



## 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, 2017

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, 2017

# 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

6-17

Schedule of Expenditures of Federal Awards

18-26

Notes to Schedule of Expenditures of Federal Awards

27-29

Schedule of Findings and Questioned Costs

30-142

### Management's Appendices

Appendix A: Status of Prior Audit Findings

143-177

Appendix B: Corrective Action Plan

178-212



## **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, 2017, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated September 30, 2019. We expressed a qualified opinion on the financial statements of the governmental activities, general fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report.

Our aforementioned report includes references to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (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), The West Indian Company Limited (WICO), Virgin Islands Next Generation Network (viNGN), and Tobacco Settlement Financing Corporation (TSFC) as described in our report on the Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We audited the financial statements of the Virgin Islands Water and Power Authority (WAPA), the Virgin Islands Port Authority (VIPA), the University of the Virgin Islands (UVI), 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, UVI, 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.



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

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

Finding #	Nature of Finding
2017-001	Financial Position
2017-002	Accounting in the Aftermath of Disasters
2017-003	Year-End Close Process
2017-004	Revenue and Receivables
2017-005	Grants Management
2017-006	Capital Assets and Related Expenditures
2017-007	Recording of Liabilities
2017-008	Management of the Medicaid Program
2017-009	Unemployment Insurance Trust Fund
2017-010	Workers Compensation Program
2017-011	Payroll, Related Accruals, and Other Expenditures

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

Finding #	Nature of Finding
2017-012	Bank Accounts
2017-013	Information Technology Environment

#### Compliance and Other Matters

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



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

Finding #	Nature of Finding
2017-014	Landfill Consent Decrees
2017-015	Establishment of a Medical Malpractice Trust Fund
2017-016	Procurement Regulations
2017-017	Casino Control Commission

#### The Government's Responses to Findings

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

#### Purpose of this Report

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

September 30, 2019

BDO USA, LLP



## **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, 2017. 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), The West Indian Company Limited (WICO), Virgin Islands Next Generation Network (viNGN), University of the Virgin Islands Research and Technology Park Corporation (RTPark), and Tobacco Settlement Financing Corporation (TSFC). The financial statements of RTPark have not been audited, and we were not engaged to audit the financial statements as part of our audit of the Government's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and our audit described below do not include the Federal expenditures of these organizational units. As may be applicable, these organizational units of the Government have a separate independent audit performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The accompanying Schedule of Expenditures of Federal Awards and our audit described below also do not include the Federal expenditures of the Virgin Islands Water and Power Authority (WAPA), the Virgin Islands Port Authority (VIPA), the University of the Virgin Islands (UVI), and the Virgin Islands Public Broadcasting System (VIPBS). As may be applicable, the results of our testing of compliance for WAPA, VIPA, UVI, and VIPBS is reported on separately by us.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Government's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



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 10.561 Supplemental Nutrition Assistance Program Cluster, CFDA 93.778 Medicaid Cluster, CFDA 12.401 National Guard Military Operations and Maintenance (O&M) Projects, and CFDA 17.225 Unemployment Insurance***

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
2017-025	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles - Payroll Activities
2017-026	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-027	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
2017-028	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2017-029	10.561	Supplemental Nutrition Assistance Program Cluster	Period of Performance
2017-030	10.561	Supplemental Nutrition Assistance Program Cluster	Procurement, Suspension, and Debarment
2017-031	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Security
2017-032	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Reconciliation
2017-033	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - ADP System for SNAP-Recertifications
2017-044	93.778	Medicaid Cluster	Activities Allowed or Unallowed
2017-045	93.778	Medicaid Cluster	Cash Management
2017-046	93.778	Medicaid Cluster	Eligibility
2017-047	93.778	Medicaid Cluster	Matching, Level of Effort, and Earmarking
2017-048	93.778	Medicaid Cluster	Procurement, Suspension, and Debarment
2017-049	93.778	Medicaid Cluster	Reporting
2017-050	93.778	Medicaid Cluster	Special Tests and Provisions - Federal Financial Participation Refunds
2017-051	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility





Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-052	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2017-053	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2017-054	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2017-055	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity
2017-077	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Cost/Cost Principles - Payroll Activities
2017-078	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2017-079	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, and Earmarking
2017-080	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance
2017-081	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2017-071	17.225	Unemployment Insurance	Activities Allowed or Unallowed
2017-072	17.225	Unemployment Insurance	Cash Management
2017-073	17.225	Unemployment Insurance	Eligibility
2017-088	10.561	Supplemental Nutrition Assistance Program Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Data Collection Form and Single Audit Reporting Package
2017-088	17.225	Unemployment Insurance	Data Collection Form and Single Audit Reporting Package

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

***Adverse Opinion on CFDA 10.561 Supplemental Nutrition Assistance Program Cluster, CFDA 93.778 Medicaid Cluster, CFDA 12.401 National Guard Military Operations and Maintenance (O&M) Projects, and CFDA 17.225 Unemployment Insurance***

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 10.561 Supplemental Nutrition Assistance Program Cluster, CFDA 93.778 Medicaid Cluster, CFDA 12.401 National Guard Military Operations and Maintenance (O&M) Projects, and CFDA 17.225 Unemployment Insurance for the year ended September 30, 2017.



***Basis for Qualified Opinion on CFDA 10.555/10.559 Child Nutrition Cluster, CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 93.600 Head Start, CFDA 93.767 Children's Health Insurance Program, CFDA 93.563 Child Support Enforcement, and CFDA 66.605 Performance Partnership Grants***

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
2017-023	10.555 10.559	Child Nutrition Cluster	Period of Performance
2017-024	10.555 10.559	Child Nutrition Cluster	Procurement, Suspension, and Debarment
2017-037	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension, and Debarment
2017-038	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions - Review of Redeemed Food Instruments and Cash-Value Vouchers
2017-039	93.600	Head Start	Allowable Cost/Cost Principles - Payroll Activities
2017-043	93.600	Head Start	Period of Performance
2017-056	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed
2017-063	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2017-067	93.563	Child Support Enforcement	Matching, Level of Effort, and Earmarking
2017-086	66.605	Performance Partnership Grants	Procurement, Suspension, and Debarment

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 10.555/10.559 Child Nutrition Cluster, CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 93.600 Head Start, CFDA 93.767 Children's Health Insurance Program, CFDA 93.563 Child Support Enforcement, and CFDA 66.605 Performance Partnership Grants***

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 10.555/10.559 Child Nutrition Cluster, CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 93.600 Head Start, CFDA 93.767 Children's Health Insurance Program, CFDA 93.563 Child Support Enforcement, and CFDA 66.605 Performance Partnership Grants for the year ended September 30, 2017.



### *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, 2017.

### *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
2017-018	10.555 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities
2017-019	10.555 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-020	10.555 10.559	Child Nutrition Cluster	Cash Management
2017-021	10.555 10.559	Child Nutrition Cluster	Equipment and Real Property Management
2017-022	10.555 10.559	Child Nutrition Cluster	Matching, Level of Effort, and Earmarking
2017-034	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management
2017-035	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility
2017-036	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Equipment and Real Property Management
2017-040	93.600	Head Start	Cash Management
2017-041	93.600	Head Start	Equipment and Real Property Management
2017-042	93.600	Head Start	Matching, Level of Effort, and Earmarking
2017-057	93.767	Children's Health Insurance Program	Cash Management
2017-058	93.767	Children's Health Insurance Program	Matching, Level of Effort, and Earmarking
2017-059	93.767	Children's Health Insurance Program	Reporting
2017-060	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Cash Management
2017-061	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Equipment and Real Property Management
2017-062	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Reporting
2017-064	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-065	93.563	Child Support Enforcement	Cash Management



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-066	93.563	Child Support Enforcement	Equipment and Real Property Management
2017-068	93.563	Child Support Enforcement	Reporting
2017-069	20.205	Highway Planning and Construction Cluster	Cash Management
2017-070	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2017-074	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2017-075	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2017-076	15.875	Economic, Social, and Political Development of the Territories	Procurement, Suspension, and Debarment
2017-082	66.605	Performance Partnership Grants	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-083	66.605	Performance Partnership Grants	Cash Management
2017-084	66.605	Performance Partnership Grants	Equipment and Real Property Management
2017-085	66.605	Performance Partnership Grants	Matching, Level of Effort, and Earmarking
2017-087	66.605	Performance Partnership Grants	Reporting
2017-088	10.555 10.559	Child Nutrition Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Data Collection Form and Single Audit Reporting Package
2017-088	93.600	Head Start	Data Collection Form and Single Audit Reporting Package
2017-088	93.767	Children's Health Insurance Program	Data Collection Form and Single Audit Reporting Package
2017-088	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Data Collection Form and Single Audit Reporting Package
2017-088	93.563	Child Support Enforcement	Data Collection Form and Single Audit Reporting Package
2017-088	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	15.875	Economic, Social, and Political Development of the Territories	Data Collection Form and Single Audit Reporting Package
2017-088	66.605	Performance Partnership Grants	Data Collection Form and Single Audit Reporting Package

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



## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as listed below, to be material weaknesses:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-020	10.555 10.559	Child Nutrition Cluster	Cash Management
2017-021	10.555 10.559	Child Nutrition Cluster	Equipment and Real Property Management
2017-023	10.555 10.559	Child Nutrition Cluster	Period of Performance
2017-024	10.555 10.559	Child Nutrition Cluster	Procurement, Suspension, and Debarment
2017-025	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Cost/Cost Principles - Payroll Activities
2017-027	10.561	Supplemental Nutrition Assistance Program Cluster	Cash Management
2017-028	10.561	Supplemental Nutrition Assistance Program Cluster	Equipment and Real Property Management
2017-029	10.561	Supplemental Nutrition Assistance Program Cluster	Period of Performance
2017-030	10.561	Supplemental Nutrition Assistance Program Cluster	Procurement, Suspension, and Debarment

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-034	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management
2017-036	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Equipment and Real Property Management
2017-037	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension, and Debarment
2017-038	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions - Review of Redeemed Food Instruments and Cash-Value Vouchers
2017-039	93.600	Head Start	Allowable Cost/Cost Principles - Payroll Activities
2017-040	93.600	Head Start	Cash Management
2017-041	93.600	Head Start	Equipment and Real Property Management
2017-043	93.600	Head Start	Period of Performance
2017-044	93.778	Medicaid Cluster	Activities Allowed or Unallowed
2017-045	93.778	Medicaid Cluster	Cash Management
2017-046	93.778	Medicaid Cluster	Eligibility
2017-048	93.778	Medicaid Cluster	Procurement, Suspension, and Debarment
2017-049	93.778	Medicaid Cluster	Reporting
2017-051	93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility
2017-052	93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits
2017-053	93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid Fraud Control Unit
2017-054	93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2017-055	93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control & Program Integrity
2017-056	93.767	Children's Health Insurance Program	Activities Allowed or Unallowed
2017-057	93.767	Children's Health Insurance Program	Cash Management
2017-059	93.767	Children's Health Insurance Program	Reporting
2017-060	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Cash Management
2017-061	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Equipment and Real Property Management
2017-063	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Payroll Activities
2017-065	93.563	Child Support Enforcement	Cash Management
2017-066	93.563	Child Support Enforcement	Equipment and Real Property Management



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-067	93.563	Child Support Enforcement	Matching, Level of Effort, and Earmarking
2017-068	93.563	Child Support Enforcement	Reporting
2017-069	20.205	Highway Planning and Construction Cluster	Cash Management
2017-070	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2017-071	17.225	Unemployment Insurance	Activities Allowed or Unallowed
2017-072	17.225	Unemployment Insurance	Cash Management
2017-073	17.225	Unemployment Insurance	Eligibility
2017-074	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2017-075	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2017-076	15.875	Economic, Social, and Political Development of the Territories	Procurement, Suspension, and Debarment
2017-077	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities
2017-078	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management
2017-079	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, and Earmarking
2017-080	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance
2017-081	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Reporting
2017-083	66.605	Performance Partnership Grants	Cash Management
2017-084	66.605	Performance Partnership Grants	Equipment and Real Property Management
2017-085	66.605	Performance Partnership Grants	Matching, Level of Effort, and Earmarking
2017-086	66.605	Performance Partnership Grants	Procurement, Suspension, and Debarment

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
2017-018	10.555 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities
2017-019	10.555 10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-022	10.555 10.559	Child Nutrition Cluster	Matching, Level of Effort, and Earmarking
2017-026	10.561	Supplemental Nutrition Assistance Program Cluster	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-031	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Security
2017-032	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Reconciliation
2017-033	10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - ADP System for SNAP-Recertifications
2017-035	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility
2017-042	93.600	Head Start	Matching, Level of Effort, and Earmarking
2017-047	93.778	Medicaid Cluster	Matching, Level of Effort, and Earmarking
2017-050	93.778	Medicaid Cluster	Special Tests and Provisions - Federal Financial Participation Refunds
2017-058	93.767	Children's Health Insurance Program	Matching, Level of Effort, and Earmarking
2017-062	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Reporting
2017-064	93.563	Child Support Enforcement	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-082	66.605	Performance Partnership Grants	Allowable Costs/Cost Principles - Indirect Cost Activities
2017-087	66.605	Performance Partnership Grants	Reporting
2017-088	10.555 10.559	Child Nutrition Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	10.561	Supplemental Nutrition Assistance Program Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Data Collection Form and Single Audit Reporting Package
2017-088	93.600	Head Start	Data Collection Form and Single Audit Reporting Package
2017-088	93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	93.767	Children's Health Insurance Program	Data Collection Form and Single Audit Reporting Package





Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-088	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Data Collection Form and Single Audit Reporting Package
2017-088	93.563	Child Support Enforcement	Data Collection Form and Single Audit Reporting Package
2017-088	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package
2017-088	17.225	Unemployment Insurance	Data Collection Form and Single Audit Reporting Package
2017-088	15.875	Economic, Social, and Political Development of the Territories	Data Collection Form and Single Audit Reporting Package
2017-088	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Data Collection Form and Single Audit Reporting Package
2017-088	66.605	Performance Partnership Grants	Data Collection Form and Single Audit Reporting Package

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, 2017, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We issued our report thereon dated September 30, 2019, which expressed a qualified opinion on the financial statements of the governmental activities, general fund, federal grants fund, and aggregate discretely-presented component units opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units based on the circumstances described in our aforementioned report. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.



