to fund.
- The Government funded 43% of the ARC for the OPEB plan, for the year ended September 30, 2015, the last year an actuarial valuation was performed. As of such point in time, the actuarial accrued liability and funding status showed an unfunded accrued obligation of \$1.0 billion. As a result of the accumulated underfunded ARC over a number of years, the Government has amassed a net OPEB obligation of \$357 million as reflected on the books and records.

Management may consider embarking on an advisory path to study other alternatives to ensure the minimum ARC obligations are met each year. 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 and Planned Corrective Actions - 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 Valuation Methodology

Finding and Recommendation:

The Government has not obtained the required bi-annual actuarial valuation for its OPEB plan in order to determine the projected liability, minimum funding requirements, and certain required supplemental information (RSI) for 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 Governmental Activities may have been impacted, as of and for the year ended September 30, 2016, thereby effecting the auditor's ability to opine on said opinion unit.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

We recommend that the Government consider engaging an actuarial service provider to calculate the OPEB obligation, minimum funding requirements, and RSI information.

Views of Responsible Officials and Planned Corrective Actions - 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 an Appendix B to the Single Audit Report.

Plan Census Data and Upcoming Pronouncement

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.

- Effective for the fiscal year ending September 30, 2017, the Government will be required to implement Statement No. 73 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The standard will require that a pension liability determined by an actuarial valuation be recorded for both the Elected Governors and Elected Lieutenant Governors Retirement Fund and the Judges Pension Fund.
- Furthermore, effective for the fiscal year ending September 30, 2018, the Government will be required to implement Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The standard will require that a liability be recorded for the unfunded OPEB actuarial accrued obligation.

We recommend adequate resources be allocated to properly evaluate all census information provided to the various actuarial service providers as they facilitate the Government in calculating the related liabilities. The employee data in the census information should be accurate or it could have a material effect on the Government's financial statements and the auditor's ability to opine on said financial statements.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-010: 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 2016, we noted an overall improvement in frequency with respect to the preparation of bank reconciliations. We continue to recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. Ideally, these reconciliations and reviews should take place on a monthly basis. 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. Outstanding checks and other uncleared reconciling items that are over one year old should be investigated and removed from the bank reconciliations and the original transactions should be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month and from year to year. As an auxiliary step, consideration should also be given to the Territory's unclaimed property laws.
- In several instances, we noted deposits at year-end which had not been credited to the respective bank accounts until several weeks later. As a result, cash is not available for expenditures or investment. We recommend that deposits be made on a daily basis both to improve cash flow and to reduce the risk of loss. The Government might consider the use of a lockbox system, whereby payments are sent to a post office box and collected by the bank each day.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-011: Payroll, Related Accruals, and Other Expenditures

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

Payroll Expenditures

Finding and Recommendation:

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

- Six (6) terminated employees still appeared on the compensated absences schedule. Although no associated compensation liability was noted, management should ensure that terminated employees are processed accurately and removed from the respective payroll records.

We also noted that the compensated absences schedule includes some redundant data. 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.

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

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.

Views of Responsible Officials and Planned Corrective Actions - 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 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 two (2) items for which proper support for the expenditures was not readily available within the ERP system, yet the expenditures had been approved. While the supporting information was subsequently provided, in order to strengthen internal controls over disbursements, it is recommended that the Government adhere to its stated policies.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-012: Information Technology Environment

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

Finding and Recommendation:

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

- At the present time, the program change process is informal in nature, including business user approvals to migrate the requested changes into production for the following applications:
 - Property Information System
 - CAMA
 - CARIBS
 - VITAX
 - ScanOptics
 - RawData
- The Oracle programmer has the ability to migrate program changes into the production environment of VIDOLA\$.
- There is an IT Consultant with administrative access to the OS/400 system, which provides the individual with update access to the production environment of the VITAX application.

We noted the following during our procedures over user access:

- A terminated user had active accounts within MUNIS and Timeforce.
- 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).
- There is a shared application level administrative account used by the IT team on the VITAX application.
- Multiple members of IT and IT Consultants have access to the sysadmin (sa) account for the ScanOptics application which allows them access to the production environment and database.
- Direct access to the SQL database management system which supports the ScanOptics and RawData applications is provided to IT Consultants and internal IT employees via a shared login account and password. The access noted for RawData provides administrative access as well as the capability to edit the job schedule.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Windows Domain:

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

Applications:

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

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

- Application level administrative access is provided to non-IT personnel as well as IT consultants for ScanOptics.
- Administrative access rights to the Windows domain at the Bureau of Internal Revenue is provided to non-IT personnel as well as IT consultants.
- Application level administrative access to the Timeforce application is provided to non-IT personnel.

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
- CAVU
- VIMS
- Property Information System
- 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.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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 and Planned Corrective Actions - 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, 2016

Finding 2016-013: Landfill Consent Decrees

Finding and Recommendation:

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

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

During our procedures, we noted that there are a number of noncompliance matters with respect to EPA decrees concerning the Anguilla and Bovoni landfills. These matters are comprised of various health and safety risks, lack of submission of various required reports, and a non-completion of the groundwater monitoring system for the Anguilla landfill perimeter. We also noted that penalties associated with these noncompliance matters will continue to accrue at 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 and Planned Corrective Actions - 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, 2016

Finding 2016-014: Establishment of a Medical Malpractice Trust Fund

Finding and Recommendation:

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding 2016-015: 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 a justification letter must describe the need for a purchase, competitive prices must be obtained from other suppliers, and note the accepted delivery terms. If the intent of the justification letter is to seek approval for an exception to the Procurement Code, then that relevant section of the law must be referenced in the justification letter.

We noted an instance where a justification letter did not meet the stated requirements. We recommend that the Government perform periodic reviews of purchase orders and contracts to ensure that regulations are being adhered to.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Section III - Federal Award Findings and Questioned Costs

Finding Number: 2016-016
Prior Year Finding Number: 2015-017
Compliance Requirement: Cash Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

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

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

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

Condition - We reviewed 8 out of 18 drawdowns made during fiscal year 2016, totaling \$2,484,163, and noted that 7 out of the 8 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$3,980,976.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-017
Prior Year Finding Number: 2015-018
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

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

Criteria - Per 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, we selected 5 equipment items for inspection and noted 2 instances where the equipment location per the DPP equipment register did not agree with the actual location upon inspection.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-018
Prior Year Finding Number: N/A
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

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

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

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, including activities pertaining to Federal contracts. In our review of 4 procurement transactions meeting the test threshold, 3 out of the 4 procurement files were not available for review.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements. We reviewed 4 procurement files with expenditures totaling \$261,747, for fiscal year 2016.

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

Recommendation - We recommend that 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 and Planned Corrective Actions - 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, 2016

Finding Number: 2016-019
Prior Year Finding Number: 2015-019
Compliance Requirement: Reporting

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

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

Criteria - In accordance with the 2 CFR Part 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 8 out of 21 reports, due for existing projects, as submitted by DHS in fiscal year 2016, and noted 2 instances where the financial information did not agree with the underlying supporting documents.

Questioned Costs - Not determinable.

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

Effect - DHS is not in compliance with the stated provisions. In addition, inaccurate information may have reported to the Federal government.

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-020
Prior Year Finding Number: 2015-029
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 #: 02CH3011/02, 02CH3011/03, 02CH3011-04

Award Year: 07/01/2013 - 06/30/2018

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

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

Condition - We reviewed 9 out of 51 drawdowns made during fiscal year 2016, totaling \$1,308,227, and noted that the 4 of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$8,922,503.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-021
Prior Year Finding Number: 2015-030
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02, 02CH3011/03, 02CH3011-04

Award Year: 07/01/2013 - 06/30/2018

Criteria - Per 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.

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

Questioned Costs - Not determinable.

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

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-022
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)

Head Start

CFDA #: 93.600

Award #: 02CH3011/02, 02CH3011/03, 02CH3011-04

Award Year: 07/01/2013 - 06/30/2018

Criteria - Per 2 CFR 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 2 CFR 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 specific in the terms and conditions of the Federal award.

Condition - We selected 9 transactions and noted that 4 transactions were outside the period of performance. Additionally, 1 transaction included payroll costs for an individual who did not work on the Head Start program.

Questioned Costs - Not determinable.

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

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

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

Recommendation - We recommend that 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.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-023
Prior Year Finding Number: 2015-034
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 Year: 07/01/2012 - 09/30/2017

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

The CMIA agreement stipulates that funding for payments to vendors and all other costs require the use of an average clearance funding technique and a clearance pattern of 7 days for this program. The CMIA agreement also stipulates that funding for payments for salaries requires the use of an average clearance funding technique and a clearance pattern of 0 days for this program. These techniques require DHS to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

Condition - We reviewed 12 out of 104 drawdowns made during fiscal year 2016, totaling \$13,909,358, and noted that 2 out of the 12 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted the usage of non-government issued electronic mail addresses when completing drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$49,967,634.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-024
Prior Year Finding Number: 2015-035
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 Year: 07/01/2012 - 09/30/2017

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

2 CFR 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 our testing of eligibility, we noted that DHS did not have consistent monitoring processes in place to review eligibility determinations made.

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

- For 2 participants, there was no evidence the applicant had completed an application.
- For 14 participants, there was no documentation in the case files supporting the verification of income requirements.
- For 7 participants, there was no documentation in the case files that the applicant had provided a social security card.
- For 4 participants, there was no documentation in the case files supporting verification of the citizenship or immigration status requirements.
- For 1 participant, there was no evidence that the applicant was a "qualified alien".
- For 1 participant, there was no evidence that a recertification was done within 12 months.
- For 39 participants, there was no evidence that a review and approval of the eligibility determination had been performed.
- DHS was unable to provide 16 participant case files for our review.
- 1 participant was determined eligible due to lack of employment. It was noted that the applicant went back to work and provided pay stubs. However, DHS personnel failed to update the applicant's case file.

We also noted that the State or Territory Plan had not been completely updated with all amendments.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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. Further, DHS does not appear to have a process in place for periodic updates to its State or Territory Plan.

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. We also recommend that management review the State or Territory Plan to ensure all provisions are current and all amendments are incorporated.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-025
Prior Year Finding Number: 2015-036
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 Year: 07/01/2012 - 09/30/2017

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

Condition - DHS provides Medicaid services to eligible Territory residents through inpatient hospitals and long-term care facilities. These hospitals and facilities include various Territory agencies and third-party service providers. The costs incurred by these facilities are summarized in a cost report that is submitted to DHS. We noted that DHS had not audited cost reports for fiscal year 2016.

Questioned Costs - Not determinable.

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

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-026
Prior Year Finding Number: 2015-038
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 Year: 07/01/2012 - 09/30/2017

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

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

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-027
Not used.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Finding Number: 2016-028

Prior Year Finding Number: 2015-040

Compliance Requirement: Special Tests and Provisions - Utilization Control & Program Integrity

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 07/01/2012 - 09/30/2017

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

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

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

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

Questioned Costs - Not determinable.

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

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-029
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

CFDA #: 93.767

Award #: 05-1605VQ5021

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

Criteria - 2 CFR 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 reviewed 69 claims processed during fiscal year 2016 totaling \$995,376, and noted an overpayment amounting to \$70,663 for 1 claim. The claim was paid to an out of state provider which should have been paid using the Diagnosis Related Group (DRG) rates. Claims from an out of state provider must be manually adjusted to DRG rates before being processed for payment; however, this claim was adjudicated without changing the rate to DRG. DHS was subsequently refunded when the provider noticed the overpayment.

We also noted an additional 5 claims processed from out of state providers which were paid and subsequently corrected and refunded due to incorrect rates used prior to payment.

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 providers 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 provider case files.

Recommendation - We recommend that DHS perform regular reviews of the data in its provider case files to ensure accuracy and completeness and confirming that only eligible providers 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. In addition, we recommend that DHS determine the feasibility of automating the adjudication process within the MMIS system.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-030
Prior Year Finding Number: N/A
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
CFDA #: 93.767
Award #: 05-1605VQ5021
Award Year: 10/01/2014 - 09/30/2016

Criteria - In accordance with 31 CFR 205.33(a), a State or Territory must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State or Territory to the minimum amounts needed and must time the disbursement to be in accord with the actual, immediate cash requirements.

Condition - We reviewed 4 out of 11 drawdowns made during fiscal year 2016, totaling \$3,268,163, and noted that 2 out of the 4 sampled drawdowns were requested several months after the expenditures had been incurred. We also noted the usage of non-government issued electronic mail address for the sampled drawdowns when completing said drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements and general compliance principles. Total fiscal year 2016 drawdown requests were \$5,736,130.

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

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-031
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, Earmarking

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Children's Health Insurance Program

CFDA #: 93.767

Award #: 05-1605VQ5021

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

Criteria - In accordance with the Compliance Supplement, the State or Territory is required to pay part of the costs of providing health care to eligible recipients 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 noted 3 out of 60 sampled claims had utilized an incorrect Federal financial participation percentage which resulted in an understatement of expenditures reported for the fourth quarter of fiscal year 2016.

Further, during our reconciliation of the Federal Medical Assistance percentage, we noted that the underlying financial information used to prepare the fourth quarter CMS-64 report was incorrect. DHS submitted a corrected CMS-64 during the second quarter of fiscal year 2017.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the specified requirements. The expenditures charged to the program were understated by \$51,557.

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure complete compliance with federal financial participation rates.

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 and Planned Corrective Actions - 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, 2016

Finding Number: 2016-032

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)

Children's Health Insurance Program

CFDA #: 93.767

Award #: 05-1605VQ5021

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

Criteria - In accordance with the Compliance Supplement, the State or Territory is required to submit thirty days after the end of the quarter, a CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program*.

Condition - We reviewed 3 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted that the fourth quarter report's financial information did not agree with the underlying records. We also noted there was no evidence of a review or approval.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with 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, and consistent.

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-033
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)

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

Criteria - 2 CFR 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, 2 CFR 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 employees and noted the following:

- 5 employees' time and effort certifications were not available.
- 26 employees' time and effort certifications did not support the payroll period being tested.
- For 1 employee, the project code per the Notice of Personnel Action form did not agree to the project code reported as per the payroll register.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2016 was \$1,082,371.

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, 2016

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 and Planned Corrective Actions - 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, 2016

Finding Number: 2016-034
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

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

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

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

Condition - We reviewed 16 out of the 107 drawdowns made during fiscal year 2016, totaling \$1,468,544, and noted the following:

- 14 out of the 16 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.
- 5 out of the 16 sampled drawdowns did not contain evidence of review and approval.
- We also noted the usage of non-government issued electronic mail address for 4 out of the 16 sampled drawdowns when completing said drawdowns.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$2,753,289.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-035
Prior Year Finding Number: N/A
Compliance Requirement: Eligibility

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

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

2 CFR 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 Compliance Supplement states that "service providers may include profit-making organizations except that providers of case management services must be public or no-profit agencies (42 USC 3026(a)(8)(C))."

Condition - DHS Senior Citizen Affairs (SCA) is responsible for determining eligibility for service providers. During our testing of eligibility, we noted that SCA did not have a process in place to review eligibility determinations made.

Questioned Costs - Not determinable.

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

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure service providers are accurately being assessed for a sub-award(s).

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-036
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, and Earmarking

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

Criteria - In accordance with the Compliance Supplement, a State or Territory must spend for both services and administration at least the average amount of funds it spent under the State plan for these activities for the 3 previous fiscal years. If the State or Territory agency spends less than this amount, the Assistant Secretary for Aging reduces the State's or Territory's allotments for supportive and nutrition services under this part by a percentage equal to the percentage by which the State or Territory reduced its expenditures (42 USC 3029 (c); 45 CFR section 1321.49).

Further, overall expenditures for administration are limited to the greater of five percent (or \$75,000 or \$100,000 for the U.S. territories) of the overall allotment to a State or Territory under Title III unless a waiver is granted by the Assistant Secretary for Aging (42 USC 3028 (b)(1), (2), and (3)).

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

Additionally, DHS does not have a separate account code established in its ERP system for capturing administrative costs in an effort to meet the earmarking requirement.

Questioned Costs - Not determinable.

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

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

Cause - DHS does not appear to have adequate policies and procedures in place to ensure complete compliance with the level of effort and earmarking requirements.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-037
Prior Year Finding Number: N/A
Compliance Requirement: Subrecipient Monitoring

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

Criteria - 2 CFR 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 - DHS failed to provide evidence of monitoring and reviewing sub-grantees to ensure effective management of the sub-awards.

Questioned Costs - Not determinable.

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

Effect - Failure to properly monitor sub-grantees could lead to inappropriate use of Federal funds.

Cause - It appears that policies and procedures, including monitoring procedures were not functioning as intended and DHS failed to comply with the stated requirements.

Recommendation - We recommend that DHS establish a procedure to monitor the activities of subrecipients, including reviews and follow-up measures in order to act upon the findings and status of corrective action plans, if any.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-038
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 Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - 2 CFR 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, 2 CFR 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 40 employees and noted the following:

- 9 employees' time and effort certifications were not available.
- 1 employee's payroll cost had been charged to the program after the effective date of his/her transfer to another division.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOJ's compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2016 was \$2,129,150.

Effect - DOJ 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 - DOJ 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 DOJ improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for 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 DOJ in a timely manner.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-039
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 Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - 2 CFR 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 sampled and selected 40 transactions and noted the following:

- 21 transactions did not contain evidence of review and approval.
- 4 supporting invoices did not agree to the actual amount paid.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOJ's compliance with specified requirements. The total amount of non-payroll expenditures charged to the program in fiscal year 2016 was \$861,375.

Effect - DOJ 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 - DOJ does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of its transactions.

Recommendation - We recommend that DOJ improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for expenditures. Such information should also be monitored, retained, and approved by a responsible official of DOJ in a timely manner.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-040
Prior Year Finding Number: 2015-049
Compliance Requirement: Cash Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

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

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

Condition - We reviewed 8 out of the 67 drawdowns made during fiscal year 2016, totaling \$366,307, and noted the following:

- All 8 sampled drawdowns did not contain evidence of review and approval.
- 2 out of the 8 sampled drawdowns had been requested prior to the incurrence of actual expenditures.
- 1 out of the 8 sampled drawdowns was not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOJ's compliance with the provisions of the CMIA agreement. Total fiscal year 2016 drawdown requests were \$4,434,963.

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

Cause - DOJ did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations. Further, such information should also be monitored, retained, and approved by a responsible official of DOJ in a timely manner.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Recommendation - We recommend that DOJ comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-041
Prior Year Finding Number: 2015-050
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 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 DOJ. DPP was unable to provide complete property records which met the requirements. Further, an inventory count had not been performed.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-042
Prior Year Finding Number: N/A
Compliance Requirement: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - In accordance with the Compliance Supplement, the program allows the State or Territory to be funded at the Federal financial participation rate of 66% for eligible program costs.

Condition - We sampled and selected 40 transactions and noted a transaction that had been incurred in prior year and did not contain evidence of review and approval.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-043
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 Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 2 CFR 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 2 CFR 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 specific in the terms and conditions of the Federal award.

Condition - We selected 40 transactions and noted that 6 transactions were outside the period of performance.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-044
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES, 1604VICSES, 1604VICEST

Award Year: 10/01/2015 - 09/30/2016

Criteria - Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We reviewed 4 out of the 12 reports submitted and noted the following:

- 1 instance where the report did not agree to the underlying supporting documentation.
- 3 instances where DOJ failed to submit the reports within the respective due dates.

Questioned Costs - Not determinable.

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

Effect - DOJ 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, DOJ does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-045
Prior Year Finding Number: 2015-051
Compliance Requirement: Cash Management

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects
CFDA #: 12.401
Award #: W9127P-15-2-1000
Award Year: 10/01/2015 - 09/30/2016

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

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

Condition - We reviewed 9 out of the 86 drawdowns made during fiscal year 2016, totaling \$1,874,178, and noted that all 9 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of OTAG's compliance with the provisions of the CMIA agreement. Total fiscal year 2016 drawdown requests were \$4,320,446.

Effect - OTAG is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - OTAG did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that OTAG comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program. Alternatively, if OTAG cannot meet the stated requirements due to the nature of its award agreement, measures should be taken to amend the stated requirements.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-046
Prior Year Finding Number: 2015-052
Compliance Requirement: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects
CFDA #: 12.401
Award #: W9127P-15-2-1000
Award Year: 10/01/2015 - 09/30/2016

Criteria - In accordance with and depending on the individual grant agreements for different programs, OTAG is required to contribute matching funds through cash, in-kind contributions, and/ or other non-cash support.

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

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-047
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects
CFDA #: 12.401
Award #: W9127P-15-2-1000
Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 2 CFR 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 2 CFR 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 specific in the terms and conditions of the Federal award.

Condition - We selected 40 transactions and noted that 6 transactions were from fiscal year 2015 and had not been liquidated until several months into fiscal year 2016 and beyond the 90 day liquidation period as stipulated in the grant agreement.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-048
Prior Year Finding Number: 2015-053
Compliance Requirement: Reporting

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects
CFDA #: 12.401
Award #: W9127P-15-2-1000
Award Year: 10/01/2015 - 09/30/2016

Criteria - Effective control and accountability must be maintained for all grant awards to ensure funds are used solely for authorized purposes. A fundamental concept in effective control and accountability is the concept of segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition - During our review of the SF-270 reports, we noted no documented evidence that the information submitted to the Federal agency had been reviewed and approved by an individual other than the original preparer of the report.

Questioned Costs - Not determinable.

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

Effect - Failure of adequate segregation of duties could lead to internal controls that are not designed reasonably to ensure compliance with Federal laws, regulations, and program requirements.

Cause - Due to the limited number of people, certain duties may be combined.

Recommendation - To the extent possible, duties should be segregated to serve as a check and balance in order to maintain the best control system possible and we suggest certain steps should be taken to separate incompatible duties.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-049
Prior Year Finding Number: 2015-054
Compliance Requirement: Cash Management

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster
CFDA #: 20.205
Award #/Name: Territorial Highway Program
Implementation and Stewardship Agreement
Award Year: 10/01/2015 - 09/30/2016

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

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

Condition - We reviewed 60 out of 404 drawdowns made during fiscal year 2016, totaling \$7,971,375, and noted that 45 out of the 60 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. In addition, 2 drawdowns did not have readily available supporting documentation.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$11,862,656.

Effect - DPW is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Failure to properly review and support transactions can result in noncompliance with laws and regulations along with loss of funding.

Cause - DPW did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and does not have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation - We recommend that DPW comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-050
Prior Year Finding Number: 2015-055
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 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 requirements. Further, an inventory count had not been performed.

Questioned Costs - Not determinable.

Context - They are conditions identified per review of DPW's compliance with specified requirements.

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-051
Prior Year Finding Number: 2015-056
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 Year: 10/01/2015 - 09/30/2016

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, including activities pertaining to Federal contracts. In our review of 3 procurement transactions meeting the test threshold, 1 procurement file did not have available supporting documentation to validate the procurement decisions.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DPW's compliance with specified requirements. We reviewed 3 procurement files with expenditures totaling \$7,563,298, for fiscal year 2016.

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-052
Prior Year Finding Number: 2015-057
Compliance Requirement: Special Tests and Provisions - Quality Assurance Program

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

Award Year: 10/01/2015 - 09/30/2016

Criteria - A State or Territory's Department of Transportation/Public Works must have an approved quality assurance (QA) program, for construction projects to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State or Territory, or by its designated agent.