The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the Schedule of Expenditures of Federal Awards of the circumstances noted above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BDO USA, LLP*

September 30, 2019

Schedule of Expenditures  
of Federal Awards

---

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Agriculture</b>				
Plant and Animal Disease, Pest Control, and Animal Care	10.025			\$ 87,428
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	\$ 30,001	35,161
Professional Standards for School Nutrition Employees	10.547			13,992
<u><i>Child Nutrition Cluster</i></u>				
National School Lunch Program	10.555			5,570,492
Summer Food Service Program for Children (SFSPC)	10.559			5,700
<i>Total Child Nutrition Cluster</i>				<u>5,576,192</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			5,321,164
Child and Adult Care Food Program	10.558			2,207,068
State Administrative Expenses for Child Nutrition	10.560			389,390
<u><i>SNAP Cluster</i></u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			63,226,304
<u><i>Food Distribution Cluster</i></u>				
Emergency Food Assistance Program (Administrative Costs)	10.568			39,352
WIC Farmers' Market Nutrition Program	10.572			12,677
Child Nutrition Discretionary Grants Limited Availability	10.579			75,104
Fresh Fruit and Vegetable Program	10.582			23,689
Cooperative Forestry Assistance	10.664			16,560
Urban and Community Forestry Program	10.675	001561211	22,585	98,296
Forest Legacy Program	10.676			30,338
Forest Stewardship Program	10.678			102,487
<b>Total U.S. Department of Agriculture</b>			<b>52,586</b>	<b>77,255,202</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Health and Human Services</b>				
Special Programs for the Aging - Title VII, Chapter 3				
Programs for Prevention for Elder Abuse	93.041			1,146,151
Special Programs for the Aging - Title VII, Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042			13,806
<u><b>Aging Cluster</b></u>				
Special Programs for the Aging - Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044			358,752
Special Programs for the Aging - Title III, Part C				
Nutrition Services	93.045			1,755,618
Nutrition Services Incentive Program	93.053			8,740
<b>Total Aging Cluster</b>				<u>2,123,110</u>
National Family Caregiver Support, Title III, Part E	93.052			166,292
Public Health Emergency Preparedness	93.069			259,304
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			136,592
Hospital Preparedness Program (HPP) and Public Health				
Emergency Preparedness (PHEP) Aligned				
Cooperative Agreements	93.074			585,036
Affordable Care Act (ACA) Personal Responsibility				
Education Program	93.092			93,656
Maternal and Child Health Federal Consolidated Programs	93.110			94,103
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116			76,376
Emergency Medical Services for Children	93.127			132,781
Cooperative Agreements to States/Territories for the				
Coordination and Development of Primary Care Offices	93.130			171,786
Injury Prevention and Control Research and State and				
Community Based Programs	93.136			33,587
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, 2017

<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>
<b>U.S. Department of Health and Human Services (continued)</b>				
Family Planning-Services	93.217			826,429
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243			134,795
Universal Newborn Hearing Screening	93.251			198,259
Immunization Cooperative Agreements	93.268			1,273,121
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			4,607,937
Behavioral Risk Factor Surveillance System	93.336			1,313
ACL Independent Living State Grants	93.369			194
<u>Maternal, Infant, and Early Childhood Home Visiting Cluster</u>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505			1,068,906
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521			36,193
Promoting Safe and Stable Families	93.556			647,223
<u>TANF Cluster</u>				
Temporary Assistance for Needy Families State Programs	93.558	001560155	1,914,109	2,979,922
Family Support Payments to States - Assistance Payments	93.560	001560155	716,830	716,830
Child Support Enforcement	93.563			3,524,132
Low-Income Home Energy Assistance	93.568			46,470
Community Services Block Grant	93.569			398,284
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	93.575			2,548,588

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Health and Human Services (continued)</b>				
Grants to States for Access and Visitation Programs	93.597			56,310
Head Start	93.600			7,963,891
Developmental Disabilities Basic Support and Advocacy Grants	93.630			104,488
Stephanie Tubbs Jones Child Welfare Services Program	93.645			299,082
Social Services Block Grant	93.667	001560155	30,000	48,647
Child Abuse and Neglect State Grants	93.669			594,368
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			55,794
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			78,815
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758			180,722
Children's Health Insurance Program	93.767			7,177,930
<u>Medicaid Cluster</u>				
Medical Assistance Program	93.778			49,435,107
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			184,599
HIV Care Formula Grants	93.917			901,440
HIV Prevention Activities-Health Department Based	93.940			633,890
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			147,257
Assistance Programs for Chronic Disease Prevention and Control	93.945			402,299
Block Grants for Community Mental Health Services	93.958			39,622
Block Grants for Prevention and Treatment of Substance Abuse	93.959			472,285
Zika Health Care Services Program	93.966			6,182
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977			138,363
Maternal and Child Health Services Block Grant to the States	93.994			1,009,580
<b>Total U.S. Department of Health and Human Services</b>			<b>2,660,939</b>	<b>94,021,847</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Transportation</b>				
<u>Highway Planning and Construction Cluster</u>				
Highway Planning and Construction	20.205			20,827,486
Motor Carrier Safety Assistance	20.218			263,371
<u>Federal Transit Cluster</u>				
Federal Transit - Capital Investment Grants	20.500			45,841
Federal Transit - Formula Grants	20.507			941,572
Total Federal Transit Cluster				987,413
<u>Transit Services Programs Cluster</u>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			88,421
<u>Highway Safety Cluster</u>				
State and Community Highway Safety	20.600			791,284
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			54,310
<b>Total U.S. Department of Transportation</b>				23,012,285
<b>U.S. Department of Labor</b>				
Labor Force Statistics	17.002			283,393
Compensation and Working Conditions	17.005			47,564
<u>Employment Service Cluster</u>				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,663,231
Disabled Veterans' Outreach Program (DVOP)	17.801			81,092
Total Employment Service Cluster				1,744,323
Unemployment Insurance	17.225			10,067,221
Senior Community Service Employment Program	17.235			963,856
<u>WIA/WIOA Cluster</u>				
WIA/WIOA Adult Program	17.258			511,042
WIA/WIOA Youth Activities	17.259			755,568
WIA/WIOA Dislocated Worker Formula Grant	17.278			706,111
Total WIA/WIOA Cluster				1,972,721
WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	17.281			6,081
Occupational Safety and Health-State Program	17.503			11,774
<b>Total U.S. Department of Labor</b>				15,096,933



# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Education</b>				
<u>Special Education Cluster (IDEA)</u>				
Special Education - Grants to States	84.027			8,061,112
Impact Aid	84.041			107,980
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			1,731,402
Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	84.177			566
Special Education - Grants for Infants and Families	84.181			711,085
School Safety National Activities (formerly Safe and Drug-Free Schools and Communities-National Programs)	84.184			672,310
Supported Employment Services for Individuals with Severe Disabilities	84.187			28,795
Territories and Freely Associated States Education Grant Program	84.256			527,646
Advanced Placement Program	84.330			650
Striving Readers	84.371			190,082
Statewide Longitudinal Data Systems	84.372			1,029,627
Consolidated Grant to the Outlying Areas	84.403			30,618,842
<b>Total U.S. Department of Education</b>				<b>43,680,097</b>
<b>U.S. Department of the Interior</b>				
<u>Fish and Wildlife Cluster</u>				
Sport Fish Restoration Program	15.605			1,306,327
Wildlife Restoration and Basic Hunter Education	15.611			1,061,989
Total Fish and Wildlife Cluster				<u>2,368,316</u>
Cooperative Endangered Species Conservation Fund	15.615			64,505
State Wildlife Grants	15.634			76,503
Economic, Social, and Political Development of the Territories	15.875	160342882	18,500	4,820,691
Historic Preservation Fund Grants-In-Aid	15.904	160342882	148,700	432,131
<b>Total U.S. Department of the Interior</b>			<b>167,200</b>	<b>7,762,146</b>
<b>U.S. Department of Defense</b>				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			4,198,011

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Environmental Protection Agency</b>				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			18,501
State Clean Diesel Grant Program	66.040			5
Multipurpose Grants to States and Tribes	66.204			62,885
Construction Grants for Wastewater Treatment Works	66.418			2,220,947
Water Quality Management Planning	66.454			96,278
<u>Drinking Water State Revolving Fund Cluster</u>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	138919282	2,748,952	2,895,913
State Grants To Reimburse Operators of Small Water Systems For Training and Certification Costs	66.471			13,187
Beach Monitoring and Notification Program Implementation Grants	66.472			236,436
Performance Partnership Grants	66.605			2,380,208
Underground Storage Tank Prevention, Detection and Compliance Program	66.804			75,154
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			25,913
State and Tribal Response Program Grants	66.817			89,181
<b>Total U.S. Environmental Protection Agency</b>			2,748,952	8,114,608
<b>U.S. Department of Homeland Security</b>				
Boating Safety Financial Assistance	97.012			339,645
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	323,817	947,152
Emergency Management Performance Grants	97.042			1,160,523
Assistance to Firefighters Grant	97.044			761,459
Pre-Disaster Mitigation	97.047	825544042	202,401	335,796
Homeland Security Grant Program	97.067	825544042	9,548	568,782
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			545,520
<b>Total U.S. Department of Homeland Security</b>			535,766	4,658,877

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>U.S. Department of Justice</b>				
Sexual Assault Services Formula Program	16.017	001560155	50,120	50,120
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540			81,268
National Criminal History Improvement Program (NCHIP)	16.554			10,080
Crime Victim Assistance	16.575	829924047	500,627	530,143
Crime Victim Compensation	16.576			38,029
Violence Against Women Formula Grants	16.588	829924047	172,029	450,793
Residential Substance Abuse Treatment for State Prisoners	16.593			26,138
State Criminal Alien Assistance Program	16.606			61,767
Public Safety Partnership and Community Policing Grants	16.710			699,981
Enforcing Underage Drinking Laws Program	16.727			10,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738			152,166
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803			5,848
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			49,402
Support for Adam Walsh Act Implementation Grant Program	16.750			77,262
<b>Total U.S. Department of Justice</b>			<b>722,776</b>	<b>2,242,997</b>
<b>U.S. Department of Commerce</b>				
<u><i>Economic Development Cluster</i></u>				
Economic Adjustment Assistance	11.307			238,500
Interjurisdictional Fisheries Act of 1986	11.407			7,577
Coastal Zone Management Administration Awards	11.419	160342882	45,000	847,751
Financial Assistance for National Centers for Coastal Ocean Science	11.426			2,133
Marine Fisheries Initiative	11.433			28,011
Cooperative Fishery Statistics	11.434			282,850
Southeast Area Monitoring and Assessment Program	11.435			441,160
Meteorologic and Hydrologic Modernization Development	11.467			1,000,108
Coral Reef Conservation Program	11.482			539,534
State and Local Implementation Grant Program	11.549			97,584
<b>Total U.S. Department of Commerce</b>			<b>45,000</b>	<b>3,485,208</b>

# Government of the United States Virgin Islands

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

<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>
<b>National Endowment for the Arts</b>				
Promotion of the Arts - Partnership Agreements	45.025	134306660	309,804	309,804
Grants to States	45.310			106,606
<b>Total National Endowment for the Arts</b>			309,804	416,410
<b>U.S. Department of Energy</b>				
State Energy Program	81.041			179,757
Weatherization Assistance for Low-Income Persons	81.042			285,997
<b>Total U.S. Department of Energy</b>				465,754
<b>Corporation for National and Community Service</b>				
Retired and Senior Volunteer Program	94.002			15,690
<u>Foster Grandparent/Senior Companion Cluster</u>				
Foster Grandparent Program	94.011	001560155	156	152,800
<b>Total Corporation for National and Community Service</b>			156	168,490
<b>Executive Office of the President</b>				
High Intensity Drug Trafficking Areas Program	95.001			95,106
<b>Total Expenditures of Federal Awards</b>			\$ 7,243,179	\$ 284,673,971

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, 2017, 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, 2017.

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 \$58,562,256) and the food cost (CFDA No. 10.557 in the amount of \$3,519,361) distributed during the year. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. The Government's accounting system provides the primary information from which the Schedule is prepared.

### 4. Matching Costs

Matching costs, such as the non-Federal share of certain program costs, are not included in the accompanying Schedule, except Unemployment Insurance (CFDA No. 17.225), as indicated in Note 8.

### 5. Indirect Cost Rate

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

# Government of the United States Virgin Islands

## Notes to Schedule of Expenditures of Federal Awards

---

### 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 2017, the Government received cash rebates from infant formula manufacturers in the amount of approximately \$512,000 on sales of formula to participants in the WIC program (CFDA No. 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

### 8. Unemployment Insurance (UI)

The U.S. Department of Labor in consultation with the Office of Management and Budget officials has determined that for the purpose of audits and reporting under the Uniform Guidance, State or Territory Unemployment Insurance (UI) funds as well as Federal funds should be considered Federal awards for determining Type A programs. A State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under CFDA No. 17.225.

Territory UI Benefits (Trust Fund)	\$ 7,770,929
Federal UI Benefits (Administration)	2,296,292
<hr/>	
Total	\$ 10,067,221

### 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, 2017, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

# Government of the United States Virgin Islands

## Notes to Schedule of Expenditures of Federal Awards

---

### 10. Contingencies

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

### 11. Subsequent Events

On September 6 and 19, 2017, the United States Virgin Islands were struck by two Category 5 hurricanes. The extent and severity of the storms was unprecedented and resulted in catastrophic damage to the Territory, as a whole. On or about September 7 and 20, 2017, the President of the United States declared the United States Virgin Islands a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery assistance.

On February 9, 2018, the Bipartisan Budget Act of 2018 was signed which provided \$89.3 billion in additional supplemental appropriations for communities impacted by the 2017 hurricanes and wildfires. Included in this law are specific relief provisions to repair local and federal facilities in the U.S. Virgin Islands.