Condition - During our review, we noted that the DPW's Quality Assurance Program has not been approved by the Federal Highway Administration.

Questioned Costs - Not determinable.

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

Effect - Materials and workmanship may not conform to the approved plans and specifications of the contract.

Cause - It appears that policies and procedures, including review over the quality assurance program was not functioning as intended.

Recommendation - We recommend that DPW reevaluate its policies and procedures to ensure proper monitoring and review of the quality assurance program.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-053
Prior Year Finding Number: 2015-058
Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster
CFDA #: 20.205
Award #/Name: Territorial Highway Program
Implementation and Stewardship Agreement
Award Year: 10/01/2015 - 09/30/2016

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

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

Condition - We reviewed 4 construction contracts with Federal awards expended during the fiscal year. In 2 out of the 4 contract files, we noted that DPW did not obtain copies of the respective payroll and statement of compliance (certified payroll) for contract work performed in order to conduct its requisite review on a timely basis.

Questioned Costs - Not determinable.

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

Effect - DPW is not in compliance with the stated provisions. There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by DOL.

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

Recommendation - We recommend that DPW re-evaluate its policies and procedures and implement the necessary changes to ensure that the provisions of the wage rate requirement are properly followed. DPW should establish a monitoring process to ensure that responsible project management personnel obtain and review, on a timely basis, the required certified payroll reports for each week in which a contractor or subcontractor's work is performed.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-054
Prior Year Finding Number: 2015-059
Compliance Requirement: Cash Management

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

Criteria -- In accordance with 31 CFR 205.33(a), a State or Territory must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State or Territory to the minimum amounts needed and must time the disbursement to be in accord with the actual, immediate cash requirements.

Condition - We reviewed 2 out of 2 drawdowns made during fiscal year 2016 amounting to \$335,552, and noted that the drawdown requests had been made months after the expenditures were incurred. As a result, out of the total expenditures of \$3,901,219 during the year, drawdown requests for \$3,699,646 were made only in September 2016 and March 2017.

Questioned Costs - Not determinable.

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

Effect - DPW is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - DPW did not appear to exercise due diligence in requesting Federal funds consistent with the cash management requirement and its actual cash needs and in following internal procedures over reviews and authorizations.

Recommendation - We recommend that DPW comply with the stated requirements and request Federal funds consistent for this program and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-055
Prior Year Finding Number: 2015-060
Compliance Requirement: Reporting

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

Criteria - In accordance with the grant agreement, DPW must submit EPA Form 5700-52A, *MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements*. DPW is also required to submit quarterly performance reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and be presented in accordance with program requirements.

Condition - We noted the following:

- Form 5700-52A had not been submitted.
- 1 quarterly performance report was not submitted and was combined with the next period report.
- 2 quarterly performance reports did not have the necessary evidence of review and approval prior to submission.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-056
Prior Year Finding Number: 2015-061
Compliance Requirement: Special Tests and Provisions - Wage Rate 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

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

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

Condition - We reviewed 9 construction contracts with Federal awards expended during the fiscal year. We noted that DPW had not included the required provision and/or the prevailing wage rate clauses in 5 of these contracts. In addition, DPW did not have a process in place to obtain copies of the respective payroll and statement of compliance (certified payroll) for contract work performed in order to conduct its requisite review on a timely basis. We noted the review only takes place when the invoices are received from the contractors which normally is 1-3 months after the work has been performed.

Questioned Costs - Not determinable.

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

Effect - DPW is not in compliance with the stated provisions. There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by DOL.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-057
Prior Year Finding Number: 2015-065
Compliance Requirement: Activities Allowed or Unallowed

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI280081655A78

Award Year: 10/01/2015 - 12/31/2018

Criteria - In accordance with 2 CFR Part 200, a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of 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 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 and Planned Corrective Actions - 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, 2016

Finding Number: 2016-058
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI280081655A78

Award Year: 10/01/2015 - 12/31/2018

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

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

Condition - We reviewed 60 out of 301 drawdowns made during fiscal year 2016, totaling \$1,271,369, and noted that 2 out of the 60 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the provisions of the CMIA agreement. Total fiscal year 2016 drawdown requests were \$2,900,820.

Effect - VIDOL is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely.

Cause - VIDOL did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs.

Recommendation - We recommend that VIDOL comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorization.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-059
Prior Year Finding Number: 2015-066
Compliance Requirement: Eligibility

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI280081655A78

Award Year: 10/01/2015 - 12/31/2018

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

Further, 2 CFR 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 1 instance where the claimant did not meet the criteria for participating in the UI program, but received benefits during the year.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-060
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI280081655A78

Award Year: 10/01/2015 - 12/31/2018

Criteria - Per 2 CFR 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 2 CFR 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 specific in the terms and conditions of the Federal award.

Condition - We noted that certain payroll and benefits expenditures for a project that should have been obligated and liquidated by December 31, 2015 were charged to the program outside the period of performance.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-061

Prior Year Finding Number: N/A

Compliance Requirement: Special Tests and Provisions - UI Program Integrity - Overpayment

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: UI280081655A78

Award Year: 10/01/2015 - 12/31/2018

Criteria - States or Territories are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States or Territories are prohibited from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States or Territories may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

Condition - We reviewed 19 cases of overpayments and noted 1 instance where the cause of overpayment was fraudulent but there was no evidence that a penalty collection effort (not less than 15%) had been made.

Questioned Costs - Not determinable.

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

Effect - Noncompliance with program requirements could result in disallowances of costs and participants 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 documentation.

Recommendation - We recommend that VIDOL reevaluate its policies and procedures to ensure adherence to Federal regulations and to allow VIDOL to take appropriate follow-up actions, particularly in instances that result from individual fraud or employer fault.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-062
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Payroll Activities

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, DV266241555578

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

Criteria - 2 CFR 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, 2 CFR 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 employees and noted the following:

- 1 instance where the project code per the Notice of Personnel Action form did not agree to the project code reported as per the payroll register.
- 1 employee's retro-pay was understated.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2016 was \$742,510.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Effect - VIDOL 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 - VIDOL 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 VIDOL improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for 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 and approved by a responsible official of VIDOL in a timely manner.

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-063
Prior Year Finding Number: N/A
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost Activities

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, DV266241555578

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

Criteria - Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to 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 through the use of a selected base which produces results that are equitable to both the Federal Government and the governmental unit.

Condition - We reviewed 26 transactions and noted the following:

- All of the 26 sampled transactions used an indirect cost rate that was not in accordance with the approved indirect rate for fiscal year 2016.
- The remittance advice for 1 out of the 26 sampled transactions did not contain evidence of review and approval of the indirect cost rate.

Questioned Costs - Not applicable.

Context - This condition was identified per review of VIDOL's compliance with specified requirements. VIDOL has an approved indirect cost rate agreement of 19.58%.

Effect - Inaccurate information may have been reported to the Federal government.

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

Recommendation - We recommend that VIDOL should review and reconcile cost allocations to ensure accuracy.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-064
Prior Year Finding Number: N/A
Compliance Requirement: Cash Management

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, DV266241555578

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

Criteria - In accordance with 31 CFR 205.33(a), a State or Territory must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State or Territory to the minimum amounts needed and must time the disbursement to be in accord with the actual, immediate cash requirements.

Condition - We reviewed 60 out of 520 drawdowns made during fiscal year 2016, totaling \$364,424 and noted the following:

- 1 out of the 60 sampled drawdowns lacked appropriate supporting documentation to determine the accuracy of the drawdown amount.
- 2 instances where the drawdown amounts were higher than the actual expenditures incurred.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with specified requirements. Total fiscal year 2016 drawdown requests were \$1,510,488.

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

Cause - VIDOL did not appear to exercise due diligence in requesting Federal funds consistent with the cash management requirement and its actual cash needs and in following internal procedures over reviews and authorizations.

Recommendation - We recommend that VIDOL comply with the stated requirements and request Federal funds consistent for this program and continue to be vigilant in following internal procedures over reviews and authorizations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-065
Prior Year Finding Number: N/A
Compliance Requirement: Eligibility

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, DV266241555578

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

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

2 CFR 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.

The significant barriers to employment (SBE) category implements the priority and maximum emphasis requirement of 38 USC 4103A (a) which states that as State or Territory shall employ such full- or part-time disabled veterans' outreach program specialist as the State or Territory determines appropriate and efficient to carry out intensive services and facilitate placements to meet the employment needs of eligible veterans with the following priority in the provisions of services: (a) special disabled veterans, (b) other disabled veterans, or (c) other eligible veterans in accordance with priorities determined by the Secretary taking into account applicable rates of unemployment and the employment emphases set forth in 38 USC 42 "*Employment and Training of Veterans*."

Condition - In our review of 10 participant case files, we identified the following:

- For all 10 participants, there were no evidence that a review and approval of the eligibility determination has been performed.
- For 1 participant, VIDOL was unable to provide underlying supporting documentation.

Questioned Costs - Not determinable.

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

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

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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 participant case files.

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-066
Prior Year Finding Number: N/A
Compliance Requirement: Reporting

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, DV266241555578

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

Criteria - Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Condition - We reviewed 9 out of 37 reports, due for existing projects, as submitted by VIDOL in fiscal year 2016 and noted 1 report did not contain evidence of review and approval.

Questioned Costs - Not determinable.

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

Effect - VIDOL 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 VIDOL re-evaluate its policies and procedures and records retention to ensure information submitted is complete, accurate, and consistent.

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-067
Prior Year Finding Number: 2015-067
Compliance Requirement: Activities Allowed or Unallowed
Allowable Costs/Cost Principles

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555, 10.556

Award #: 1VI300308

Award Year: 10/01/2015 - 09/30/2016

Criteria - 2 CFR 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 that the Federal expenditures for the School Breakfast Program (CFDA 10.553) and for the National School Lunch Program (CFDA 10.555) had not been separately identified.

In addition, we sampled and selected 66 employees and noted the following:

- 12 out of the 66 transactions were erroneously charged to the grant.
- 1 employee timesheet was not readily available.

Further, for 1 out of the 68 samples selected for non-payroll transactions, the supporting documentation was not readily available.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with specified requirements. Total expenditures charged to the program during fiscal year 2016 were \$8,057,593.

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

Cause - DOE does not appear to have adequate policies and procedures in place to ensure compliance with applicable allowable cost principles, including appropriate identification of expenditures between different funded awards as well as maintaining underlying support and documentation.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-068
Prior Year Finding Number: 2015-068
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, 10.556

Award #: 1VI300308

Award Year: 10/01/2015 - 09/30/2016

Criteria - Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to 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 through the use of 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 \$460,000 were excluded and this resulted in an understatement of indirect costs claimed for the period.

Questioned Costs - Not applicable.

Context - This condition was identified per review of DOE's compliance with specified requirements. DOE has an approved indirect cost rate agreement of 17.24%.

Effect - Reimbursable amounts were understated.

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-069
Prior Year Finding Number: 2015-069
Compliance Requirement: Cash Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster
CFDA #: 10.555, 10.556
Award #: 1VI300308
Award Year: 10/01/2015 - 09/30/2016

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

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

Condition - We reviewed 27 out of 212 drawdowns made during fiscal year 2016, totaling \$2,404,229, and noted that 18 out of the 27 sampled drawdowns were not in accordance with provisions of the agreement and all of the selections did not contain evidence of review and approval.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DOE's compliance with provisions of the CMIA agreement and general compliance principles. Total fiscal year 2016 drawdown requests were \$7,798,371.

Effect - DOE is not in compliance with the stated provisions. The opportunity to use the money for other immediate cash needs is unnecessarily delayed when funds are not requested timely. Additionally, inaccurate information may have been reported to federal government in the absence of required reviews.

Cause - DOE did not appear to exercise due diligence in requesting Federal funds consistent with the CMIA agreement and its actual cash needs and in following internal procedures over reviews and authorizations.

Recommendation - We recommend that DOE comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program and continue to be vigilant in following internal procedures over reviews and authorizations.

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

Views of Responsible Officials and Planned Corrective Actions - 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, 2016

Finding Number: 2016-070
Prior Year Finding Number: 2015-070
Compliance Requirement: Equipment and Real Property Management

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555, 10.556

Award #: 1VI300308

Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 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. Further, an inventory count had not been performed.

Questioned Costs - Not determinable.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions - The Government concurs with the auditor's findings and recommendations. 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, 2016

Finding Number: 2016-071
Prior Year Finding Number: N/A
Compliance Requirement: Period of Performance

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555, 10.556

Award #: 1VI300308

Award Year: 10/01/2015 - 09/30/2016

Criteria - Per 2 CFR 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 2 CFR 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 specific in the terms and conditions of the Federal award.

Condition - We selected 60 transactions and noted that 1 transaction was outside the period of performance.

Questioned Costs - Not determinable.

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

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

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

Recommendation - We recommend that 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.

Views of Responsible Officials and Planned Corrective Actions - 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

OFFICE OF
THE COMMISSIONER

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GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS

Mailing Address:
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DEPARTMENT OF FINANCE

June 30, 2017

BDO USA, LLP
8401 Greensboro Drive, Suite 800
McLean, VA 22102

Dear Sir/Madam:

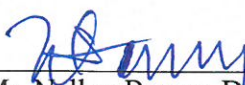
In connection with the Single Audit of the Government of the United States Virgin Islands (the Government) for the year ended September 30, 2016, transmitted herewith is the Fiscal Year 2016 Status of Prior Audit Findings and a Corrective Action Plan in accordance with 2 CFR §200.511, *Audit Findings Follow-Up*. These schedules provide the status of the *Government Auditing Standards* and the Single Audit findings for fiscal years 2016 and 2015.

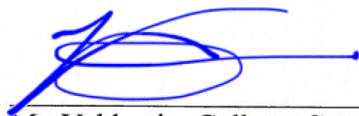
The Government's Department of Finance (DOF) and Office of Management and Budget (OMB) have requested department heads to make the required follow-up. OMB has also advised and requested of department heads, a review of outstanding Single Audit findings and to cite 2 CFR §200.511(b)(3) as a means to close 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,


Mr. Nelon Bowry, Director
Office of Management & Budget
United States Virgin Islands


Mr. Valdamier Collens, Commissioner
Department of Finance
United States Virgin Islands


Ms. Clarina Modeste-Elliott
Executive Assistant Commissioner
Department of Finance
United States Virgin Islands

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Section I – Financial Statement Findings

Finding 2015-001 and 2014-001: Year-End Close Process

Timeliness and Methodology of Close Process; Incorporation of Component Units

Current Status: Repeated. Finding 2016-001.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 develop reliable and timely interim and year-end financial statements, the Department of Finance will review all accounts, accruals, and reconciliations on a quarterly basis. Any unreconciled differences will be identified and resolved, with any applicable journal entries, recorded in the financial system of the Government. The Accounting Director, with oversight from the Assistant Commissioner, will continue to enforce the closing procedure(s) whereby all post-closing and audit adjustments maintained in the manual excel working trial balance are reviewed, ratified, and recorded in the financial management system throughout the audit engagement, such that the general ledger reflects audited balances and the correct opening balances for the upcoming fiscal year. The aforementioned closing procedures will also allow the Department of Finance adequate time to reconcile intercompany account balances, as well as perform a thorough and detailed review to ensure consistent financial disclosure of component units' information within its own financial statements.

Finding 2015-002 and 2014-003: Tax Revenue and Receivables

Reconciliation of Subsidiary Registers

Current Status: Repeated. Finding 2016-002.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 purposes of interim financial reporting, the Department of Finance will obtain valid subsidiary ledger reports reflecting the most up-to-date receivable balances emanating from the VITAX and CAVU systems on a quarterly basis from the Bureau of Internal Revenue and the Lieutenant Governor's Office, respectively. Once received, the Department of Finance will update its general ledger to reflect the most accurate tax receivable balances.

Tax Return Processing Method

Current Status: Repeated. Finding 2016-002.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Bureau recognizes there are opportunities for training and system enhancements to increase our accuracy in the data entry area and the systems monitoring area. We will re-evaluate and re-establish all formal processing procedures, re-train the staff, and review the policies and procedures of refund processing to increase accuracy and minimize errors.

Income Taxes

Current Status: Repeated. Finding 2016-002.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Bureau will (1) conduct training for the Data Entry and Error Resolution staff to properly identify all taxpayers who are entitled to tax exemptions and tax benefits and (2) attempt to locate requested returns. With the current scanning capabilities, this issue should not continue into the future.

Tax Clearances

Finding and Recommendation: During our procedures over tax clearances issued during the fiscal year, the Government was unable to provide adequate supporting documentation for thirteen (13) selected items. The supporting documentation or affidavit would support that the taxpayer was of good standing and did not have any outstanding balances with the Government. We identified the exceptions during our sampled procedures. Management should recognize that the potential exists for additional discrepancies.

Current Status: Corrective action was taken. Finding not repeated in current year.

Optimum Usage of the Real Property Tax System

Current Status: Repeated. Finding 2016-002.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Office of the Lieutenant Governor is currently negotiating with the vendor (CAVU) to develop more detailed reports that can be generated by any specific date requested to begin and/or end the selected report.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Real Property Tax

Current Status: Repeated. Finding 2016-002.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Office of the Lieutenant Governor is presently negotiating with the vendor (CAVU) for the development of the installment agreement program to be added to the existing system. When completed, there will be no need for manual paper records and spreadsheet updates.

Real Property Tax - Allowances for Doubtful Accounts

Current Status: Repeated. Finding 2016-002.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: On a semi-annual basis, the Department of Finance will leverage enhanced fully documented methodologies utilized by the Lieutenant Governor's Office (CAVU) and Bureau of Internal Revenue (VITAX) to establish allowances for receivable balances. The Department of Finance will collaborate with the Lieutenant Governor's Office and Bureau of Internal Revenue to review and ratify the methodologies used.

Finding 2015-003 and 2014-004: Grants Management

Control Systems Over the Schedule of Expenditures of Federal Awards

Current Status: Repeated. Finding 2016-003.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Schedule of Expenditures for Federal Awards (SEFA) is prepared by the Department of Finance via a customized report that extracts information from the Enterprise Resource Planning (ERP) system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.

As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

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.

Due from Federal Government

Current Status: Repeated. Finding 2016-003.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, the Office of Management and Budget will collaboratively work with the Department of Finance to fully implement the Grants Management Module, per the Enterprise Resource Planning (ERP) system.

Uniform Grant Guidance for Federal Awards

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-004 and 2014-005: Capital Assets and Related Expenditures

Current Status: Repeated. Finding 2016-004.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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.

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.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-005 and 2014-006: Recording of Liabilities

Retroactive Pay Liability

Current Status: Repeated. Finding 2016-005.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 2016-005.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 2016-005.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, 2016

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. Ongoing 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.

Income Tax Refunds Payable

Current Status: Repeated. Finding 2016-005.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 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.

Finding 2015-006 and 2014-007: Management of the Medicaid Program

Management of Third-Party Vendor Relationship(s)

Current Status: Corrective action was taken. Finding not repeated in current year.

Cost Report Audits

Current Status: Repeated. Finding 2016-006.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 is in the process of obtaining an independent auditor for the purpose of conducting an audit on the Cost Reports for these facilities.

Utilization Control and Medicaid Fraud Control Unit

Current Status: Repeated. Finding 2016-006.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management of the Medicaid program is in the process of requesting a waiver from the Centers for Medicare & Medicaid Services (CMS) for the Medicaid Fraud Control Unit. Additionally, the Medical Assistance Program continues to work with the local Attorney General's office relative to laws and regulations.

Finding 2015-007 and 2014-008: Unemployment Insurance Trust Fund

Current Status: Repeated. Finding 2016-007.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 2015-008 and 2014-011: Workers Compensation Program

Accuracy of the Program Loss Reserves

Current Status: Repeated. Finding 2016-008.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: 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. Utilization of the Risk Management software will enable WCA to prepare realistic medical and indemnity reserves for all claims, which will result in providing the Department of Finance (DOF) with end of fiscal year realistic subjective assumptions based on actual claims history.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Implementation of the ERIC System will allow the VIDOL and the DOF to generate various risk management reports and have access to claims records.

Government Insurance Fund

Current Status: Repeated. Finding 2016-008.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Government will collaborate to implement various recommendations of its actuary in an effort to provide for the long-term financial viability of the Fund.

Finding 2015-009 and 2014-009: Pension Plan Obligations

Retirement System Minimum Funding

Current Status: Repeated. Finding 2016-009.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 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.

Other Post-Employment Benefits

Current Status: Repeated. Finding 2016-009.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 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. The Department of Finance will begin early preparation to engage an actuarial service provider to calculate the OPEB obligation, minimum funding requirements, and RSI information.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Quality of Census Data

Current Status: Repeated. Finding 2016-009.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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), GERS has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries. Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.

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

Finding 2015-010 and 2014-002: Bank Accounts

Strengthen Controls Over Bank Reconciliations

Current Status: Partially Corrected. Finding 2016-010.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 be provided with additional human capital to ensure that bank reconciliations are prepared by the requisite staff and reviewed and signed-off for accuracy and completeness on a bi-monthly basis by the Treasury Director. This process will also include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year. Upon identifying negotiable instruments that exceed the one year threshold, the Treasury Director will develop an annual procedure to further research and validate the status of the reconciling items in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

Unclaimed Property Account

Current Status: Corrective action was taken. Finding not repeated in current year.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures

Payroll Expenditures

Current Status: Repeated. Finding 2016-011.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: We 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 2016-011.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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.

Supporting Documentation for Expenditures

Current Status: Repeated. Finding 2016-011.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: We will enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process.

Finding 2015-012 and 2014-012: Information Technology Environment

Current Status: Repeated. Finding 2016-012.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, 2016

Corrective 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.

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

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

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

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

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

Corrective 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.

Corrective 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

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2016-013.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2016-014.

Reason for recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 2015-015: Collateralizing Deposits

Current Status: Corrective action was taken. Finding not repeated in current year.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Section II - Federal Award Findings (By Program)

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI400408, 1VI430457

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

10/01/2014 - 09/30/2016

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

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-017 and 2014-015: Cash Management

Current Status: Repeated. Finding 2016-016.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with the CMIA agreement. The DHS fiscal office continues to emphasize the use of check registers. DHS has created an internal SOPP for staff to assist in completion of this task. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.

Finding 2015-018 and 2014-016: Equipment and Real Property Management

Current Status: Repeated. Finding 2016-017.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 has provided training to staff to ensure compliance in this area. Training was conducted in January 2017, for both districts. The new Chief Financial Officer, in view of the present finding, has initiated a request to hire another Fixed Asset Specialist to work in conjunction with the Fixed Asset Manager.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-019: Reporting

Current Status: Repeated. Finding 2016-019.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 had a discussion with the Chief Financial Officer to ensure that all reports are submitted with authorized signatures. DHS has assigned an employee to monitor and review the required reports. This employee's responsibility is to monitor when reports are due and to follow up to ensure that they are submitted timely.

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.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 has begun to review the current State Plans to reflect updated determination procedures designed to enable the effective utilization of funding under TANF. The Program is working with the Chief Financial Officer to ensure the effective utilization of funding.

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

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS has strived to remove this finding by ensuring that time certification forms are completed by staff timely and verified by management.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

The completed form is then submitted to HR. The Program will also send a copy of this completed form to fiscal office for verification purposes and to ensure compliance.

The Program provides each employee with a Time Certification form, which is required to be completed by each employee and their respective supervisor. This information is compiled and then forwarded to Human Resources and as indicated previously will be forwarding to Fiscal office as well.