Through September 2019, federal assistance awarded to the Territory included \$87.0 million in FEMA Individual Assistance grants, \$1.8 billion in FEMA Public Assistance grants, \$462.0 million in FEMA Hazard Mitigation grants, and \$1.9 billion in Community Development Block Grants for a total of \$4.2 billion dollars. Other federal grants awarded by various federal agencies amounted to \$99.0 million, for a total of approximately \$4.3 billion.

The Government has also participated in FEMA's Community Disaster Loan (CDL) program. As of September 2019, the Government has received \$145.0 million through the CDL program.

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

While inflows of Federal funds continue to bolster the reconstruction activity, the eventual amount and timing of receipt of such funds cannot be predicted as this time.

## Schedule of Findings and Questioned Costs

---



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Section I - Summary of Auditor's Results

#### *Financial Statements*

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

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

Internal control over financial reporting:

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

#### *Federal Awards*

Internal control over major federal programs:

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.555/10.559	Child Nutrition Cluster	Qualified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Qualified
10.561	Supplemental Nutrition Assistance Program Cluster	Adverse
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Adverse

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
15.875	Economic, Social, and Political Development of the Territories	Unmodified
17.225	Unemployment Insurance	Adverse
20.205	Highway Planning and Construction Cluster	Unmodified
66.605	Performance Partnership Grants	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Unmodified
93.563	Child Support Enforcement	Qualified
93.600	Head Start	Qualified
93.767	Children's Health Insurance Program	Qualified
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>
10.555/10.559	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.561	Supplemental Nutrition Assistance Program Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
66.605	Performance Partnership Grants
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
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, 2017

---

### Section II - Financial Statement Findings

#### Finding 2017-001: Financial Position

The Government is in a difficult financial position based primarily on operating losses, outstanding debt, bond downgrades, and pension obligation issues. This matter has been exacerbated by the hurricanes of September 2017.

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

#### Deficits in Unrestricted Net Position

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

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

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

#### Plan Funding Considerations

##### *Finding and Recommendation:*

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

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

- The Government funded 25% of the minimum ARC for the Retirement System for the year ended September 30, 2017. The most recent GERS actuarial valuation report as of October 1, 2016, disclosed a net pension liability of \$4.6 billion which represents a long-term obligation the Government has to fund.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

- The Government is projected to fund 35% of the ARC for the OPEB plan, for the year ended September 30, 2017. As of such point in time, the actuarial accrued liability and funding status showed an unfunded accrued obligation of \$1.3 billion. Because of the accumulated underfunded ARC over a number of years, the Government has amassed a net OPEB obligation of \$477.0 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** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Government Insurance Fund

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

We noted a financial strain (from claims) due to a mismatch from the Government's employers' premium contributions into the *Government Insurance Fund*. For the years ended September 30, 2017 and 2016, the ratio of expenditures to income has been 128% and 211%, 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** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Other Post-Employment Benefits Obligation

Effective for the fiscal year ended 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 accounting standard will require that a liability be recorded for the Government's proportionate share of the unfunded OPEB actuarial accrued obligation with an offsetting decrease to net position.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-002: Accounting in the Aftermath of Disasters

On September 6 and 19, 2017, the United States Virgin Islands were struck by two Category 5 hurricanes. The extent and severity of the storms was unprecedented and resulted in catastrophic damage to the Territory, as a whole.

Specifically impacting the finance functions, there was extensive damage of business premises, furniture and equipment, electronic servers, and various files and supporting documentation along with displacement of employees and operations.

#### Capital Assets Impairment Process

##### *Finding and Recommendation:*

Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include amongst others, evidence of physical damage. We noted the following regarding the Government's capital assets impairment process:

- Beyond the significant buildings, motor vehicles, and infrastructure, there was lack of a coordinated inventory process to evaluate the damages suffered. These individually smaller items such as, machinery and equipment, were cumulatively significant for financial reporting purposes.
- While various damage assessment reports were performed by distinct experts hired in the aftermath of the disasters, there was a lack of coordination with the accounting team in ensuring that the reports would also be sufficient for recording impairment loss(es) on the books and records.
- We noted that some damage assessments for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them. Further, each division or department seemed to have its own separate process or methodology.
- Damage assessments were not readily matched to the asset registers due to incomplete and inaccurate descriptions in the respective registers. This resulted in additional time and effort in calculating and applying impairment to specific capital assets.

Because of the above factors, the capital assets impairment process had to be reperformed at a much later date and resulted in significant delays and adjustments during the audit process. We recommend that the Government implement a formal process whereby, annual impairment assessments are conducted, independent of the external audit.

Further, the results of periodic physical counts should be readily available for analysis by external parties and should be compared to the detailed capital asset subsidiary ledger and communicated to the Department of Finance so that necessary adjustments can be recorded.

This will help improve the tracking of assets for disposal and impairment purposes. It should also be noted that as a recipient of Federal grant funds, the Government is required to have in place an inventory management system to track items purchased with Federal funds.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

### Formalize Emergency Payroll Procedures

Payroll processing commences with timesheets which are approved by agency heads in the STATS system (timesheet system), which then forms the basis for payroll processing at Department of Finance. It was noted that payroll processing during the last month of the fiscal year was severely impacted as result of the September 2017 hurricanes. The hurricanes resulted in a major loss of power and displacement of personnel. Employees could not attend work for days as the roads were rendered inaccessible. As a result, the recording of timesheets in the STATS system was temporarily shelved.

As a transitory relief measure, the Government instituted the "Straight 80" payroll process where all "active" employees in the employee database (ERP system) were paid for 80 hours during the last payroll. We noted the following with regard to the process:

- Management could not provide a formal documented policy regarding how the "Straight 80" payroll process would be performed along with the required subsequent reconciliations that would be necessitated (as employees were paid based on estimates).
- A reconciliation of the payroll paid based on estimated times versus what should have actually been paid after verifying with the various department heads was not performed on a timely basis. The reconciliation was only performed after the audit process commenced.

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-003: Year-End Close Process

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

#### Timeliness and Methodology of Close Process

##### *Finding and Recommendation:*

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Journal Entries

#### *Finding and Recommendation:*

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-004: Revenue and Receivables

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

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

#### Reconciliation of Subsidiary Registers

##### *Finding and Recommendation:*

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

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

#### 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 were understated. As a result, a significant adjustment was required during the audit process.

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

**Views of Responsible Officials** - 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, 2017

---

### Real Property Tax

#### *Finding and Recommendation:*

- We noted six (6) 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** - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

### Other Revenues

#### *Finding and Recommendation:*

- The Government was unable to provide readily available supporting documentation for 25% of the sampled items for charges for services and 53% of the sampled items for interest and other revenues. As a result, additional time and effort was required during the audit process to locate and/or identify alternative methodologies.
- During our procedures over stamp tax revenues, we noted four (4) sampled items for which the Government was unable to provide completed supporting documentation. Management should recognize that the potential exists for additional discrepancies.

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-005: Grants Management

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

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

##### *Finding and Recommendation:*

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

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

- 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.
- We noted various instances where pass-through amounts had not been reflected on the SEFA.

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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

The following reclassification adjustments were necessitated during the annual audit process:

- Approximately \$3.5 million in expenditures had not been reflected in CFDA Number 10.557, *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)*.
- Approximately \$185,000 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* and CFDA Number 10.560, *State Administrative Expenses for Child Nutrition*.
- Approximately \$58.5 million in expenditures had not been reflected in CFDA Number 10.561, *State Administrative Matching Grants for the Supplemental Nutrition Assistance Program*. Alternatively, approximately \$506,000 in expenditures had erroneously been reflected in the program.
- Approximately \$622,000 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 \$4.6 million had been reflected as expenditures for CFDA Number 93.667, *Social Services Block Grant*; however, the majority of these funds had actually been spent for various other Federal programs.
- Approximately \$300,000 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*.
- Approximately \$7.6 million had not been reflected in CFDA Number 20.205, *Highway Planning and Construction*.
- Approximately \$1.3 million had erroneously been reflected as expenditures in CFDA Number 97.036, *Disaster Grants - Public Assistance*.

While we noted an improvement in fiscal year 2017, 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** - 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.

### Federal Grants and Contributions

#### *Finding and Recommendation:*

Based on our review of the schedule of grants and contracts, we noted the Government is not monitoring its outstanding Federal receivables on a periodic basis.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

We noted an improvement in record-keeping where the Government implemented a process of establishing a discrete and separate receivable balance on a per grant/project basis. However, the following key component was lacking:

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

This leads to difficulty in establishing individual balances of both receivables and deferrals from grants and contracts, may mask items that have been inactive for many years, and can cause confusion regarding the true level of activity. Additional time and effort was required during the audit process to rectify and reconcile the balances. We recommend that receivables should be tracked by the individual Government agency(ies) by performing the following:

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-006: 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:

- Four (4) items acquired in fiscal year 2017 that were above the asset capitalization threshold had not been reflected in the initial additions listing.
- Thirty-six (36) assets acquired in fiscal year 2016 were capitalized in fiscal year 2017.

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

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

#### Reconciliation and Review of Subsidiary Registers

##### *Finding and Recommendation:*

The Government maintains a subsidiary register for the purpose of calculating depreciation for all assets. We noted recurring unresolved variances between the subsidiary ledgers and the general ledger that were adjusted during the audit process. Based on our review of the subsidiary registers, we noted the following:

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

- Accumulated manual input errors had been carried over into the current ERP asset registers. For instance, acquisition dates for assets initially recorded as construction in process (CIP) had not been updated to reflect the actual transfer dates upon completion of the project and thereby, resulted in excess depreciation expense.
- Subsidiary registers for buildings and infrastructure contained incomplete and inadequate descriptions which made it difficult to identify which 'parent assets' (i.e., building complex or road network) these pertained to. Moreover, subsidiary register information for infrastructure assets should be aligned to how these are being identified by the Department of Public Works (DPW) who physically oversees this asset category.
- Subsidiary registers for land contained a significant number of properties that are lumped into only few asset numbers instead of being recorded as individual properties. Some machinery and equipment that had been purchased in bulk was lumped together into one asset code and others did not contain tagging information to physically identify the items.
- Various buildings in the asset register were identified as transferred to other component units in prior years and were adjusted during the audit process. Asset transfers to/from the Government should be monitored on a timely basis and a thorough review of the asset custodians should be regularly performed to ensure that all central Government assets are properly accounted for and, as applicable, formal transfer of the title(s) has occurred.

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Construction in Progress (CIP) Monitoring

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

- During our sampled procedures over the construction in progress activity, we noted the following:
  - Twenty-five (25) projects did not have a confirmed status at year-end.
  - One (1) project was transferred out to the completed assets category but was only partially completed.
  - One (1) project was confirmed to be complete but had not been closed out and transferred to the completed assets category.
  - Two (2) projects were confirmed to be terminated but had not been closed out and expensed.
  - One (1) project was confirmed to be complete and transferred out to the completed assets category but was missing supporting invoices which made up the final cost.
  - One (1) project had no identifiable project manager and the Government was not able to confirm the status of the project.
- The Government adopted the method of using the 'release of claims' date as the date the project was placed in service. However, we noted an inconsistent application of this methodology.
  - In some instances, the 'release of claims' date did not correspond with the actual date the project was placed in service. For instance, one building was completed, occupied and used by the Government during the year but the 'release of claims' had not yet been provided by the contractor.
  - In other instances, we noted that the 'release of claims' date was not known, and the date of the last invoice received on the project was utilized as an indicator of when the project was completed.

In anticipation of the increase in the number of CIP projects after fiscal year 2017 due to the hurricane restoration activity, it is imperative to maintain a good system of recording project costs accurately and timely, and monitoring project status on a consistent basis with the respective project owners.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

### Capital Assets - Business-Type Activities

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

*Views of Responsible Officials* - The Government concurs with the auditor's findings and recommendations. The 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, 2017

---

### Finding 2017-007: 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 \$195.0 million retroactive pay liability reflected on the books and records; however, the supporting schedules can only confirm \$184.0 million which, in turn, is based on an analysis of collective bargaining agreements (CBAs) from the initial retroactive pay wage Commission findings.
- Approximately 77% of the Government's employees are paid varying rates, based on different CBAs. We noted that there are several CBAs that have not been evaluated, implemented, ratified, and accrued for. We recommend that management set up a master file that summarizes the pay rate from each CBA and related factors that influence the rate. Management should then periodically review the master file and compare pay rates to the authorized rates contained in personnel files to determine that the current and effective rates in usage are appropriate.

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

### 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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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, 2017, thereby effecting the auditor's ability to opine on said opinion units. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be provided to an actuarial service provider as it facilitates the Government in calculating the year-end liability.

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

### Accounts Payable

#### *Finding and Recommendation:*

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

This routine also impacts the accuracy in recordation of capital assets in that any accruals for goods and services received is not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods.

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

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

### Landfill Closure and Post Closure Costs Liability

#### *Finding and Recommendation:*

The Government obtains various reports with respect to its closure and post closure cost estimates for the three landfills in the U.S. Virgin Islands. The post-closure cost estimates for fiscal year 2017 for all three landfills were updated by applying an inflation rate.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

While updating the landfill closure and post-closure cost estimates using an inflation factor is an acceptable procedure, going forward, we recommend the Government comprehensively review all reports and calculations to ensure that assumptions included are accurate. For instance, we noted that currently, the annual closure maintenance costs are calculated based on 34 years of monitoring versus the required 30 years.

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

### Quality of Census Data

#### *Finding and Recommendation:*

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-008: Management of the Medicaid Program

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

#### Cost Report Audits and System Security Review

##### *Finding and Recommendation:*

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

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

- The Department did not perform a risk analysis and system security review for the Virgin Islands Benefit Eligibility System (VIBES) when it was implemented in July 2017. As a result, there is no assurance that the system is working as intended. This exposes the program to possible unauthorized activity and payment to ineligible participants.

The Government's records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside. As such, we are unable to determine how the Governmental Activities and the General Fund information may have been impacted, as of and for the year ended September 30, 2017, thereby effecting the auditor's ability to opine on said opinion units.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Utilization Control and Medicaid Fraud Control Unit

#### *Finding and Recommendation:*

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-009: 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, 2017, thereby affecting the auditor's ability to opine on said opinion unit.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-010: 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, historically, the data underlying the Government's analysis is as of September 30, 2013. A delay in claims payments during the 48 months beginning October 1, 2013 and ended September 30, 2017, resulted in significantly lower paid amounts in the data valued as of September 30, 2017, 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, 2017. 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, 2017, would have resulted in understating the ultimate values.

As a result and in an effort to improve the predictive value in the current year, the actuary modified the methodology to also include the accounts payables of the two major hospitals in the U.S. Virgin Islands. 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.
- Monitoring the accounts payables balance(s) for the major hospitals to ensure that any relevant matters are reflected in future analyses.
- For completeness, we suggest constructing a formal Risk Control Matrix and a visual flow chart relating to the valuation processes.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-011: Payroll, Related Accruals, and Other Expenditures

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

#### Payroll Expenditures

##### *Finding and Recommendation:*

- As a result of the ADI Time payroll system not having been backed up before the September 2017 hurricanes, the Department of Human Services was unable to provide readily available supervisor approved timesheets for the last several months of the fiscal year. Additional time and effort was required during the audit process to locate and/or identify alternative methodologies. Adequate arrangements should be made for protection of files and use of backup space.
- We also noted that the compensated absences schedule includes some redundant data. For instance, there are employees that should not be on the schedule that have accrued balances, negative balances, or zero balances. While deemed insignificant to the overall operations, we recommend that the Government examine the contents and eliminate such information.
- A significant understatement in the year-end payroll accrual was noted and adjusted during the audit process. We recommend that payroll reconciliations be prepared and reviewed for accuracy and completeness on a timely basis.

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

#### Transactions with Personnel

##### *Finding and Recommendation:*

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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*** - 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 three (3) 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*** - 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, 2017

---

### Finding 2017-012: Bank Accounts

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

#### Strengthen Controls Over Bank Reconciliations

##### *Finding and Recommendation:*

During fiscal year 2017, we noted some instances where bank reconciliations were not reviewed on a timely basis and bank reconciliation variances had not been properly explained or investigated. 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 one instance, we noted a check dated in 2018 which had been improperly included on the September 30, 2017, outstanding check list. This error resulted in a \$1.3 million adjustment to cash. We recommend that management perform a more detailed review of reconciling items on the bank reconciliations to avoid large adjustments after the year-end close.
- We noted \$57.0 million in checks that were printed in fiscal year 2017 but had not been mailed prior to year-end. These checks were properly reclassified to accounts payable during the audit process. It is best practice to mail checks once they have been printed to avoid confusion as to what invoices are truly outstanding. Further, checks should only be printed once there are enough funds in the account(s) to cover the requisite payment amounts.

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

#### Cash Pooling and Allocation(s)

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-013: Information Technology Environment

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

#### *Finding and Recommendation:*

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

- The Oracle programmer has the ability to migrate program changes into the production environment of VIDOLA\$.
- Final approval to go live for the VIDOLA\$ upgrade was informal in nature.
- 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:

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

#### *Windows Domain:*

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

#### *Applications:*

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

- Administrative access rights to the Windows domain at the Bureau of Internal Revenue is provided to non-IT personnel as well as IT consultants.
- Administrative access to the Oracle Database 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
- VIBES
- Property Information System
- VIDOLA\$
- MMIS

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-014: Landfill Consent Decrees

#### *Finding and Recommendation:*

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-015: Establishment of a Medical Malpractice Trust Fund

#### *Finding and Recommendation:*

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

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

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

### Finding 2017-016: Procurement Regulations

#### *Finding and Recommendation:*

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

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions and solicitations. In addition, 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 two (2) instances where the contract file did not contain the requisite documentation to provide evidence that the procurement met 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** - 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, 2017

---

### Finding 2017-017: Casino Control Commission

#### *Finding and Recommendation:*

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

Finding Number: 2017-018  
Prior Year Finding Number: 2016-067  
Compliance Requirement: Allowable Cost/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1VI300308  
Award Year: 10/01/2016 - 09/30/2017

**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 payroll transactions and noted that the supporting timesheet for 1 transaction had not been properly reviewed and approved.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements. Total amount of payroll expenditures charged to the program in fiscal year 2017 were \$5,576,192.

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

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

**Recommendation** - We recommend that DOE continue to be vigilant in following internal procedures over reviews and authorizations.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-019  
Prior Year Finding Number: 2016-068  
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, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 09/30/2017

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

**Condition** - DOE did not reconcile and record indirect costs accurately in the accounting system and did not accurately allocate the share of indirect costs to the program. It appears that indirect costs of approximately \$232,000 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 the specified requirements. DOE has an approved indirect cost rate agreement of 25.14%.

**Effect** - Reimbursable amounts were understated.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-020  
Prior Year Finding Number: 2016-069  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 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 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 22 out of 191 drawdowns made during fiscal year 2017, totaling \$932,180, and noted that 2 out of the 22 sampled drawdowns were not in accordance with provisions of the CMIA 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 2017 drawdown requests were \$4,841,356.

**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 the 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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-021  
Prior Year Finding Number: 2016-070  
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, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 09/30/2017

**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, we selected 5 equipment items for inspection and noted the following:

- 1 item selected did not agree to the record-keeping maintained in the equipment register.
- 1 item selected has been duplicated in the equipment register.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-022  
Prior Year Finding Number: N/A  
Compliance Requirement: Matching, Level of Effort, and Earmarking

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 09/30/2017

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

**Condition** - We sampled and selected 40 transactions totaling \$232,835, and noted 1 transaction 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 the specified requirements.

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

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

**Recommendation** - We recommend that DOE 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** - 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, 2017

---

Finding Number: 2017-023  
Prior Year Finding Number: 2016-071  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 09/30/2017

**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 specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 15 transactions totaling \$101,030, and noted that 5 out of the 15 transactions were not properly reviewed and approved and were paid outside the period of performance.

**Questioned Costs** - Below reporting threshold.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements. The 5 transactions paid outside the period of performance amounted to \$17,126.

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

**Cause** - DOE 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. Such information should also be monitored, retained, and approved by a responsible official of DOE in a timely manner.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-024  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement, Suspension, and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Education (DOE)

Child Nutrition Cluster  
CFDA #: 10.555, 10.559  
Award #: 1V1300308  
Award Year: 10/01/2016 - 09/30/2017

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 12 procurement transactions meeting the test threshold, we noted 5 procurement files that did not have sufficient supporting documents available to validate the procurements decision made.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOE's compliance with the specified requirements. We reviewed 12 procurement files with expenditures totaling \$236,720, for fiscal year 2017.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-025  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Cost/Cost Principles - Payroll Activities

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: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

**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 25 payroll transactions and noted the following:

- 1 Notice of Personnel Action (NOPA) was not available for review.
- 2 NOPAs had not been updated to reflect the correct project charge codes.
- 6 NOPAs were populated subsequent to the costs being incurred.
- 1 transaction had different project codes in the approved NOPA as compared to the payroll register.
- 1 fringe benefit calculation had utilized 100% of the salary base, while the NOPA stated only a 50% Federal allocation portion.
- 9 transactions did not contain evidence of review and approval.
- 11 timesheets were not available in order to ascertain proper review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. Total amount of payroll expenditures charged to the program in fiscal year 2017 were \$3,194,684.

**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, 2017

---

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

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

**Condition** - DHS did not reconcile and record indirect costs accurately in the accounting system and did not accurately allocate the share of indirect costs to the program. It appears that indirect costs for the fourth quarter of fiscal year 2017 were excluded and no true-up analysis was performed, and this resulted in an understatement of indirect costs claimed for the period.

**Questioned Costs** - Not determinable.

**Context** - This condition was identified per review of DHS' compliance with the specified requirements. DHS has an approved indirect cost rate agreement of 19.24%.

**Effect** - Reimbursable amounts were understated.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-027  
Prior Year Finding Number: 2016-016  
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: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

**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 8 out of 22 drawdowns made during fiscal year 2017, totaling \$888,433, and noted that 4 out of the 8 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. Moreover, all month-end cash drawdown reconciliations did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$4,030,899.

**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.

**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.

**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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-028  
Prior Year Finding Number: 2016-017  
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: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

**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.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-029  
Prior Year Finding Number: N/A  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

**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 specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 54 transactions totaling \$466,795, and noted that 4 out of the 54 transactions were not properly reviewed and approved and were paid outside the period of performance.

**Questioned Costs** - Below reporting threshold.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. The 4 transactions paid outside the period of performance amounted to \$24,790.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-030  
Prior Year Finding Number: 2016-018  
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: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 8 procurement transactions meeting the test threshold, we noted the following:

- All procurement files did not have sufficient supporting documents available to verify the contractors' exclusion from the Excluded Parties List System to validate the procurement decisions made.
- 2 procurement files did not have sufficient documentation to ensure that the covered transactions were not debarred, suspended or otherwise excluded.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. We reviewed 8 procurement files with expenditures totaling \$526,534, for fiscal year 2017.

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

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

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-031  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - EBT Card Security

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

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

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

During our review, we noted the following:

- 6 out of the 9 EBT cards selected did not have signed status reports to verify that the cards returned were actually destroyed or shredded.
- The reconciliation of EBT cards for March 2017 was not properly reviewed.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-032  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - EBT Card Reconciliation

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: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

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

**Condition** - During our tests of the monthly EBT card reconciliations, we noted that for all samples selected, the food stamp issuance information in the CARIBS system was not properly reviewed and approved.

**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.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-033  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - ADP System for SNAP-Recertifications

Program:

U.S. Department of Agriculture

Government Department/Agency:

Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster

CFDA #: 10.561

Award #: 1VI430457, 1VI400408

Award Year: 10/01/2016 - 09/30/2017,  
10/01/2016 - 09/30/2018

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

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

**Condition** - We noted that 5 out of the 40 recertifications selected did not have the supporting Notice of Expiration to determine if the participant was notified 1 month prior to the recertification deadline.

**Questioned Costs** - Not determinable.

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

**Effect** - Without an effectively designed and operating system in place, ineligible beneficiaries may receive benefits under the SNAP grant and DHS may make payments on behalf of those beneficiaries resulting in noncompliance.

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

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

**Views of Responsible Officials** - 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, 2017

---

Finding Number: 2017-034  
Prior Year Finding Number: N/A  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2016 - 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 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 DOH to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

**Condition** - We reviewed 40 out of 348 drawdowns made during fiscal year 2017, totaling \$753,475, and noted that 4 out of the 40 sampled drawdowns were not in accordance with provisions of the CMIA agreement.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOH's compliance with provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$5,384,190.

**Effect** - DOH 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** - DOH 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 DOH comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

**Views of Responsible Officials** - 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, 2017

---

Finding Number: 2017-035  
Prior Year Finding Number: N/A  
Compliance Requirement: Eligibility

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2016 - 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.

**Condition** - In our review of 40 claimant files, we noted 1 instance where a review and approval of the eligibility had not been performed.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOH'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.

**Cause** - DOH 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 DOH 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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-036  
Prior Year Finding Number: N/A  
Compliance Requirement: Equipment and Real Property Management

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2016 - 09/30/2017

**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 DOH. DPP was unable to provide complete property records which met the stated requirements.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-037  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement, Suspension, and Debarment

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children  
CFDA #: 10.557  
Award #: 1VI700708  
Award Year: 10/01/2016 - 09/30/2017

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 14 procurement transactions meeting the test threshold, we noted 2 procurement files that did not have sufficient supporting documents available to validate the procurement decisions made.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOH's compliance with the specified requirements. We reviewed 14 procurement files with expenditures totaling \$52,111, for fiscal year 2017.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-038  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - Review of Redeemed Food Instruments and Cash-Value Vouchers

**Program:**

U.S. Department of Agriculture

**Government Department/Agency:**

Department of Health (DOH)

Special Supplemental Nutrition Program for Women,  
Infants, and Children

CFDA #: 10.557

Award #: 1VI700708

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

**Criteria** - A State or Territory agency operating a retail food delivery system must take the actions to ensure that payments of the program food funds to vendors conform to program regulations and the State or Territory agency's vendor, farmer, farmer's market agreements to detect errors and, where applicable, enforce price limitations.

The State or Territory agency must have in place a process for reviewing all, or a representative sample of, Food Instruments (FI) and Cash-Value Vouchers (CVV) submitted by vendors for redemption. For EBT systems, this would be a daily automated reconciliation process with follow-up procedures to resolve any discrepancies identified.

**Condition** - DOH was unable to provide data supporting its review of redeemed food instruments and cash-value voucher performed.

**Questioned Costs** - Not determinable.

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

**Effect** - Noncompliance with program requirements could result in failure to detect errors or questionable FIs and CVVs resulting in erroneous redemptions of program funds.

**Cause** - DOH 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 DOH comply with the specified requirements and establish adequate policies and procedures to ensure that its review of redeemed food instruments and cash-value vouchers can be substantiated.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-039  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Cost/Cost Principles - Payroll Activities

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04-00, 02CH3011-05-01

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

**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 25 payroll transactions and noted that supporting timesheets for 17 transactions had not been properly reviewed and approved.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. Total amount of payroll expenditures charged to the program in fiscal year 2017 were \$6,927,033.

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

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

**Recommendation** - We recommend that DHS continue to be vigilant in following internal procedures over reviews and authorizations.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-040  
Prior Year Finding Number: 2016-020  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04-00, 02CH3011-05-01

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 10 out of 59 drawdowns made during fiscal year 2017, totaling \$2,217,403, and noted that 3 out of the 10 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. Moreover, all month-end cash drawdown reconciliations did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$7,930,104.

**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, inaccurate information may have been reported to the Federal government in the absence of required reviews.