Finding 2015-022 and 2014-019: Cash Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with the CMIA agreement. The DHS fiscal office continues to emphasize the use of check registers. DHS has created an internal SOPP for staff to assist in completion of this task. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.

Finding 2015-023 and 2014-020: Eligibility

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Administrative Memo CO5-2016 (Audit Findings) was emailed to supervisors for staff distribution at the September 30, 2016 month-end meeting. An assessment in January 2017 determined that the memo was not fully utilized by all workers in all districts. The memo was re-distributed to all workers at the January 2017 month-end meeting and the necessary corrective action will be taken, henceforth. A system upgrade has not been requested due to the fact that the current system, CARIBS, is being replaced within the next year with the VI Benefit & Eligibility system (VIBES).

Finding 2015-024: Equipment and Real Property Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, 2016

Corrective Action Plan: The Department of Human Services has a Fixed Asset Manager to work with Department of Property and Procurement. This area is still a challenge as it is one person to complete inventory for the entire department. The Program's intent is to address this by having another person to assist with this task, which would be cost allocated with other federal programs.

Finding 2015-025 and 2014-021: Reporting

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 had a discussion with the Chief Financial Officer to ensure that all reports are submitted with authorized signatures. Administrative Memo 01-2017 was distributed to all Certification Managers and Supervisors for the Division of Family Assistance on May 9, 2017 via email.

Finding 2015-026 and 2014-022: Special Tests and Provisions - Child Support Non-Cooperation

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Administrative Memo CO5-2016 (Audit Findings) was emailed to supervisors for staff distribution at the September 30, 2016 month-end meeting. An assessment in January 2017 determined that the memo was not fully utilized by all workers in all districts. The memo was re-distributed to all workers at the January 2017 month-end meeting and the necessary corrective action will be taken, henceforth. A system upgrade has not been requested due to the fact that the current system, CARIBS, is being replaced within the next year with the VI Benefit & Eligibility system (VIBES).

Finding 2015-027 and 2014-023: Special Tests and Provisions - Penalty for Refusal to Work

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, 2016

Corrective Action Plan: Administrative Memo CO5-2016 (Audit Findings) was emailed to supervisors for staff distribution at the September 30, 2016 month-end meeting. An assessment in January 2017 determined that the memo was not fully utilized by all workers in all districts. The memo was re-distributed to all workers at the January 2017 month-end meeting and the necessary corrective action will be taken, henceforth. A system upgrade has not been requested due to the fact that the current system, CARIBS, is being replaced within the next year with the VI Benefit & Eligibility system (VIBES).

Finding 2015-028, 2014-025, 2013-017 and 12-14: Special Tests and Provisions - Income Eligibility and Verification System

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS has assigned workers in each district to do the IEVS matching reports, as received from the CARIBS system interface with VIDOL. However, the 6-month behind issue was not due to DHS or VIDOL's control. VIDOL transmits the latest records received in the system and the availability of data will depend on when the employer submits the QW to DOL. One option is to establish an interface with BIR to get wage information. Presently, we are in the process of building a new joint eligibility system. DHS is attempting to address the BIR interface in our new VIBES system - Virgin Islands Benefit Eligibility System.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

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

Award Year: 07/01/2013 - 06/30/2018

Finding 2015-029 and 2014-026: Cash Management

Current Status: Repeated. Finding 2016-020.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with the CMIA agreement. The DHS fiscal office continues to emphasize the use of check registers. DHS has created an internal SOPP for staff to assist in completion of this task. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-030 and 2014-028: Equipment and Real Property Management

Current Status: Repeated. Finding 2016-021.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services is still in the process of reconciling the asset listing provided from the Department of Human Services. This process will be completed in a three phase process:

- a) Identifying and cross checking through the use of, transfer of property, new purchases of asset form; and including the physical tracking of the assets as noted on the asset listing.
- b) The Department will hire an additional Asset Manager Officer who will have oversight of the Head Start program inventory. The individual will be supervised by the Department Chief Financial Officer (CFO).
- c) Monthly meetings will be scheduled between the Program Administrator and Fiscal to ensure inventory is reconciled. The Department will have an internal inventory log to cross reference with Department of Property and Procurement.

Finding 2015-031: Reporting

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-032 and 2014-027: Special Tests and Provisions - Wage Rate Requirements

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

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

Finding 2015-033 and 2014-029: Activities Allowed or Unallowed

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-034, 2014-031, 2013-009 and 12-09: Cash Management

Current Status: Repeated. Finding 2016-023.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with the CMIA agreement. The DHS fiscal office continues to emphasize the use of check registers. DHS has created an internal SOPP for staff to assist in completion of this task. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.

Finding 2015-035: Eligibility

Current Status: Repeated. Finding 2016-024.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 implementation of the new Virgin Islands Benefits Eligibility System (VIBES) process will provide better monitoring and controls. This process will offer organizational change for a better oversight of the following: (1) audit trails (2) electronic controls (3) better documentation (4) extensive training for the staff.

Environmental issues made the files unavailable due to moldy conditions in the St. Croix office, which had to be moved from the Department of Health to the Department of Human Services, and all the files were placed in storage. As of May 5, 2016, the Electronic Document Management System (EDMS) scans cases which allow them to be more accessible. Presently, the staff is scanning all required documents for eligibility. The Medicaid Program is expected to go-live with the new VIBES System in July, 2017.

Finding 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 2016-025.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Medicaid Program is in the process of contracting 3P Inc. to provide Medicaid consultation services, to assist Medicaid with rate setting and reconciliation and perform Medicaid audits of the annual Medicare Cost Reports and other supporting information for the USVI hospitals, Nursing Facility, and Federally Qualified Health Centers (FQHCs).

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

These audits will be conducted to comply with Federal regulations at 42 CFR §447.202, 42 CFR 447 for the U.S. Virgin Islands Medical Assistance Program (MAP) within the Department of Human Services. The Medicaid Program is awaiting the completion of Property & Procurement finalizing all the necessary documents from the contractor.

Finding 2015-037 and 2014-037: Special Tests and Provisions - Provider Eligibility

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-038, 2014-034, 2013-022 and 12-21: Special Tests and Provisions - Medicaid Fraud Control Unit

Current Status: Repeated. Finding 2016-026.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Medicaid Program is in the process of requesting a waiver for the Medicaid Fraud Control Unit (MFCU). The request for a waiver is under analysis and the intent is to create a separate quality assurance to ensure that safeguards are met regarding fraud and abuse through the SURS report from the Molina Management Information System. The Medicaid Program is in the final stages of submitting the Waiver application to CMS for waiver approval.

Finding 2015-039, 2014-036, 2013-020 and 12-17: Special Tests and Provisions - ADP Risk Analysis and System Security Review

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-040, 2014-033, 2013-018 and 12-15: Special Tests and Provisions - Utilization Control & Program Integrity

Current Status: Repeated. Finding 2016-028.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Medicaid Program is in the process of creating its own internal controls to prevent unnecessary utilization of care and services. The Virgin Islands Medicaid Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans. The Medicaid staff will be identified and trained to complete quality improvements.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Children's Health Insurance Program

CFDA #: 93.767

Award #: Various

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

Finding 2015-041: Activities Allowed or Unallowed

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:

U.S. Department of Commerce

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

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

Finding 2015-042 and 2014-040: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 the implementation of new DOF payroll procedures for employees being paid from federal awards, adjustment vouchers, though minimal, continue to be processed.

Finding 2015-043 and 2014-041: Equipment and Real Property Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DPNR has had in-depth discussions with Property & Procurement (P & P) and as a result we continue the process of reconciling the equipment purchases internally, and where feasible, with staff at P&P.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-044 and 2014-042: Matching, Level of Effort, and Earmarking

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Discussions continue with the federal grantor agency regarding the match reduction.

Finding 2015-045: Reporting

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Discussions held with the grantor agency, and follow-up with a workable solution is forthcoming.

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.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DPNR has completed the time and effort reports for the periods ended March 2016 and September 2016, respectively. This process will continue on a semi-annual basis.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-047: Equipment and Real Property Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DPNR had in-depth discussions with Property & Procurement (P & P) and as a result we continue the process of reconciling the equipment purchases internally, and where feasible, with staff at P&P.

Finding 2015-048 and 2014-045: Matching, Level of Effort, and Earmarking

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Discussions continue with the federal grantor agency regarding the match reduction.

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1504VICSES

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

Finding 2015-049 and 2014-047: Cash Management

Current Status: Repeated. Finding 2016-040.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The director of PCSD continues to review, initial, and date the supporting documents before a request for payment is made.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-050 and 2014-048: Equipment and Real Property Management

Current Status: Repeated. Finding 2016-041.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: DOJ continues to work with DPP to ensure adherence to Federal regulations in regards to equipment and maintenance inventory.

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects

CFDA #: 12.401

Award #: W9127P-14-2-1000

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

Finding 2015-051: Cash Management

Current Status: Repeated. Finding 2016-045.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Office of Management and Budget (OMB) has expressed to the Department of Finance through correspondence that OTAG be removed from the Treasury State Agreement (TSA) effective October 1, 2018.

Finding 2015-052: Matching, Level of Effort, and Earmarking

Current Status: Repeated. Finding 2016-046.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: OTAG will develop a Policy and Procedures Manual. The Master Cooperative Agreement (MCA) through the appendices identifies the cost share and what is required by persons performing management functions. Effective August 1, 2017, all MCA appendices will be reconciled and SF-270s submitted for reimbursement on a monthly basis.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Finding 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2016-048.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: OTAG's Financial Analyst was hired in February 2016, and other staff also assists with reviewing and initialing attached spreadsheets, and verifying the completeness and accuracy of SF 270s.

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Highway Planning and Construction Cluster

CFDA #: 20.205

Award #/Name: Territorial Highway Program

Implementation and Stewardship Agreement

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

Finding 2015-054, 2014-050, 2013-009 and 12-09: Cash Management

Current Status: Repeated. Finding 2016-049.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: OMB has expressed to DOF through correspondence and made a request that DPW be exempted from the Treasury State Agreement (TSA), effective October 1, 2018. If the request is accepted, DPW will no longer fall under the CMIA agreement, since this is a manually reimbursable program.

Finding 2015-055: Equipment and Real Property Management

Current Status: Repeated. Finding 2016-050.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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, 2016

Corrective Action Plan: Department of Public Works, in conjunction with the Department of Property & Procurement has ensured that all equipment purchased with Federal funds is properly registered, tagged, including date of acquisition, and all disposals are tracked and recorded accordingly.

Finding 2015-056: Procurement, Suspension, and Debarment

Current Status: Repeated. Finding 2016-051.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 has coordinated with the Department of Property & Procurement to ensure that all supporting documents are included in all contract files, and are properly filed for future reference.

Finding 2015-057: Special Tests and Provisions - Quality Assurance Program

Current Status: Repeated. Finding 2016-052.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Manager of Office of Highway Engineering has directed all Project Managers to complete the necessary documentation for the quality assurance files per project. This action was addressed immediately.

Finding 2015-058: Special Tests and Provisions - Wage Rate Requirements

Current Status: Repeated. Finding 2016-053.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Manager of Office of Highway Engineering has directed all Project Managers to complete the necessary documentation for review of the certified payrolls. This action was addressed immediately.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Program:

U.S. Department of Transportation

Government Department/Agency:

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003501/78003201

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

Finding 2015-059: Cash Management

Current Status: Repeated. Finding 2016-054.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 will request Federal funds in a way that consistently minimizes the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes.

Finding 2015-060: Reporting

Current Status: Repeated. Finding 2016-055.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 compliance with the grant agreement, DPW will make sure that the requested quarterly reports listed above are reviewed for appropriate signatures and completeness prior to submission. DPW will strive to submit these quarterly reports timely.