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

**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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-041  
Prior Year Finding Number: 2016-021  
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 #: 02CH3011-04-00, 02CH3011-05-01

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.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-042  
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 Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04-00,02CH3011-05-01

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

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

**Condition** - We sampled and selected 40 compiled matching/earmarking reports and noted that 9 out of the 40 reports did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-043  
Prior Year Finding Number: 2016-022  
Compliance Requirement: Period of Performance

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

Award #: 02CH3011-04-00, 02CH3011-05-01

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 specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 56 transactions totaling \$279,341, and noted that 11 out of the 56 transactions were not properly reviewed and approved and were paid outside the period of performance.

**Questioned Costs** - Below reporting threshold.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. The 11 transactions paid outside the period of performance amounted to \$8,761.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-044  
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)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

**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 61 claims processed during fiscal year 2017 totaling \$1,203,770, and noted that 12 out of the 61 claims tested were overpaid due to incorrect rates in the Medicaid Management Information System (MMIS). The providers were paid for Inpatient and Outpatient procedures that should not have been paid. Moreover, the 12 overpaid claims should have been included in the per diem rate paid to the providers.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. Total claims paid in fiscal year 2017 were \$35,632,133.

**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 process. In addition, we recommend that DHS determine the feasibility of automating the adjudication process within the MMIS system.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-045  
Prior Year Finding Number: 2016-023  
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: 10/01/2014 - 09/30/2022

**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 14 out of 104 drawdowns made during fiscal year 2017, totaling \$10,870,936, and noted the following:

- 13 out of the 14 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.
- 13 out of the 14 drawdowns did not contain evidence of review and approval.
- 1 drawdown totaling \$838,594 had been drawn down twice and was transferred to another MAP and Affordable Care Act (ACA) account without obtaining the requisite approval.

Further, we noted that the reconciliation of drawdowns to the ERP system was performed by the same employee who requested the drawdowns, resulting in incompatible duties.

**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 2017 drawdown requests were \$49,431,393.

**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, inaccurate information may have been reported to the Federal government in the absence of required reviews.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

***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. Further, to the extent possible, incompatible duties should be segregated to serve as a check and balance.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-046  
Prior Year Finding Number: 2016-024  
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: 10/01/2014 - 09/30/2022

**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 addition, we were unable to determine that the eligibility population was complete.

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

- For 24 participants, there was no evidence the applicant had completed an application.
- For 27 participants, the application had not been processed in a timely manner.
- For 26 participants, there was no documentation in the case files supporting the verification of income requirements.
- For 8 participants, there was no documentation in the case files that the applicant had provided a social security card.
- For 11 participants, there was no documentation in the case files supporting verification of the citizenship or immigration status requirements.
- For 23 participants, there was no evidence that a recertification was done within 12 months.
- For 27 participants, there was no evidence that a review and approval of the eligibility determination had been performed.
- DHS was unable to provide 32 participant case files for our review.

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, 2017

---

**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** - 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, 2017

---

Finding Number: 2017-047  
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)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

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

**Condition** - We sampled and selected 3 matching calculations from the CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program* reports and noted that 3 out of the 4 reports did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-048  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement, Suspension, and Debarment

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 7 procurement transactions meeting the test threshold, we noted that all the procurement files did not have sufficient supporting documents available to validate the procurement decisions made.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. We reviewed 7 procurement files with expenditures totaling \$10,828,047, for fiscal year 2017.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-049  
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)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

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

**Condition** - We reviewed 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 prior to submission. Further, we noted 2 instances where DHS had failed to submit the reports within the respective due dates.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-050  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - Federal Financial Participation Refunds

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

**Criteria or Specific Requirement** - Title 42 CFR section 433.40(c), *Refund of Federal Financial Participation* (FFP) for uncashed checks states that if a check remains uncashed beyond a period of 180 days from the date it was issued (i.e., the date of the check), it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

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

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS does not have adequate policies and procedures in place to request and review the cancelled and uncashed check report on a quarterly basis as required.

**Recommendation** - We recommend that DHS comply with the specified requirements and establish adequate policies and procedures to ensure that cancelled and uncashed checks over 180 days from the date of issuance are identified on a quarterly basis and all FFP received for uncashed checks are refunded to the Federal government in a timely manner.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-051  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - Provider Eligibility

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

**Criteria** - In order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program. Moreover, in accordance with the disclosure requirements of 42 CFR 455 subpart B, *Disclosure of Information by Providers and Fiscal Agents*, providers that are not practitioners or a group of practitioners are required to disclose certain information when applying to participate in the Medicaid program.

**Condition** - During our review of 23 providers receiving payments during the fiscal year, we noted the following:

- DHS was unable to provide the eligibility determination letter for all selected providers.
- 11 out of the 23 providers selected did not furnish the required disclosure information prior to enrollment in the Medicaid program.
- We also noted that the State or Territory Plan had not been updated with all amendments.

**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 ineligible providers could be participating in the program.

**Cause** - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation and file maintenance.

**Recommendation** - We recommend that DHS perform regular reviews of the data in its files to ensure accuracy and completeness. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-052  
Prior Year Finding Number: 2016-025  
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: 10/01/2014 - 09/30/2022

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

**Condition** - DHS provides Medicaid services to eligible Territory residents through inpatient hospitals and long-term care facilities. These hospitals and facilities include various Territory agencies and third-party service providers. The costs incurred by these facilities are summarized in a cost report that is submitted to DHS. DHS awarded a contract in August 2017 for the audit of these cost reports; however, we noted that DHS had not received any audited cost reports for fiscal year 2017.

**Questioned Costs** - Not determinable.

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

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

**Cause** - DHS did not have sufficient time to obtain audited cost reports for fiscal year 2017, due to delays in awarding of the contract for the requisite services.

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-053  
Prior Year Finding Number: 2016-026  
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: 10/01/2014 - 09/30/2022

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

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

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-054  
Prior Year Finding Number: N/A  
Compliance Requirement: Special Tests and Provisions - ADP Risk Analysis and System Security Review

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

**Criteria** - State or Territory agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State or Territory agencies must perform risk analyses whenever significant system changes occur. State or Territory agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures and personnel practices. The State or Territory agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

**Condition** - DHS implemented the Virgin Islands Benefit Eligibility System (VIBES) in July 2017. DHS was unable to provide supporting documentation to evidence the performance of the required ADP Risk Analysis and System Security Review.

**Questioned Costs** - Not determinable.

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

**Effect** - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

**Cause** - DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Medicaid claims reside.

**Recommendation** - We recommend that management should perform and review a risk analysis and system security review for VIBES. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-055  
Prior Year Finding Number: 2016-028  
Compliance Requirement: Special Tests and Provisions - Utilization Control and Program Integrity

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Medicaid Cluster

CFDA #: 93.778

Award #: Various

Award Year: 10/01/2014 - 09/30/2022

**Criteria** - The State or Territory plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. The State or Territory must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Suspected fraud should be referred to the State or Territory Medicaid Fraud Control Unit (42 CFR part 1007).

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

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

**Questioned Costs** - Not determinable.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

***Views of Responsible Officials*** - The Government concurs with the auditor's findings and recommendations. The 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, 2017

---

Finding Number: 2017-056  
Prior Year Finding Number: 2016-029  
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 #: Various  
Award Year: 10/01/2015 - 09/30/2018

**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 60 claims processed during fiscal year 2017 totaling \$395,525, and noted the following:

- 2 out of the 60 provider agreements had expired prior to the date the medical service had been provided.
- 12 out of the 60 claims did not have evidence that they were properly reviewed and approved.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DHS' compliance with the specified requirements. Total claims paid in fiscal year 2017 were \$8,918,145.

**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 properly enrolled medical providers are providing medical services. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the process.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-057  
Prior Year Finding Number: 2016-030  
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 #: Various  
Award Year: 10/01/2015 - 09/30/2018

**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 20 drawdowns made during fiscal year 2017, totaling \$4,722,131, and noted that 5 out of the 9 sampled drawdowns were not in accordance with the provisions of the CMIA 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 DHS' compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$7,177,930.

**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, inaccurate information may have been reported to the Federal government in the absence of required reviews.

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

**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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-058  
Prior Year Finding Number: 2016-031  
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)

Children's Health Insurance Program

CFDA #: 93.767

Award #: Various

Award Year: 10/01/2015 - 09/30/2018

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

**Condition** - We sampled and selected 3 matching calculations from the CMS-21, *Quarterly CHIP Expenditures* reports and noted that 3 out of the 4 reports did not contain evidence of review and approval.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-059  
Prior Year Finding Number: 2016-032  
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 #: Various

Award Year: 10/01/2015 - 09/30/2018

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

**Condition** - We reviewed 3 out of the 4 quarterly CMS-21 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 that there was no evidence of review or approval prior to submission. Further, we noted 2 instances where DHS had failed to submit the reports within the respective due dates.

**Questioned Costs** - Not determinable.

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

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

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

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-060  
Prior Year Finding Number: N/A  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious  
Diseases

CFDA #: 93.323

Award #: CK000377-03

Award Year: 08/01/2014 - 07/31/2019

**Criteria** - Effective control and accountability must be maintained for all grant awards to ensure funds are requested and used solely for authorized purposes.

**Condition** - DOH did not perform a reconciliation of the Federal cash drawdown transactions and cash receipts recorded in the ERP system.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOH's compliance with the specified requirements and general compliance principles. Total fiscal year 2017 drawdown requests were \$4,318,949.

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The 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, 2017

---

Finding Number: 2017-061  
Prior Year Finding Number: N/A  
Compliance Requirement: Equipment and Real Property Management

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious  
Diseases

CFDA #: 93.323

Award #: CK000377-03

Award Year: 08/01/2014 - 07/31/2019

**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 DOH. DPP was unable to provide complete property records which met the stated requirements.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-062  
Prior Year Finding Number: N/A  
Compliance Requirement: Reporting

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious  
Diseases

CFDA #: 93.323

Award #: CK000377-03

Award Year: 08/01/2014 - 07/31/2019

**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 the 2 reports submitted and noted that 1 report 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 DOH's compliance with the specified requirements.

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-063  
Prior Year Finding Number: 2016-038  
Compliance Requirement: Allowable Cost/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 #: 1704VICSES, 1704VICEST  
Award Year: 10/01/2016 - 09/30/2017

**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 payroll transactions and noted that 5 transactions in the payroll register did not agree to the supporting timesheets and Notice of Personnel Actions (NOPAs).

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOJ's compliance with the specified requirements. The total amount of payroll expenditures charged to the program in fiscal year 2017 was \$1,920,081.

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

**Recommendation** - We recommend that DOJ continue to be vigilant in following internal procedures over reviews and authorizations.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-064  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Cost/Cost Principles - Indirect Cost Activities

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Justice (DOJ)

Child Support Enforcement

CFDA #: 93.563

Award #: 1704VICSES, 1704VICEST

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

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

**Condition** - DOJ did 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 \$321,000 were excluded and resulted in an understatement of indirect costs claimed for the period.

**Questioned Costs** - Not applicable.

**Context** - This is a condition identified per review of DOJ's compliance with the specified requirements. DOJ has an approved indirect cost rate agreement of 29.92%.

**Effect** - Reimbursable amounts were understated.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-065  
Prior Year Finding Number: 2016-040  
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 #: 1704VICSES, 1704VICEST  
Award Year: 10/01/2016 - 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 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 7 out of the 65 drawdowns made during fiscal year 2017, totaling \$396,933, and noted the following:

- 4 out of the 7 sampled drawdowns did not contain evidence of review and approval.
- 2 out of the 7 sampled drawdowns were not in accordance with the provisions of the CMIA agreement.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOJ's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$3,319,943.

**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. Additionally, inaccurate information may have been reported to the Federal government in the absence of required reviews.

**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.

**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.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-066  
Prior Year Finding Number: 2016-041  
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 #: 1704VICSES, 1704VICEST

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

**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 stated 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 the specified requirements.

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

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

**Recommendation** - We recommend that 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** - 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, 2017

---

Finding Number: 2017-067  
Prior Year Finding Number: 2016-042  
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 #: 1704VICSES, 1704VICEST

Award Year: 10/01/16 - 09/30/17

**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** - Management was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that they were monitoring compliance with said requirements.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOJ's compliance with the 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** - 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, 2017

---

Finding Number: 2017-068  
Prior Year Finding Number: 2016-044  
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 #: 1704VICSES, 1704VICEST  
Award Year: 10/01/16 - 09/30/17

**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.
- 1 instance where the report did not have evidence of review and approval prior to submission. Also, we were unable to determine if the report was actually submitted as the submission date was not evident.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DOJ's compliance with the 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** - 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, 2017

---

Finding Number: 2017-069  
Prior Year Finding Number: 2016-049  
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: 10/01/2016 - 9/30/2020

**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 350 drawdowns made during fiscal year 2017, totaling \$5,231,216, and noted that 47 out of the 60 sampled drawdowns were not in accordance with the provisions of the CMIA agreement. We also noted that 1 out of the 60 drawdowns did not have the required 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 2017 drawdown requests were \$5,816,624.

**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 CMIA agreement and its actual cash needs.

**Recommendation** - We recommend that DPW comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-070  
Prior Year Finding Number: 2016-050  
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: 10/01/2016 - 09/30/2020

**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 stated requirements.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-071  
Prior Year Finding Number: 2016-057  
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 #: Various

Award Year: 10/01/2012 - 12/31/2019

**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 the specified requirements.

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

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

**Recommendation** - We recommend that VIDOL improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds. In order to prevent significant errors in the financial records as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-072  
Prior Year Finding Number: 2016-058  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of Labor

**Government Department/Agency:**

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: Various

Award Year: 10/01/2012 - 12/31/2019

**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 261 drawdowns made during fiscal year 2017, totaling \$1,453,739, and noted that 1 out of the 60 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 VIDOL's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$2,178,626.

**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.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-073  
Prior Year Finding Number: 2016-059  
Compliance Requirement: Eligibility

Program:

U.S. Department of Labor

Government Department/Agency:

Department of Labor (VIDOL)

Unemployment Insurance

CFDA #: 17.225

Award #: Various

Award Year: 10/01/2012 - 12/31/2019

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

Further, 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 25 instances where the VIDOL was not able to provide evidence that the claimant met the criteria for participating in the UI program, but had received benefits during the year.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-074  
Prior Year Finding Number: N/A  
Compliance Requirement: Cash Management

**Program:**

U.S. Department of the Interior

**Government Department/Agency:**

Various

Economic, Social, and Political Development of the  
Territories  
CFDA #: 15.875  
Award #: Various  
Award Year: Various

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

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

**Condition** - We reviewed 11 out of 94 drawdowns made during fiscal year 2017, totaling \$1,799,154, and noted that 7 out of the 11 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 the Government's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$4,669,660.

**Effect** - The Government is in 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** - The Government 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 the Government comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

**Views of Responsible Officials** - 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, 2017

---

Finding Number: 2017-075  
Prior Year Finding Number: N/A  
Compliance Requirement: Equipment and Real Property Management

**Program:**

U.S. Department of the Interior

**Government Department/Agency:**

Various

Economic, Social, and Political Development of the  
Territories

CFDA #: 15.875

Award #: Various

Award Year: Various

**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. DPP was unable to provide complete property records which met the stated requirements.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-076  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement, Suspension, and Debarment

**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

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 14 procurement transactions meeting the test threshold, we noted that 1 procurement file did not have sufficient supporting documents available to validate the procurement decision made.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of the Government's compliance with the specified requirements. We reviewed 14 procurement files with expenditures totaling \$1,671,301, for fiscal year 2017.

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. 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, 2017

---

Finding Number: 2017-077  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Cost/Cost Principles - Payroll Activities

Program:

U.S. Department of Defense

Government Department/Agency:

Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance  
(O&M) Projects  
CFDA #: 12.401  
Award #: W9127P-15-2-1000  
Award Year: 10/01/2016 - 09/30/2017

**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 116 payroll transactions and noted the following:

- 6 supporting timesheets were not available for review.
- 2 supporting timesheets had not been properly reviewed and approved.
- 8 supporting timesheets did not agree to the hours reported in the payroll register.
- 27 payroll transactions did not agree to the Notice of Personnel Action (NOPA) project codes.
- 4 payroll transactions were funded from the fiscal year 2016 project code.
- 14 transactions were charged to incorrect project codes.
- 2 transactions utilized the incorrect Federal share rates.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of OTAG's compliance with specified requirements. Total expenditures charged to the program during fiscal year 2017 were \$1,587,611.

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

**Cause** - OTAG 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, 2017

---

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-078  
Prior Year Finding Number: 2016-045  
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: 10/01/2016 - 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 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 OTAG to minimize the time that elapses between the payment of the disbursement and the request for reimbursement.

**Condition** - We reviewed 60 out of 251 drawdowns made during the year, totaling \$2,270,309, and noted the following:

- 44 out of the 60 sampled drawdowns were not in accordance with provisions of the CMIA agreement.
- 11 out of 60 sampled drawdowns were not available for review.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of OTAG's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$4,020,732.

**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. Additionally, inaccurate information may have been reported to the Federal government in the absence of required reviews and supporting information.

**Cause** - OTAG 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, authorizations and retention of documents.

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

***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. Further, we recommend that OTAG improve its internal controls to ensure adherence to its current record retention policies.

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-079  
Prior Year Finding Number: 2016-046  
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: 10/01/2016 - 09/30/2017

**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 the 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** - 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, 2017

---

Finding Number: 2017-080  
Prior Year Finding Number: 2016-047  
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: 10/01/2016 - 09/30/2017

**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 specified in the terms and conditions of the Federal award.

**Condition** - We sampled and selected 116 transactions totaling \$500,507, and noted that 22 out of the 116 transactions were not properly reviewed and approved and were paid outside the period of performance.

**Questioned Costs** - \$163,394.

**Context** - This is a condition identified per review of OTAG's compliance with the specified requirements. The known amount of the 22 transactions paid outside the period of performance amounted to \$163,394.

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

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

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

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-081  
Prior Year Finding Number: 2016-048  
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: 10/01/2016 - 09/30/2017

**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** - During our review of the SF-270 reports, we noted the following:

- 49 out of the 60 sampled samples did not have the necessary evidence of review and approval prior to submission.
- 11 out of the 60 sampled reports were not available for review.

**Questioned Costs** - Not determinable.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-082  
Prior Year Finding Number: N/A  
Compliance Requirement: Allowable Costs/Cost Principles - Indirect Cost Activities

Program:

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 3/31/2018

Government Department/Agency:

Department of Planning and Natural  
Resources (DPNR)

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

**Condition** - DPNR 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 \$5,400 were excluded and this resulted in an understatement of indirect costs claimed for the period.

**Questioned Costs** - Not applicable.

**Context** - This is a condition identified per review of DPNR's compliance with the specified requirements. DPNR has an approved indirect cost rate agreement of 19.38%.

**Effect** - Reimbursable amounts were understated.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-083  
Prior Year Finding Number: N/A  
Compliance Requirement: Cash Management

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 3/31/2018

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

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

**Condition** - We reviewed 5 out of 8 drawdowns made during fiscal year 2017, totaling \$2,036,072, and noted that 1 out of the 5 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 DPNR's compliance with the provisions of the CMIA agreement and general compliance principles. Total fiscal year 2017 drawdown requests were \$2,090,125.

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

**Cause** - DPNR 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 DPNR comply with the provisions of the CMIA agreement and request Federal funds consistent with the CMIA agreement funding techniques and clearance patterns for this program.

**Views of Responsible Officials** - 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, 2017

---

Finding Number: 2017-084  
Prior Year Finding Number: N/A  
Compliance Requirement: Equipment and Real Property Management

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 03/31/2018

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

**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 - Condition** - The Government's Department of Property and Procurement (DPP) maintains the equipment register for DPNR. DPP was unable to provide complete property records which met the stated requirements. Further, we selected 4 equipment items for inspection and noted the following:

- All items selected did not agree to the record-keeping maintained in the equipment register
- We also noted that the physical condition for 3 out of the 4 equipment items selected had not been maintained.

**Questioned Costs** - Not determinable.

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

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

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

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

**Views of Responsible Officials** - The Government concurs with the auditor's findings and recommendations. The 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, 2017

---

Finding Number: 2017-085  
Prior Year Finding Number: N/A  
Compliance Requirement: Matching, Level of Effort, and Earmarking

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 03/31/2018

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

**Criteria** - In accordance with and depending on the individual grant agreements, EPA requires the recipient of the award to contribute matching funds.

**Condition** - We sampled and selected 60 transactions and noted that 24 out of the 60 transactions did not contain evidence of review and approval. It also appears that the local match for fiscal year 2017 is understated by approximately \$45,000.

**Questioned Costs** - Not determinable.

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

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

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-086  
Prior Year Finding Number: N/A  
Compliance Requirement: Procurement, Suspension, and Debarment

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 03/31/2018

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

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

**Condition** - The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 4 procurement transactions meeting the test threshold, we noted all procurement files did not have sufficient supporting documents available to validate the procurement decisions made.

**Questioned Costs** - Not determinable.

**Context** - This is a condition identified per review of DPNR's compliance with the specified requirements. We reviewed 4 procurement files with expenditures totaling \$143,604, for fiscal year 2017.

**Effect** - DPNR could inadvertently contract with or make sub-awards to parties that are suspended or debarred from doing business with the Federal government.

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

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-087  
Prior Year Finding Number: N/A  
Compliance Requirement: Reporting

**Program:**

U.S. Environmental Protection Agency

Performance Partnership Grants

CFDA #: 66.605

Award #: Various

Award Year: 10/01/2009 - 03/31/2018

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

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

**Condition** - We reviewed 5 out of the 10 reports submitted during the fiscal year and noted that 4 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 DPNR's compliance with the specified requirements.

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

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

# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

Finding Number: 2017-088  
Prior Year Finding Number: N/A  
Compliance Requirement: Data Collection Form and Single Audit Reporting Package

**Program:**

CFDA # 10.555/10.559	Child Nutrition Cluster
CFDA # 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA # 10.561	Supplemental Nutrition Assistance Program Cluster
CFDA # 12.401	National Guard Military Operations and Maintenance (O&M) Projects
CFDA # 15.875	Economic, Social, and Political Development of the Territories
CFDA # 17.225	Unemployment Insurance
CFDA # 20.205	Highway Planning and Construction Cluster
CFDA # 66.605	Performance Partnership Grants
CFDA # 93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
CFDA # 93.563	Child Support Enforcement
CFDA # 93.600	Head Start
CFDA # 93.767	Children's Health Insurance Program
CFDA # 93.778	Medicaid Cluster

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

As such, in a memorandum to Federal awarding agencies from the Office of Management and Budget, Office of Federal Financial Management (OFFM) dated October 29, 2017, the OFFM identified administrative relief for grantees impacted by Hurricanes Harvey, Irma, and Maria wherein, grantees were allowed to delay the completion and submission of the 2017 data collection form and single audit reporting package to twelve (12) months beyond the normal due date.

**Condition** - The Government did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2017. The delayed due date for this report was no later than June 30, 2019.

**Questioned Costs** - Not applicable.

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

**Effect** - The Government could be exposed to a reduction or elimination of funds by the Federal awarding agencies.

**Cause** - The Government did not have controls in place to ensure that the reporting package was submitted to the FAC within the required timeframe.

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



# Government of the United States Virgin Islands

## Schedule of Findings and Questioned Costs Year Ended September 30, 2017

---

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

## Management's Appendices

---



**GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS**



**THE OFFICE OF MANAGEMENT AND BUDGET**

**No. 5041 Norre Gade  
Emancipation Gardens Station, 2<sup>nd</sup> Floor  
Charlotte Amalie, St. Thomas, V.I. 00802**

**Tel: 340-774-0750  
Fax: 340-776-0069**

September 30, 2019

BDO USA, LLP  
12505 Park Potomac Ave, Suite 700  
Potomac, MD 20854


In connection with the Single Audit of the Government of the United States Virgin Islands (the Government) for the year ended September 30, 2017, transmitted herewith is the Fiscal Year 2017 Status of Prior Audit Findings and a Corrective Action Plan in accordance with 2 CFR 5200.511, *Audit Findings Follow-Up*. These schedules provide the status of the *Government Auditing Standards* and the Single Audit findings for fiscal years 2017 and 2016.

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 5200.511(b)(3) as a means to close the respective audit findings, where applicable, to the respective grants.

DOF and OMB will continue to work with the departments to ensure audit resolution is received for the unresolved findings listed in the Status of Prior Audit Findings and Corrective Action Plan.

If you have any questions, please contact us.

Respectfully,

  
\_\_\_\_\_  
Ms. Jennifer C. O'Neal  
Director, Office of Management and Budget  
United States Virgin Islands

  
\_\_\_\_\_  
Mr. Kirk Callwood, Sr.  
Commissioner of Finance  
United States Virgin Islands

  
\_\_\_\_\_  
For:  
Ms. Clarina Modeste-Elliott  
Executive Assistant Commissioner of Finance  
United States Virgin Islands

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Section I – Financial Statement Findings

#### Finding 2016-001, 2015-001 and 2014-001: Year-End Close Process

##### *Timeliness and Methodology of Close Process*

Current Status: Repeated. Finding 2017-003.

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

Corrective Action Plan: In an effort to develop reliable and timely interim and year-end financial statements, all accounts, accruals, and reconciliations will be reviewed 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.

As for more detail reconciliations between accounts that are not visible on a higher reconciliation overview, such as accurate federal classifications, or incorrect postings to grants, this will require additional human resources, to include the option of contractual agreement(s) to ensure that a more detail reconciliation is being completed. The Government will begin to assess the needs and take the necessary steps to provide necessary one on one meetings to identify the lack or needs.

##### *Journal Entries*

Current Status: Repeated. Finding 2017-003.

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

Corrective Action Plan: In an effort to 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. We are continuing to find these rare occurrences and reach out to those employees, to include Munis and system permissions. We also have to work with MUNIS to see if the names generated in the entry and posting area indeed denote no separation of duties.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-002, 2015-002 and 2014-003: Revenue and Receivables

#### *Reconciliation of Subsidiary Registers*

Current Status: Repeated. Finding 2017-004.

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

Corrective Action Plan: For purposes of interim financial reporting, the Bureau of Internal Revenue and the Department of Finance will conduct quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation.

#### *Allowance for Doubtful Accounts*

Current Status: Repeated. Finding 2017-004.

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

Corrective Action Plan: For purposes of interim financial reporting, the Bureau of Internal Revenue will review and implement a new formula for doubtful accounts. We will continue to look at the rare cases of this impact.

#### *Tax Return Processing Method*

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

#### *Income Taxes*

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

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

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

#### *Real Property Tax*

Current Status: Repeated. Finding 2017-004.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**Corrective Action Plan:** In an effort to provide adequate supporting documentations for sampled items, the Government will review, revise, and redistribute its records retention policy to departments and agencies.

### ***Other Revenues***

**Current Status:** Repeated. Finding 2017-004.

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

**Corrective Action Plan:** In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. We will conduct spot checks to ensure persons are adhering to this process.

### **Finding 2016-003, 2015-003 and 2014-004: Grants Management**

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

**Current Status:** Repeated. Finding 2017-005.

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

**Corrective Action Plan:** The SEFA is prepared by the Department of Finance via a customized report that extracts information from the ERP system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.

As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies. Therefore, in an effort to enhance the monthly reconciliation function, the Office of Management and Budget will fully implement the Grants Management Module, per the ERP system.

Given that certain financial data related to the SEFA is provided to the Department of Finance by certain third-parties using separate financial systems, the Department of Finance will continue to coordinate with said parties - through the respective department/agency - in order mitigate the prospect of duplicating entries by documenting the roles, responsibilities, and timelines associated with posting financial data onto the central Government's ERP system.

### ***Federal Grants and Contributions***

**Current Status:** Repeated. Finding 2017-005.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

Reason for recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 ERP system. In addition, the Government will conduct research to examine the need for training and proper oversight, to ensure that individuals are reconciling and properly classifying federal expenditures. This could also entail outsourcing this responsibility or developing a unit to address the oversight.