Finding 2015-061: Special Tests and Provisions - Wage Rate Requirements

Current Status: Repeated. Finding 2016-056.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Manager of Office of Highway Engineering has directed all Project Managers to complete the necessary documentation for review of the certified payrolls. This action was addressed immediately.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

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 2015-062 and 2014-051: Cash Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Waste Management Authority has included the wage rate provision(s) within its solicitation document, and the provision(s) has been included in all construction contracts. Effective March 1, 2017 all certified payroll for Federal contracts shall be submitted by the Contractor to the Project Manager on a weekly basis.

Finding 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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: Both DOF and its vendor MUNIS, were provided with the needed inventory of Fixed Assets on or before the November 30th, 2016 deadline. To date the vendor has failed to populate and deliver a functioning Fixed Assets Module in the ERP. DPP started the Biannual Inventory, and it is currently ongoing. OMB has provided DPP with the needed information.

Finding 2015-064: Procurement, Suspension, and Debarment

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: An update to the Government's Procurement Process, Overview, and Guide Policy is under current under review.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: 1VI300308

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

Finding 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2016-057.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL contacted a local accounting firm to reconcile the UI Trust fund account for FY 2013-2014. The reconciliations for 2011-2014 have been completed. Due to staffing issues, the department was unable to assign a staff person to reconcile/monitor the account. VIDOL then re-engaged the local accounting firm to conduct the reconciliations for FY 2015-2016. The Program intends to continue this reconciliation engagement; however, with a request for it to be conducted on a quarterly basis. This will allow for information to be provided timely for auditing purposes.

VIDOL intends to submit all the completed reconciliations for 2011-2016; however, the Program is awaiting the final reconciliations. These reconciliations should be completed within the next month, June 2017.

Finding 2015-066: Eligibility

Current Status: Repeated. Finding 2016-059.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 FY 2016 action plan is currently in place and ongoing. The attached documentation provides support for the efforts made in implementing this action plan. The UI claimant portal is currently online.

Supporting documents attached:

- New work search form (sample) inserted in claimant's checks (UIB-38) and Certification forms (UIB-61)
- Email to staff to ensure work search are reviewed, verified, and inserted in claimant's file
- Proof of quarterly reviews (screen shots)
- Information regarding the claimant portal

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster

CFDA #: 10.555

Award #: 1VI300308

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

Finding 2015-067 and 2014-055: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2016-067.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Education through the Department of Finance is in the process of creating separate Project Accounts to record the federal expenditures for the National School Lunch and Breakfast Program. This will allow the expenditures to be recorded separately. In the interim, the procurement of those expenses are being recorded separately, and therefore can easily be identified through monthly reports submitted by the School Food Authorities (SFA's).

Finding 2015-068 and 2014-058: Allowable Costs/Cost Principles - Indirect Cost Activities

Current Status: Repeated. Finding 2016-068.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Education prepares the current Fiscal Year Budgets with the prevailing rates for the previous fiscal year, once the new rates are not available. Once the new Indirect Cost rate is approved, the budgets will be revised to reflect the correct indirect cost rate.

The indirect costs must be drawn on every transaction excluding food. Once a drawdown is initiated, it should include the total expense and the indirect cost amount. Once the drawdown is completed, all indirect cost transfers must be sent to DOE Business Office on a weekly basis to ensure that the IDC expenses are recorded in a timely manner.

Finding 2015-069 and 2014-059: Cash Management

Current Status: Repeated. Finding 2016-069.

Government of the United States Virgin Islands

Appendix A: Status of Prior Audit Findings Year Ended September 30, 2016

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Financial Control Officer and the Data Entry Operator are responsible for reviewing the accounting system on a daily basis to identify expenses that were paid. Once completed, the Financial Control Officer initiates the draw down in accordance with the CMA Agreement.

Finding 2015-070 and 2014-060: Equipment and Real Property Management

Current Status: Repeated. Finding 2016-070.

Reason for Recurrence: The Government is focused on improving its procedures. Due to the timing of issuance of prior year reports, there are areas that were addressed and other areas that are 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 Fixed Asset listing was last updated on February 16, 2016. In fiscal year 2017, the Department's Fixed Asset Division will schedule site visits to record assets and their locations.

Finding 2015-071: Subrecipient Monitoring

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2015-072 and 2014-063: Special Tests and Provisions - Accountability for USDA-Donated Foods

Current Status: Corrective action was taken. Finding not repeated in current year.

Corrective Action Plan

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
29	<p>2016-001: Year-End Close Process</p> <ul style="list-style-type: none"> Timeliness and Methodology of Close Process 	The management team of the Department of Finance; specifically, the Assistant Commissioner and the Directors of Accounting, Treasury, and Payroll.	Fiscal Year 2018	In an effort to develop reliable and timely interim and year-end financial statements, the Department of Finance will review all accounts, accruals, and reconciliations on a quarterly basis. Any unreconciled differences will be identified and resolved, with any applicable journal entries, recorded in the financial system of the Government. The Accounting Director, with oversight from the Assistant Commissioner, will continue to enforce the closing procedure(s) whereby all post-closing and audit adjustments maintained in the manual excel working trial balance are reviewed, ratified, and recorded in the financial management system throughout the audit engagement, such that the general ledger reflects audited balances and the correct opening balances for the upcoming fiscal year. The aforementioned closing procedures will also allow the Department of Finance adequate time to reconcile intercompany account balances, as well as perform a thorough and detailed review to ensure consistent financial disclosure of component units' information within its own financial statements.
30	<ul style="list-style-type: none"> Journal Entries 	Department of Finance management, specifically the Director of Accounting and Financial Reporting.	Immediately	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 a limited staff at the Department of Finance and the policy has been made effective immediately.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
31	2016-002: Revenue and Receivables • Reconciliation of Subsidiary Registers	The management team of the Department of Finance, Lieutenant Governor's Office, and Bureau of Internal Revenue; specifically, the Director of Accounting and Tax Assessor and/or the Chief of Staff.	Fiscal Year 2018	For purposes of interim financial reporting, the Department of Finance will obtain valid subsidiary ledger reports reflecting the most up-to-date receivable balances emanating from the VITAX and CAVU systems on a quarterly basis from the Bureau of Internal Revenue and the Lieutenant Governor's Office, respectively. Once received, the Department of Finance will update its general ledger to reflect the most accurate tax receivable balances.
31	• Allowance for Doubtful Accounts	The management team of the Lieutenant Governor's Office and Bureau of Internal Revenue; specifically, the Tax Assessor and/or the Chief of Staff.	Fiscal Year 2018	On a semi-annual basis, the Department of Finance will leverage enhanced fully documented methodologies utilized by the Lieutenant Governor's Office (CAVU) and Bureau of Internal Revenue (VITAX) to establish allowances for receivable balances. The Department of Finance will collaborate with the Lieutenant Governor's Office and Bureau of Internal Revenue to review and ratify the methodologies used.
32	• Tax Return Processing Method	The management team of the Bureau of Internal Revenue; specifically, Assistant Chief of Processing.	Immediately	The Bureau recognizes there are opportunities for training and system enhancements to increase our accuracy in the data entry area and the systems monitoring area. We will re-evaluate and re-establish all formal processing procedures, re-train the staff, and review the policies and procedures of refund processing to increase accuracy and minimize errors.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
32	<ul style="list-style-type: none"> Income Taxes 	The management team of the Bureau of Internal Revenue; specifically, Assistant Chief of Processing, Information Technology Director, and Federal Disclosure Officer.	Immediately	<p>The Bureau will:</p> <ul style="list-style-type: none"> Conduct training for the Data Entry and Error Resolution staff to properly identify all taxpayers who are entitled to tax exemptions and tax benefits. Attempt to locate requested returns. With the current scanning capabilities, this issue should not continue into the future.
33	<ul style="list-style-type: none"> Optimum Usage of the Real Property Tax System 	The management team of the Lieutenant Governor's Office; specifically, the Tax Assessor/Tax Collector and/or the Chief of Staff.	Fiscal Year 2018	The Office of the Lieutenant Governor is currently negotiating with the vendor (CAVU) to develop more detailed reports that can be generated by any specific date requested to begin and/or end the selected report.
33	<ul style="list-style-type: none"> Real Property Tax 	The management team of the Lieutenant Governor's Office; specifically, the Tax Collector and/or the Chief of Staff.	Fiscal Year 2018	The Office of the Lieutenant Governor is presently negotiating with the vendor (CAVU) for the development of the installment agreement program to be added to the existing system. When completed, there will be no need for manual paper records and spreadsheet updates.
34	<ul style="list-style-type: none"> Other Revenue 	Department of Finance management, specifically the Treasury Director and Assistant Director.	Fiscal Year 2018	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.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
35	<p>2016-003: Grants Management</p> <ul style="list-style-type: none"> Control Systems Over the Schedule of Expenditures of Federal Awards 	For the Grants Management Module, the Director, Office of Management and Budget and with respect to the SEFA, the Commissioner, Department of Finance.	Fiscal Year 2018	<p>The Schedule of Expenditures for Federal Awards (SEFA) is prepared by the Department of Finance via a customized report that extracts information from the Enterprise Resource Planning (ERP) system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.</p> <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>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
37	<ul style="list-style-type: none"> Federal Grants and Contributions 	The Director, Office of Management and Budget and Director of Accounting.	Fiscal Year 2018	In an effort to more accurately account for Federal receivables and related transactions, the Office of Management and Budget will collaboratively work with the Department of Finance to fully implement the Grants Management Module, per the Enterprise Resource Planning (ERP) system.
38	2016-004: Capital Assets and Related Expenditures <ul style="list-style-type: none"> Record Keeping 	The Commissioner, Department of Property & Procurement.	Fiscal Year 2018	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.
39	<ul style="list-style-type: none"> Impairment and Disposals 	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team.	Fiscal Year 2018	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 asset module.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
40	<ul style="list-style-type: none"> Reconciliation of Subsidiary Register 	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team.	Fiscal Year 2018	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.
41	2016-005: Recording of Liabilities <ul style="list-style-type: none"> Retroactive Pay Liability 	The management team of the Division of Personnel; specifically, the Information Technology Manager, Personnel Records Supervisor, OMB Director, and Senior Budget Analysts.	Fiscal Year 2018	<p>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.</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.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
42	<ul style="list-style-type: none"> Medical Malpractice Liability 	The Commissioner, Department of Health.	Fiscal Year 2018	<p>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>
42	<ul style="list-style-type: none"> Accounts Payable 	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Accounting.	Fiscal Year 2018	<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. 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.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
43	<ul style="list-style-type: none"> Income Tax Refunds Payable 	The Director, Bureau of Internal Revenue.	Fiscal Year 2018	<p>Ongoing 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> <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>
43	<ul style="list-style-type: none"> Landfill Closure and Post Closure Costs Liability 	Waste Management Authority Management Team.	Fiscal Year 2019	<p>The Government will work with its consultants to implement monitoring controls and ensure that all calculations are reviewed timely.</p>
44	<p>2016-006: Management of the Medicaid Program</p> <ul style="list-style-type: none"> Cost Report Audits 	The Commissioner, Department of Human Services and Chief Financial Officer.	Fiscal Year 2018	<p>The Department is in the process of obtaining an independent auditor for the purpose of conducting an audit on the Cost Reports for these facilities.</p>
45	<ul style="list-style-type: none"> Utilization Control and Medicaid Fraud Control Unit 	Program Administrator, Department of Human Services.	Ongoing	<p>Management of the Medicaid program is in the process of requesting a waiver from the Centers for Medicare & Medicaid Services (CMS) for the Medicaid Fraud Control Unit. Additionally, the Medical Assistance Program continues to work with the local Attorney General's office relative to laws and regulations.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
46	<p>2016-007: Unemployment Insurance Trust Fund</p> <ul style="list-style-type: none"> Account Reconciliation Process 	Commissioner, Virgin Islands Department of Labor.	Fiscal Year 2018	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.
47	<p>2016-008: Workers Compensation Program</p> <ul style="list-style-type: none"> Accuracy of the Program Loss Reserves 	The management team of the Virgin Islands Department of Labor and Department of Finance; specifically, the WCA Director, and VIDOL IT personnel.	Fiscal Year 2018	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.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
48	<ul style="list-style-type: none"> Government Insurance Fund 	The Governor, President, V.I. Legislature and Commissioner, and Department of Finance.	Fiscal Year 2018	<p>Utilization of the Risk Management software will enable WCA to prepare realistic medical and indemnity reserves for all claims, which will result in providing the Department of Finance (DOF) with end of fiscal year realistic subjective assumptions based on actual claims history. Implementation of the ERIC System will allow the VIDOL and the DOF to generate various risk management reports and have access to claims records.</p> <p>The Executive and Legislative branches of Government will collaborate to implement various recommendations of its actuary in an effort to provide for the long-term financial viability of the Fund.</p>
49	<p>2016-009: Pension Plan Obligations</p> <ul style="list-style-type: none"> Plan Funding Considerations 	The management team of the Office of the Governor, Office of Management and Budget, Department of Finance, and Government Employees' Retirement System.	Fiscal Year 2018	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.
49	<ul style="list-style-type: none"> Plan Valuation Methodology 	Commissioner and Executive Assistant Commissioner, Department of Finance	Immediately	The Department of Finance will begin early preparation to engage an actuarial service provider to calculate the OPEB obligation, minimum funding requirements, and RSI information.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
50	<ul style="list-style-type: none"> Plan Census Data and Upcoming Pronouncement 	The management team of the Government Employees Retirement System and Division of Personnel; specifically, Administrator, Director, Member Services, and Director of Information Technology	Fiscal Year 2018	<p>For the past three (3) years, since the implementation of the new Benefits system (V3), GERS has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries. Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.</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 the GERS and the Division of Personnel will do an annual comparative analysis of the employee and retiree related data held by both entities. During this process, data will be reconciled in both databases. After the initial reconciliation is completed, an annual review will be done to ensure that relevant information is synchronized within both systems. Information Technology and Records Management personnel from both agencies will be intimately involved in these meetings.</p>
51	<p>2016-010: Bank Accounts</p> <ul style="list-style-type: none"> Strengthen Controls Over Bank Reconciliations 	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Treasury.	Fiscal Year 2018	The Treasury Director, with oversight from the Assistant Commissioner, will be provided with additional human capital to ensure that bank reconciliations are prepared by the requisite staff and reviewed and signed-off for accuracy and completeness on a bi-monthly basis by the Treasury Director.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<p>This process will also include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year.</p> <p>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.</p>
52	<p>2016-011: Payroll, Related Accruals, and Other Expenditures</p> <ul style="list-style-type: none"> Payroll Expenditures 	The management team of the Division of Personnel and Department of Finance; specifically, Director of Payroll.	Fiscal Year 2018	We will enhance monitoring of deactivating employees from the system and we will closely review reports for appropriate and accurate information.
53	<ul style="list-style-type: none"> Transactions with Personnel 	The management team of the Office of the Governor and Department of Finance.	Fiscal Year 2018	The Department of Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government.
53	<ul style="list-style-type: none"> Supporting Documentation for Expenditures 	The Executive Assistant Commissioner and Director of Accounting.	Fiscal Year 2018	We will enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
54	2016-012: Information Technology Environment	The management team of the Bureau of Internal Revenue (including the Director of Processing and IT), Lieutenant Governor's Office, Department of Labor, specifically, the IT Director, the management team of Division of Family Assistance of the Department of Human Services, and the Department of Finance.	Fiscal Year 2018	<p><i>Action Plan I:</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.</p> <p>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.</p> <p><i>Action Plan II:</i> The Virgin Islands Department of Labor (VIDOL) will adapt standards prescribed by the National Institute of Standards and Technology that directly relate to change and configuration management. As this endeavor seeks to retrain the thought process of technical and program staff to work in harmony, a project plan will be need to be created and implemented.</p> <p>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.</p> <p>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.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<p>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.</p> <p>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.</p> <p>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.</p> <p><i>Action Plan III:</i> 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.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<p>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.</p> <p><i>Action Plan IV:</i> Policies and guidelines will be created to govern the use of developing stronger passwords combinations.</p>
57	2016-013: Landfill Consent Decrees	Office of the Governor, Chief of Staff, and the Waste Management Authority Management Team	Fiscal Year 2018	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.
58	2016-014: Establishment of a Medical Malpractice Trust Fund	Commissioner, Department of Health and Medical Malpractice Action Review Committee.	Fiscal Year 2018	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.
59	2016-015: Procurement Regulations	Department of Property and Procurement Management Team	Fiscal Year 2018	The Government will 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.
60	2016-016: Cash Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS will strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, non-governmental emails are no longer utilized. The DHS fiscal office continues to emphasize the use of check registers, with the assistance of the Department of Finance.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				This process will improve the timeliness of drawdowns and will complement the internal policy that was created. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.
62	2016-017: Equipment and Real Property Management	Chief Financial Officer Human Resources Program Administrator	Ongoing	While this is a common finding throughout the Government, DHS in collaboration with DPP will strive to ensure that proper controls are put in place to prevent further occurrences.
63	2016-018: Procurement, Suspension, and Debarment	Department of Property and Procurement	October 1, 2016	<p>As of fiscal year 2017, DPP is now reviewing vendor debarment status on sams.gov and printing a debarment or suspension certification to ensure that all contractors that are awarded government contracts using federal funds are not debarred.</p> <p>DPP is in the process of updating its procurement process, overview and guide policy to reflect this new policy that was implemented. The department will also update its procurement policy to state that all departments using federal funds for contractual services must provide documentation that show that full and open competition was conducted with a cost or price analysis. DHS will ask that an analysis be conducted with a minimum of three vendors. A justification letter approved from the Commissioner of P&P will not be accepted in lieu of this analysis. These documents will then be stored in the contract files.</p> <p>DHS will work in tandem with DPP, requiring a review of documents to ensure compliance.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
64	2016-019: Reporting	Chief Financial Officer - DHS	September 2016	DHS has implemented a filing system that ensures the report details are kept both electronically and physically. This also ensures that files are kept intact regardless of any staffing changes.
65	2016-020: Cash Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS will strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, non-governmental emails are no longer utilized. The DHS fiscal office continues to emphasize the use of check registers, with the assistance of the Department of Finance. This process will improve the timeliness of drawdowns and will complement the internal policy that was created. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.
67	2016-021: Equipment and Real Property Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS in collaboration with DPP will strive to ensure that proper controls are put in place to prevent further occurrences.
69	2016-022: Period of Performance	Human Resources Payroll Office - DHS	July 1, 2016	The Department of Finance implemented a policy that permits the processing of payroll records for payment to employees based on current year/grant funding only. To this end, the DHS will comply and update all non-program employee NOPAs' based on this policy. DHS Fiscal Office, in conjunction with Human Resources, continues to monitor all payroll records to ensure that any new project codes are updated and processed in a timely manner.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
70	2016-023: Cash Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS will strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, non-governmental emails are no longer utilized. The DHS fiscal office continues to emphasize the use of check registers, with the assistance of the Department of Finance. This process will improve the timeliness of drawdowns and will complement the internal policy that was created. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.
72	2016-024: Eligibility	Medicaid Administrator - DHS	July 10, 2017	The implementation of the new Virgin Islands Benefits Eligibility System (VIBES) process will improve monitoring and controls. This process will offer organizational change for better oversight of the following: (1) audit trails (2) electronic controls (3) better documentation and (4) extensive training for the staff.
74	2016-025: Special Tests and Provisions - Inpatient Hospital and Long-Term Care	Medicaid Administrator - DHS	Fiscal Year 2017 and On-Going	DHS is in the process of obtaining an independent auditor for the purpose of conducting an audit on the Cost Reports for these facilities.
76	2016-026: Special Tests and Provisions - Medicaid Fraud Control Unit	Medicaid Administrator - DHS	Fiscal Year 2017 and On-Going	Management of the Medicaid program is in the process of requesting a waiver from the Centers for Medicare & Medicaid Services (CMS) for the Medicaid Fraud Control Unit. Additionally, the Medical Assistance Program continues to work with the local Attorney General's office relative to laws and regulations.
77	2016-027: Not used.	Not applicable.	Not applicable.	Not applicable.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
78	2016-028: Special Tests and Provisions - Utilization Control & Program Integrity	Medicaid Administrator - DHS	Fiscal Year 2017 and On-Going	The Medical Assistance Program is in the process of creating its own internal controls along with the implementation of the Medicaid Fraud Control Unit 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.
80	2016-029: Activities Allowed or Unallowed	Medicaid Administrator - DHS and Chief Financial Officer - DHS	Fiscal Year 2017 and On-Going	The program staff will continue to be vigilant in ensuring that the providers are paid based on the negotiated rate with the Virgin Islands Medical Assistance Program, especially in cases of out of state providers. The Virgin Islands Medical Assistance Program is seeking assistance from the Molina contractor in the exploration of the development of an automated claim adjudication system.
81	2016-030: Cash Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS will strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, non-governmental emails are no longer utilized. The DHS fiscal office continues to emphasize the use of check registers, with the assistance of the Department of Finance. This process will improve the timeliness of drawdowns and will complement the internal policy that was created. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.
83	2016-031: Matching, Level of Effort, and Earmarking	Chief Financial Officer - DHS	October 2017	The Fiscal Office is in the process of strengthening its internal controls through the request for the hiring of an Internal Auditor. This properly trained new hire would help to identify and alleviate these issues from occurring.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
84	2016-032: Reporting	Chief Financial Officer - DHS	October 2017	<p>The Fiscal Office is in the process of strengthening its internal controls through the request for the hiring of an Internal Auditor. This properly trained new hire would help to identify and alleviate these issues from occurring.</p> <p>Additionally, DHS intends to have fiscal staff retrained in acceptable accounting standards and best practices. All reports will be verified by the CFO prior to submission.</p>
85	2016-033: Allowable Costs/Cost Principles - Payroll Activities	Chief Financial Officer - DHS and Human Resources Payroll - DHS	September 1, 2017	DHS will ensure that proper policies and procedure are in place. Fiscal Supervisors will complete all time and effort certification; documents will be submitted to Human Resources in accordance with the Uniform Guidance.
87	2016-034: Cash Management	Chief Financial Officer - DHS	September 2017	While this is a common finding throughout the Government, DHS will strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, non-governmental emails are no longer utilized. The DHS fiscal office continues to emphasize the use of check registers, with the assistance of the Department of Finance. This process will improve the timeliness of drawdowns and will complement the internal policy that was created. DHS also requires that more than one person is needed to access the payment systems in order to complete draws for continuity in the department.
89	2016-035: Eligibility	Administrator, Division of Senior Citizen Affairs - DHS	September 1, 2017	DHS through the Division of Senior Citizen Affairs, will work in concert with the Contracts Administrator and the Non-Profit Program Director to develop a process that is initiated annually announcing the opportunity for funding and inviting sub-grantees to apply. This process will outline the procedures and requirements for determining eligibility and the necessary assurances sub-grantees must meet to remain compliant.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
90	2016-036: Matching, Level of Effort, and Earmarking	Administrator, Division of Senior Citizen Affairs - DHS	November 1, 2017	DHS will implement policies and procedures to control and monitor the level of effort and earmarking. DHS will establish accounting codes in ERP to better identify the administrative costs. DHS SCA will develop a policy and procedures manual to include the monitoring process detailing expectations and timelines.
92	2016-037: Subrecipient Monitoring	Chief Financial Officer - DHS and Administrator, Division of Senior Citizen Affairs - DHS	October 2017	<p>The Fiscal Office is in the process of strengthening its internal controls through the request for the hiring of an Internal Auditor. This properly trained new hire would help to identify and alleviate these issues from occurring. Additionally, DHS intends to have fiscal staff retrained in accounting standards and best practices.</p> <p>DHS SCA will develop a policy and procedures manual to include the monitoring process detailing expectations and timelines. A quarterly report checklist will be developed and shared with the sub-grantee(s).</p>
93	2016-038: Allowable Costs/Cost Principles - Payroll Activities	DOJ - PCSD Director Assistant Director and Federal Grants Coordinator - DOJ	1 st Quarter Fiscal Year 2017	PCSD-DOJ will ensure that employees sign the time and effort certification on a timely basis.
95	2016-039: Allowable Costs/Cost Principles - Non-Payroll Activities	DOJ - PCSD Director and Federal Grants Coordinator - DOJ	1 st Quarter Fiscal Year 2017	The Director of PCSD has implemented a policy of reviewing, initialing, and dating the supporting documents before a payment request is made. Policies and procedures are presently in place to ensure compliance with the Uniform Guidance.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
96	2016-040: Cash Management	DOJ - PCSD Director and Federal Grants Coordinator - DOJ	1 st Quarter Fiscal Year 2017	The Director of PCSD has implemented a policy of reviewing, initialing, and dating the supporting documents before a payment request is made. Policies and procedures are presently in place to ensure compliance with the Uniform Guidance. Federal Grants Coordinator will comply with the CMIA agreement and will use a clearance pattern of 4 days or less.
98	2016-041: Equipment and Real Property Management	MIS Manager - DOJ and PCSD - DOJ	Fiscal Year 2017	While this is a common finding throughout the Government, the MIS unit at DOJ/PCSD will work in conjunction with DPP and inventory all PCSD's equipment and will forward this inventory listing to DPP in order that DPP's records reconcile with PCSD's records of equipment.
99	2016-042: Matching, Level of Effort, and Earmarking	DOJ - PCSD Director and Federal Grants Coordinator - DOJ	1 st Quarter Fiscal Year 2017	PCSD will continue to work towards ensuring that all costs are paid or encumbered during the award period. PCSD Director will review, initial, and date all supporting documents before a request for payment is made.
100	2016-043: Period of Performance	DOJ - PCSD Director and Federal Grants Coordinator - DOJ	1 st Quarter Fiscal Year 2017	PCSD will work to ensure all costs are paid or encumbered during the award period. PCSD director will review, initial, and date all supporting documents before a request for payment is made.
101	2016-044: Reporting	DOJ - PCSD Director and Federal Grants Coordinator - DOJ	Fiscal Year 2017	PCSD has contracted a new vendor which will monitor its system in order that the information reported to the Federal Government is accurate and reports are submitted on or before the deadline. PCSD is committed to improving its reporting system with the current vendor support.
102	2016-045: Cash Management	Deputy Director - OMB and OTAG Business Officer	October 1, 2017	The Office of Management and Budget (OMB) has expressed to the Department of Finance through correspondence that OTAG be removed from the Treasury State Agreement (TSA) effective October 1, 2018.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				With the planned implementation of monthly reconciliations and submittal of SF-270 reimbursement documents, OTAG anticipates the Prompt Payment Act will eliminate the delays experienced previously. Once SF-270s are submitted error free, the request will be uploaded to Defense Financial Accounting Service for reimbursement within five (5) days.
103	2016-046: Matching, Level of Effort, and Earmarking	Director, Administrative & Business Management (DABM) and OTAG Budget Officer	December 31, 2017	OTAG will develop a Policy and Procedures Manual. The Master Cooperative Agreement (MCA) through the appendices identifies the cost share and what is required by persons performing management functions. Effective August 1, 2017, all MCA appendices will be reconciled and SF-270s submitted for reimbursement on a monthly basis.
104	2016-047: Period of Performance	Director, Administrative & Business Management (DABM) and OTAG Budget Officer	December 31, 2017	Upon receiving the Government's budget upfront, compounded with the planned implementation of monthly reconciliations, and submittal of SF-270 reimbursement documents, OTAG anticipates a significant reduction of the need for accounting outside the performance period. The Policy and Procedures Manual will address the 90 days fiscal year close out of the appendices.
105	2016-048: Reporting	OTAG Business Officer	August 1, 2017	OTAG anticipates that the planned implementation of monthly reconciliations and submittal of SF-270 reimbursement documents will provide an immediate internal control mechanism. Effective August 1, 2017, SF-270 reports will be processed not less than once a month. A transmittal document will be affixed, requiring signature from all personnel on the process. It will include the preparer, verifier, Program Manager Review, OTAG, and USPFO signature through acceptance by the Government Office Representative (GOR).