### Finding 2016-004, 2015-004 and 2014-005: Capital Assets and Related Expenditures

#### *Record Keeping*

Current Status: Repeated. Finding 2017-006.

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

Corrective Action Plan: The Department of 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.

#### *Impairment and Disposals*

Current Status: Repeated. Finding 2017-002.

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

Corrective Action Plan: In an effort to 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 within the ERP system.

#### *Reconciliation of Subsidiary Register*

Current Status: Repeated. Finding 2017-006.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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

Corrective Action Plan: In an effort to verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Government's Capital Assets team will be responsible for reconciling the general ledger accounts to the detailed records on a quarterly basis.

### Finding 2016-005, 2015-005 and 2014-006: Recording of Liabilities

#### *Retroactive Pay Liability*

Current Status: Repeated. Finding 2017-007.

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

Corrective Action Plan: The 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 2017-007.

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



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**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 2017-007.

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

**Corrective Action Plan:** 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:** Corrective action was taken. Finding not repeated in current year.

### ***Landfill Closure and Post Closure Costs Liability***

**Current Status:** Repeated. Finding 2017-007.

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

**Corrective Action Plan:** The Government will work with its consultants to implement monitoring controls and ensure that all calculations are reviewed timely.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program

#### *Cost Report Audits*

Current Status: Repeated. Finding 2017-008.

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

Corrective Action Plan: The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audits were delayed due to the passage of the hurricanes in September 2017. Presently, the auditor is wrapping up the audits inclusive of fiscal year 2017 and anticipates completion by the end of calendar year 2019.

#### *Utilization Control and Medicaid Fraud Control Unit*

Current Status: Repeated. Finding 2017-008.

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

Corrective Action Plan: Subsequent to fiscal year-end and during 2018, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory-wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.

Further, as the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.

### Finding 2016-007, 2015-007 and 2014-008: Unemployment Insurance Trust Fund

Current Status: Repeated. Finding 2017-009.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**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 2016-008, 2015-008 and 2014-011: Workers Compensation Program

#### *Accuracy of the Program Loss Reserves*

**Current Status:** Repeated. Finding 2017-010.

**Reason for recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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.

#### *Government Insurance Fund*

**Current Status:** Repeated. Finding 2017-001.

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

**Corrective Action Plan:** The Executive and Legislative branches of 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 2016-009, 2015-009 and 2014-009: Pension Plan Obligations

#### *Plan Funding Considerations*

**Current Status:** Repeated. Finding 2017-001.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**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.

### ***Plan Valuation Methodology***

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

### ***Plan Census Data and Upcoming Pronouncement***

**Current Status:** Repeated. Finding 2017-001 and 2017-007.

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

**Corrective Action Plan:** We are working with the actuary to implement this Standard; explicitly, the calculation of the net OPEB liability for the fiscal year ended September 30, 2018.

For the past three (3) years, since the implementation of the new Benefits system (V3), Government Employees' Retirement System (GERS) has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries. Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.

The Division of Personnel will coordinate with the GERS Administrator to discuss how both agencies can collaborate to effectively improve the quality of the census data. It is anticipated that 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 2016-010, 2015-010 and 2014-002: Bank Accounts**

#### ***Strengthen Controls Over Bank Reconciliations***

**Current Status:** Repeated. Finding 2017-012.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**Corrective Action Plan:** The Treasury Director, with oversight from the Assistant Commissioner will reexamine process to include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year. Upon identifying negotiable instruments that exceed the one-year threshold, the Treasury Director will develop an annual procedure to further research and validate the status of the reconciling items in an effort to ascertain whether they can be properly removed from on-going bank reconciliations, with the original transaction(s) reversed.

### Finding 2016-011, 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures

#### *Payroll Expenditures*

**Current Status:** Repeated. Finding 2017-011.

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

**Corrective Action Plan:** 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 2017-011.

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

**Corrective Action Plan:** The Department of Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government. Furthermore, we are exploring systems for automatic reconciliations and will consider hiring someone to work at the Department of Finance, specifically to handle credit card payments.

#### *Supporting Documentation for Expenditures*

**Current Status:** Repeated. Finding 2017-011.

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

**Corrective Action Plan:** We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the invoice approval, invoices are closely reviewed and supported in the Accounts Payable module.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-012, 2015-012 and 2014-012: Information Technology Environment

Current Status: Repeated. Finding 2017-013.

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

Corrective Action Plan 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 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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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.

### Finding 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2017-014.

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

Corrective Action Plan: The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.

### Finding 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2017-015.

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

Corrective Action Plan: The Department of Health will continue to closely monitor the applicable laws related to professional medical malpractice by setting up a separate trust fund to be managed by a licensed broker or brokerage firm and to set up an investment plan approved by the Medical Malpractice Action Review Committee.

### Finding 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2017-016.

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

Corrective Action Plan: The Government will continue to take the 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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### 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 - 09/30/2016,  
10/01/2015 - 09/30/2016

#### Finding 2016-016, 2015-017 and 2014-015: Cash Management

**Current Status:** Repeated. Finding 2017-027.

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

**Corrective Action Plan:** DHS has implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

#### Finding 2016-017, 2015-018 and 2014-016: Equipment and Real Property Management

**Current Status:** Repeated. Finding 2017-028.

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

**Corrective Action Plan:** DHS is working on implementing the proper controls to prevent further occurrences. DHS is still in the process of reconciling the asset listing provided from DPP. Additionally, training was provided territory-wide on the various inventory processes and additional staffing is being recruited. Monthly meetings occurred between the Program Administrator and Fiscal Administrator to ensure compliance. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 which inflicted serious damage to property.

#### Finding 2016-018: Procurement, Suspension, and Debarment

**Current Status:** Repeated. Finding 2017-030.



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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

Corrective Action Plan: The Government's Procurement Process, Overview and Guide Policy were revised and updates were made to the Procurement Policies and Procedures Manual. The updated version was posted to DPP's website and training to User Agencies was conducted. Training was also posted online.

### Finding 2016-019 and 2015-019: Reporting

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

Program:

U.S. Department of Health and Human Services

Government Department/Agency:

Department of Human Services (DHS)

Head Start

CFDA #: 93.600

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

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

### Finding 2016-020, 2015-029 and 2014-026: Cash Management

Current Status: Repeated. Finding 2017-040.

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

Corrective Action Plan: DHS has implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

### Finding 2016-021, 2015-030 and 2014-028: Equipment and Real Property Management

Current Status: Repeated. Finding 2017-041.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**Corrective Action Plan:** DHS is working on implementing the proper controls to prevent further occurrences. DHS is still in the process of reconciling the asset listing provided from DPP. Additionally, training was provided territory-wide on the various inventory processes and additional staffing is being recruited. Monthly meetings occurred between the Program Administrator and Fiscal Administrator to ensure compliance. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 which inflicted serious damage to property.

### Finding 2016-022: Period of Performance

**Current Status:** Repeated. Finding 2017-043.

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

**Corrective Action Plan:** The Department of Human Services continues to work closely with Department of Finance to ensure that all adjustments are completed timely. This will ensure payments are posted to the corresponding grants where expenditures are applicable. Staff is required to monitor accounts and reconcile monthly to ensure postings are made to the correct grant period.

**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

### Finding 2016-023, 2015-034, 2014-031, 2013-009 and 12-09: Cash Management

**Current Status:** Repeated. Finding 2017-045.

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

**Corrective Action Plan:** DHS has implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2017-046.

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

Corrective Action Plan: VIBES System has been implemented as of July 2017. Maintenance and Operational (M&O) is ongoing for any challenges to the system.

### Finding 2016-025, 2015-036, 2014-035, 2013-019 and 12-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2017-052.

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

Corrective Action Plan: The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audits were delayed due to the passage of 2 major hurricanes in September 2017. Presently, the auditor is wrapping up the audit inclusive of fiscal year 2017 and anticipates completion by the end of calendar year 2019.

### Finding 2016-026, 2015-038, 2014-034, 2013-022 and 12-21: Special Tests and Provisions - Medicaid Fraud Control Unit

Current Status: Repeated. Finding 2017-053.

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

Corrective Action Plan: Medicaid Program submitted the waiver request to CMS for Medicaid Fraud Control Unit (MFCU), which is still under consideration. However, based on the disaster emergency bill that was submitted by U.S. Congress and signed into law by President Trump in February 2018, the VI Medicaid Program will reconsider establishing the MCFU.

### Finding 2016-027: Not used.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-028, 2015-040, 2014-033, 2013-018 and 12-15: Special Tests and Provisions - Utilization Control & Program Integrity

Current Status: Repeated. Finding 2017-055.

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

Corrective Action Plan: As the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.

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

### Finding 2016-029: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2017-056.

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

Corrective Action Plan: The new Medicaid Director was employed as of July 2017. This finding was brought to the Director's attention and the necessary measures are being implemented.

### Finding 2016-030: Cash Management

Current Status: Repeated. Finding 2017-057.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**Corrective Action Plan:** DHS has implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

### Finding 2016-031: Matching, Level of Effort, and Earmarking

**Current Status:** Repeated. Finding 2017-058.

**Reason for Recurrence:** The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 continues to work closely with our MMIS contractors to ensure that the correct rate used for all claims.

### Finding 2016-032: Reporting

**Current Status:** Repeated. Finding 2017-059.

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

**Corrective Action Plan:** DHS's Fiscal office has implemented tiered review of the CMS-64 to eliminate such errors in the future.

**Program:**

U.S. Department of Health and Human Services

**Government Department/Agency:**

Department of Human Services (DHS)

Aging Cluster

CFDA #: 93.044, 93.045, 93.053

Award #: 1601VISOSR, 1501VISOSR, 1401VISOSR

Award Year: 10/01/2015 - 09/30/2018,

10/01/2014 - 09/30/2017,

10/01/2013 - 09/30/2016

### Finding 2016-033: Allowable Costs/Cost Principles - Payroll Activities

**Current Status:** Ongoing implementation. DHS has implemented measures to ensure that the time certification forms are completed and verified timely. Specifically, a copy of the completed form is provided to the Fiscal supervisor at the same time it is being submitted to Human Resources - Payroll Division.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-034: Cash Management

Current Status: Ongoing implementation. DHS has implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

### Finding 2016-035: Eligibility

Current Status: Ongoing implementation. DHS continues to work on the development of internal policies and procedures in determining eligibility. Once in place, the requisite staff will be trained accordingly.

### Finding 2016-036: Matching, Level of Effort, and Earmarking

Current Status: Ongoing implementation. DHS administrative expenditures do not surpass the limitations; therefore, a waiver is not required. DHS now maintains a log differentiating administrative and programmatic costs.

### Finding 2016-037: Subrecipient Monitoring

Current Status: Ongoing implementation. DHS continues to work on the development of internal policies and procedures in monitoring subrecipients. Once in place, the requisite staff will be trained accordingly.

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

### Finding 2016-038: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Repeated. Finding 2017-063.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

Corrective Action Plan: PCSD-DOJ will ensure that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. A full review of all NOPAs will be executed upon issuance. NOPAs will be reviewed by the fiscal officer and a report will be given to the Director.

### Finding 2016-039: Allowable Costs/Cost Principles - Non-Payroll Activities

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

### Finding 2016-040, 2015-049 and 2014-047: Cash Management

Current Status: Repeated. Finding 2017-065.

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

Corrective Action Plan: PCSD continues the process of reviewing, initialing, and dating the supporting documents before a payment request is made. Policies and procedures are in place to ensure compliance with the Uniform Guidance. PCSD is working with DOF to comply with the CMIA agreement and will use the clearance pattern of 4 days or less.

### Finding 2016-041, 2015-050 and 2014-048: Equipment and Real Property Management

Current Status: Repeated. Finding 2017-066.

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

Corrective Action Plan: PCSD continues to work with DPP to ensure that the equipment inventories are performed periodically for assets purchased for the program.

### Finding 2016-042: Matching, Level of Effort, and Earmarking

Current Status: Repeated. Finding 2017-067.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

Corrective Action Plan: PCSD Director continues to review, initial, and date all supporting documents before a request for payment is made. DOJ continues to adhere to all policies and procedures to ensure compliance with the matching requirement.

### Finding 2016-043: Period of Performance

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

### Finding 2016-044: Reporting

Current Status: Repeated. Finding 2017-068.

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

Corrective Action Plan: PCSD has contracted a vendor which will monitor the system.

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

### Finding 2016-045 and 2015-051: Cash Management

Current Status: Repeated. Finding 2017-078.

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

Corrective Action Plan: The Office of Management and Budget has expressed to the Department of Finance through correspondence that OTAG be removed from the Treasury State Agreement (TSA), effective fiscal year 2018. If the request is accepted, OTAG will no longer fall under the CMIA.



# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### Finding 2016-046 and 2015-052: Matching, Level of Effort, and Earmarking

Current Status: Repeated. Finding 2017-079.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 Master Cooperative Agreement (MCA) through the appendices identifies the cost share and what is required by persons performing management functions. All cost sharing expenditures are typed on the Purchase Orders with the various percentages. The spreadsheets are used by the Agency for reconciliation purposes. The proof of payment is being recorded on the purchase orders with a check detail attached.

### Finding 2016-047: Period of Performance

Current Status: Repeated. Finding 2017-080.

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

Corrective Action Plan: Although the Federal Government stipulates a 90 day close out period after the end of the fiscal year (September 30), OTAG has minor construction contracts that would require more than the 90-day period for payment purposes only. The MCA contract between the two Governments (Federal and Local) is valid for a period of five (5) years, and any payment that was inadvertently left unpaid during the 90-day period can be paid and will be reimbursed by the Federal Government.

### Finding 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2017-081.

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

Corrective Action Plan: Although not timely, reconciliations of reports have always been implemented. The United States Property and Fiscal Office has been providing the signature pages to OTAG.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**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

### Finding 2016-049, 2015-054, 2014-050, 2013-009 and 12-09: Cash Management

**Current Status:** Repeated. Finding 2017-069.

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

**Corrective Action Plan:** DPW has been exempted from the Treasury State Agreement (TSA), effective October 1, 2018 and DPW will no longer fall under the CMIA agreement, since this is a manually reimbursable program.