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
106	2016-049: Cash Management	Assistant Director of Administration - DPW	October 1, 2017	While this is a common finding throughout the Government, OMB has expressed to DOF through correspondence that DPW be exempted from the Treasury State Agreement (TSA) effective October 1, 2017. If the request is accepted, DPW will no longer fall under the CMIA agreement, since this is a manually reimbursable program.
108	2016-050: Equipment and Real Property Management	Highway Program Manager - DPW	Immediately	DPW will provide all the necessary documentation to DPP, allowing them to record and register all equipment purchased with federal funds. This process will allow DPW to become in compliance for equipment acquired under Federal awards.
109	2016-051: Procurement, Suspension, and Debarment	Highway Program Manager - DPW	3 rd Quarter Fiscal Year 2017	DPW will coordinate with DPP to recover all supporting documents that are not included in contract files. All documentation that is missing will be implanted into DPW's contract files, therefore making these files current and complete.
110	2016-052: Special Tests and Provisions - Quality Assurance Program	Highway Program Manager - DPW	2 nd Quarter Fiscal Year 2017	DPW is awaiting Federal Highway's approval of its quality assurance program. Once approved, all Program managers will provide the necessary documentation for the quality assurance files per project.
111	2016-053: Special Tests and Provisions - Wage Rate Requirements	Highway Program Manager - DPW	Immediately	The Program Manager of Office of Highway Engineering has directed all Project Managers to complete the necessary documentation for review of the certified payrolls. This action was addressed immediately.
112	2016-054: Cash Management	Assistant Director of Administration - DPW and Highway Program Manager - DPW	2 nd Quarter Fiscal Year 2017	DPW will request Federal funds in a way that consistently minimizes the time between the drawdown of Federal funds from the Federal government and its disbursement for Federal program purposes.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
113	2016-055: Reporting	Fiscal Specialist - VIWMA	October 1, 2017	Form 5700-52A will be submitted. In compliance with the grant agreement, the requested quarterly reports will be submitted on a timely/quarterly basis.
114	2016-056: Special Tests and Provisions - Wage Rate Requirements	Project Engineers - VIWMA & DPW	October 1, 2017	DPW will require each Project Engineer assigned to a project to be responsible to collect on a weekly basis the certified payroll from each contractor, and verify that they are in compliance with the prevailing wage rates from the U.S. Department of Labor. Once verified, and approved, the certified payroll will be attached to each contractor's respective service period invoice.
116	2016-057: Activities Allowed or Unallowed	UI Director - VIDOL	June 2017 and On-Going	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.
117	2016-058: Cash Management	Director of Business Administration - VIDOL	June 2017 and On-Going	VIDOL currently has its Cash Management and Draw down Policy in place. The two referenced cases were due to circumstances beyond the department's control as was noted during the review of these cases. Going forward, management at VIDOL will ensure that the staff adheres to the specifications stipulated in the draw-down policy.
118	2016-059: Eligibility	UI Director - VIDOL	June 2017 and On-Going	Based on the manual process, the WBA should have been \$324.00 on the 2 nd step. The system however, calculated the WBA at \$323. On that WBA (\$323) calculation, the claimant would be eligible with the 13 weeks. The \$1 difference may have resulted from a system glitch.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
119	2016-060: Period of Performance	UI Director - VIDOL	June 2017 and On-Going	VIDOL will work to ensure all costs are paid or encumbered during the award period.
120	2016-061: Special Tests and Provisions - UI Program Integrity - Overpayment	UI Director - VIDOL	June 2017 and On-Going	<p>Upon review of the information provided, the Unemployment Insurance Management team will have to work with the department's IT Department Director to verify why this programming error occurred in the system. A job ticket has been submitted for this programming error to be reviewed. Effective Monday June 19th, 2017 a manual calculation will be done on all Fraud Overpayments and in-house records will be kept.</p> <p>The Benefit Payment Control (BPC) Unit will be responsible for the implementation of this manual process and record keeping until the programming is completed.</p>
121	2016-062: Allowable Costs/Cost Principles - Payroll Activities	Director of Business Administration - VIDOL	June 2017 - On-Going	VIDOL will ensure that adjustment vouchers to correct any payroll errors are completed with the same fiscal year.
123	2016-063: Allowable Costs/Cost Principles - Indirect Cost Activities	Director of Business Administration - VIDOL	May 2017 - On-Going	Based on technical assistance provided by our Regional Office in May 2017, VIDOL has begun to make the necessary changes to ensure that the indirect cost rate being applied is in compliance with the latest agreed upon rate.
125	2016-064: Cash Management	Director of Business Administration - VIDOL	June 2017 - On-Going	VIDOL will complete a refresher training of its cash management policy to ensure accurate drawdowns of federal funds.

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
127	2016-065: Eligibility	Director of Workforce Development - VIDOL	June 2017 - On-Going	Based on the guidance received from USDOL, the staff did take the necessary steps to ensure that the participants were eligible for service. The Jobs for Veterans State Grant (JVSG) (DVOP) program has a program audit conducted every year. VIDOL will continue to ensure that participant files and reviews are properly conducted and documented.
129	2016-066: Reporting	Director of Workforce Development - VIDOL	June 2017 - On-Going	Although VIDOL does review and approve the information, this process is currently not documented. Going forward, VIDOL will ensure that the review and approval process is properly documented.
130	2016-067: Activities Allowed or Unallowed; Allowable Costs/Cost Principles	Director, Special Nutrition Programs - DOE	Fiscal Year 2018 and On-Going	The Department of Education (DOE) has requested that the Department of Finance create separate project accounts for the School Lunch and Breakfast Programs. This will allow the expenditures for both programs to be recorded separately. The Financial Control Officer will be responsible for ensuring that all expenditures are charged to the correct grants and grant periods. All grant expenditures will be reviewed on a regular basis to ensure that they are accurate and allowable.
132	2016-068: Allowable Costs/Cost Principles - Indirect Cost Activities	Director, Special Nutrition Programs - DOE	Fiscal Year 2017 and On-Going	<p>The Department of Education prepares the current Fiscal Year Budgets with the existing rates from the previous fiscal year, if the new rates are not negotiated. Once the new Indirect Cost rate is approved, the budgets will be revised to reflect the correct rate.</p> <p>Also, the Department of Education's State Office of Special Nutrition Programs in collaboration with DOE Business Office will ensure that all indirect costs are drawn down and posted in a timely manner. Indirect cost transfers will be submitted to DOE Business Office on a weekly basis to ensure timely posting in the Government's accounting system.</p>

Government of the United States Virgin Islands

Appendix B: Corrective Action Plan Year Ended September 30, 2016

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
133	2016-069: Cash Management	Director, Special Nutrition Programs - DOE	Fiscal Year 2017 and On-Going	While this is a common finding within the Territory, the Department of Education will continue to ensure that all drawdowns are carried out within the timeframe of the CMIA Agreement. DOE will follow the written procedures which include back-up staff that can also initiate draw downs.
135	2016-070: Equipment and Real Property Management	Director, Special Nutrition Programs - DOE	Fiscal Year 2018 and On-Going	While this is a common finding within the Territory, the Department of Education Fixed Asset Division will continue to track and maintain all records acquired with Federal funds.
136	2016-071: Period of Performance	Director, Special Nutrition Programs - DOE	Fiscal Year 2017 and On-Going	The Financial Control Officer will be responsible for ensuring that all expenditures are charged to the correct grants and grant periods. All grant expenditures will be reviewed on a regular basis to ensure that they are accurate and allowable.