### Finding 2016-050 and 2015-055: Equipment and Real Property Management

**Current Status:** Repeated. Finding 2017-070.

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

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

### Finding 2016-051 and 2015-056: Procurement, Suspension, and Debarment

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

### Finding 2016-052 and 2015-057: Special Tests and Provisions - Quality Assurance Program

**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, 2017

---

### Finding 2016-053 and 2015-058: Special Tests and Provisions - Wage Rate Requirements

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

Program:

U.S. Environmental Protection Agency

Government Department/Agency:

Department of Public Works (DPW)

Construction Grants for Wastewater Treatment Works

CFDA #: 66.418

Award #: 78003201, 78003401, 78003501

Award Year: 10/01/2014 - 09/30/2018

### Finding 2016-054 and 2015-059: Cash Management

Current Status: Corrective action was taken. DPW has been exempted from the Treasury State Agreement (TSA), effective October 1, 2018 and DPW will no longer fall under the CMIA agreement, since this is a manually reimbursable program.

### Finding 2016-055 and 2015-060: Reporting

Current Status: Ongoing implementation. The Virgin Islands Waste Management Authority (VIWMA) submitted the quarterly reports to DPW on a timely basis, and will continue to do so.

### Finding 2016-056 and 2015-061: Special Tests and Provisions - Wage Rate Requirements

Current Status: Ongoing Implementation. The Program Manager of Office of Highway Engineering has ensured that all Project Managers have completed the necessary documentation for review of the certified payrolls.

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

### Finding 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2017-071.

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

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**Corrective Action Plan:** The VIDOL has received all the reconciliations from Benham and Hodge (BH). The most recent reconciliations from 2011-2016 have been submitted to USDOL, and the VIDOL is awaiting their final determination and recommendations for next steps, if applicable. In the meantime, BH has been engaged to work on the 2017 reconciliations.

### Finding 2016-058: Cash Management

**Current Status:** Repeated. Finding 2017-072.

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

**Corrective Action Plan:** The VIDOL currently has its Cash Management and Draw down Policy in place. This policy has been reviewed and approved by the Regional Office. 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 adhere to the specifications stipulated in the draw-down policy and re-emphasize the importance of adhering to the terms of the CMIA agreement. Refresher training was done in May 2017.

### Finding 2016-059 and 2015-066: Eligibility

**Current Status:** Repeated. Finding 2017-073.

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

**Corrective Action Plan:** UI and IT will work together to develop a plan to perform regular reviews of the data. UI will create a job ticket to address the condition of eligibility for regular compensation.

### Finding 2016-060: Period of Performance

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

### Finding 2016-061: Special Tests and Provisions - UI Program Integrity - Overpayment

**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, 2017

---

**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

**Finding 2016-062: Allowable Costs/Cost Principles - Payroll Activities**

**Current Status:** Ongoing implementation.

**Finding 2016-063: Allowable Costs/Cost Principles - Indirect Cost Activities**

**Current Status:** Ongoing implementation. VIDOL will ensure that the review and approval process is properly documented.

**Finding 2016-064: Cash Management**

**Current Status:** Ongoing implementation. The VIDOL currently has an effective Cash Management and Drawdown Policy in place. A policy refresher will be conducted with the respective staff.

**Finding 2016-065: Eligibility**

**Current Status:** Ongoing implementation. VIDOL will implement a schedule for regular file review and work to strengthen its Benefits Payment Control Unit to prevent such discrepancies.

**Finding 2016-066: Reporting**

**Current Status:** Ongoing implementation.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

**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

### Finding 2016-067, 2015-067 and 2014-055: Allowable Cost/Cost Principles - Payroll Activities

**Current Status:** Repeated. Finding 2017-018.

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

**Corrective Action Plan:** Beginning fiscal year 2018, DOE and DOF have successfully applied separate accounts to reflect Federal expenditures for the School Breakfast and National School Lunch Programs. In addition, the Programs will ensure that NOPAs of employees are reviewed for accuracy to determine that employees are being paid from correct funding sources.

### Finding 2016-068, 2015-068 and 2014-058: Allowable Costs/Cost Principles - Indirect Cost Activities

**Current Status:** Repeated. Finding 2017-019.

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

**Corrective Action Plan:** The Special Nutrition Programs utilizes prevailing rates for prior years until the new rates are negotiated and received. There are instances where adjustments are done in-house or forwarded to the Department of Finance for processing. The Program will ensure that the correct indirect cost rate is utilized once it is negotiated and received and will make adjustments, as necessary. The Special Nutrition Programs will also follow-up with the Department of Finance with any adjustments that may have been forwarded for processing.

### Finding 2016-069, 2015-069 and 2014-059: Cash Management

**Current Status:** Repeated. Finding 2017-020.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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

Corrective Action Plan: While this is a common Government finding, the Special Nutrition Programs have implemented an internal spreadsheet that displays the date of the draws, draw numbers, expense categories, and current indirect cost rate at the time draws are made.

### Finding 2016-070, 2015-070 and 2014-060: Equipment and Real Property Management

Current Status: Repeated. Finding 2017-021.

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

Corrective Action Plan: The Special Nutrition Programs will follow-up with the Department's Fixed Asset Division to attempt a resolution with this common Government finding.

### Finding 2016-071: Period of Performance

Current Status: Repeated. Finding 2017-023.

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

Corrective Action Plan: 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.

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.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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

Corrective Action Plan: After a review of the current State Plans designed to enable the effective utilization of funding under TANF, a request is being provided to the overseeing agency requesting that funding be aligned to match the programmatic needs.

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

Current Status: Ongoing implementation.

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

Corrective Action Plan: To ensure time certification forms are completed and verified timely, a copy of the completed form is provided to the Fiscal Administrator at the same time it is being submitted to the Human Resources - Payroll Division.

### Finding 2015-022 and 2014-019: Cash Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 implemented corrective measures comprising of proper financial controls to prevent further occurrences. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 and continues to encounter severe periodic connectivity issues. Additionally, non-governmental emails are no longer utilized.

### Finding 2015-023 and 2014-020: Eligibility

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are 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, 2017

---

Corrective Action Plan: Administrative Memo CO5-2016 (Audit Findings) was re-distributed to all workers at the January 2017 month-end meeting, and all necessary corrective actions will be taken, henceforth. 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. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is working on implementing the proper controls to prevent further occurrences. DHS is still in the process of reconciling the asset listing provided from DPP. Additionally, training was provided territory-wide on the various inventory processes and additional staffing is being recruited. Monthly meetings occurred between the Program Administrator and Fiscal Administrator to ensure compliance. However, DHS suffered a setback with the passage of two (2) catastrophic category 5 hurricanes in the latter part of fiscal year 2017 which inflicted serious damage to property.

### Finding 2015-025 and 2014-021: Reporting

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 and the Chief Financial Officer have collectively implemented corrective measures to ensure compliance. An internal memo was distributed with required procedures in conjunction with meetings to ensure a clear and concise understanding of the requisite procedures.

### 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. There are areas that were addressed and other areas that are 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, 2017

---

**Corrective Action Plan:** An Administrative Memo was distributed to supervisors and staff on September 30, 2016, and again in January 2017, re-iterating the Federal mandates and the Department's requirements in adhering to these mandates. Internal audits are being performed to determine compliance.

### **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. There are areas that were addressed and other areas that are still in the 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 Administrative Memo was distributed to supervisors and staff on September 30, 2016, and again in January 2017, re-iterating the Federal mandates and the Department's requirements in adhering to these mandates. Internal audits are being performed to determine compliance.

### **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. There are areas that were addressed and other areas that are still in the 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 DOL. DHS continues to partner with VI DOL to ensure DOL's timely transmission records received. While the availability of data depends on the employer's submission of the QW to DOL, alternate options are being explored including establishment of an interface with the Bureau of Internal Revenue. DHS is in the process of building a new joint eligibility system, Virgin Islands Benefit Eligibility System (VIBES), with a component to interface with the Virgin Islands Bureau of Internal Revenue (VIBIR).

**Program:**

U.S. Department of Commerce

Coastal Zone Management Administration Awards

CFDA #: 11.419

Award #: Various

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

**Government Department/Agency:**

Department of Planning and Natural  
Resources (DPNR)

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

### 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. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Adjustment vouchers, though minimal, continue to be processed on a bi-weekly basis.

### 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. There are areas that were addressed and other areas that are still in the 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 continues to work with P&P staff to reconcile all equipment purchases within the department.

### 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. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Due to continued discussions, the federal grantor agency subsequently approved the waiver of the matching requirement for the grant awarded to the Territory in fiscal year 2018.

### Finding 2015-045: Reporting

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are 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, 2017

---

Corrective Action Plan: DPNR will monitor closely the grantor's electronic system for reporting, so that accessibility issues can be noted early enough to allow for a resolution that will enable timely submission of financial, programmatic, and special reports.

Program:

U.S. Department of Commerce

Coral Reef Conservation Program

CFDA #: 11.482

Award #: NA11NOS4820004/NA13NOS4820011

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

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

### Finding 2015-046 and 2014-044: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 completed time and effort certifications for the periods ending March 2017 and August 2017.

### Finding 2015-047: Equipment and Real Property Management

Current Status: Ongoing implementation.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 continues to work with P&P staff to reconcile all equipment purchases within the department.

### 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. There are areas that were addressed and other areas that are 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, 2017

---

**Corrective Action Plan:** DPNR continues to have discussions with the federal grantor agency regarding the match reduction. Currently, a manual log of volunteer hours is used to track the hours provided to the program from partnerships with outside entities that provide additional personnel support included as part of the match. Time Distribution for the CZM Director, Accountant, and Grant Manager is also used to track the in-kind match associated with this award.

**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:** Repeated. Finding 2017-074.

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

**Corrective Action Plan:** The Government will continue to exercise due diligence in requesting Federal funds as specified under the CMIA agreement with respect to reimbursable funding for expenditures incurred.

### Finding 2015-063 and 2014-053: Equipment and Real Property Management

**Current Status:** Repeated. Finding 2017-075.

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

**Corrective Action Plan:** DPP continues to work with Munis and DOF to implement the ERP Assets Module and gain one hundred percent compliance with federal regulations.

### Finding 2015-064: Procurement, Suspension, and Debarment

**Current Status:** Repeated. Finding 2017-076.

# Government of the United States Virgin Islands

## Appendix A: Status of Prior Audit Findings Year Ended September 30, 2017

---

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

Corrective Action Plan: The Government's Procurement Process, Overview and Guide Policy were revised and updates were made. The updated version was posted to DPP's website and training to User Agencies was conducted. OMB will continue to work in tandem with DPP.

## Corrective Action Plan

---

# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
32	2017-001: Financial Position  • Deficits in Unrestricted Net Position	The Governor's Financial Team	On-going	The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows and rebuilding equity.
32	• 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 2020	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.
33	• Government Insurance Fund	The Governor, President, V.I. Legislature and Commissioner, and Department of Finance	Fiscal Year 2020	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.
33	• Other Post-Employment Benefits Obligation	The Department of Finance, Executive Assistant Commissioner and Director of Accounting	Fiscal Year 2020	We are working with the actuary to implement this Standard; explicitly, the calculation of the net OPEB liability for the fiscal year ended September 30, 2018.



# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
34	2017-002: Accounting in the Aftermath of Disasters  • Capital Asset Impairment Process	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team	Immediately	In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the Enterprise Resource Planning (ERP) system.
35	• Formalize Emergency Payroll Procedures	The management team of the Division of Personnel and Department of Finance; specifically, Director of Payroll	Fiscal Year 2019	The Department of Finance has a draft policy on disaster related payroll processing. We have been and continue to engage in providing information to the Division of Personnel since September 14, 2017, so that records can be kept current, in the event we have to move to another "Straight 80."
36	2017-003: Year-End Close Process  • 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	Immediately	In an effort to develop reliable and timely interim and year-end financial statements, all accounts, accruals, and reconciliations will be reviewed 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.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
37	<ul style="list-style-type: none"> <li>Journal Entries</li> </ul>	Department of Finance management, specifically the Director of Accounting and Financial Reporting	Immediately	<p>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.</p> <p>As for more detail reconciliations between accounts that are not visible on a higher reconciliation overview, such as accurate federal classifications, or incorrect postings to grants, this will require additional human resources, to include the option of contractual agreement(s) to ensure that a more detail reconciliation is being completed. The Government will begin to assess the needs and take the necessary steps to provide necessary one on one meetings to identify the lack or needs.</p> <p>In an effort to maintain a desirable separation of duties, management has updated the policy by implementing controls whereas, the individual that creates a journal entry will not approve or post that journal. This was only available to limited staff at the Department of Finance and the policy has been made effective immediately. We are continuing to find these rare occurrences and reach out to those employees to follow Munis and system permissions. We also have to work with Munis to see if the names generated in the entry and posting area indeed denote no separation of duties.</p>

# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
38	2017-004: Revenue and Receivables  • Reconciliation of Subsidiary Registers	Assistant Chief of Processing and the designated staff in collaboration with Director of Treasury and as needed, the Director of Accounting	Fiscal Year 2020	For purposes of interim financial reporting, the Bureau of Internal Revenue and the Department of Finance will conduct quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation.
38	• Allowance for Doubtful Accounts	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 2020	For purposes of interim financial reporting, the Bureau of Internal Revenue will review and implement a new formula for doubtful accounts. We will continue to look at the rare cases of this impact.
39	• Real Property Tax	The management team of the Lieutenant Governor's Office; specifically, the Tax Collector and/or the Chief of Staff	Fiscal Year 2020	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.
39	• Other Revenues	Department of Finance management, specifically the Treasury Director and Assistant Director	Fiscal Year 2020	In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to.

# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				We will conduct spot checks to ensure employees are adhering to this process.
40	<p>2017-005: Grants Management</p> <ul style="list-style-type: none"> <li>Control Systems Over the Schedule of Expenditures of Federal Awards</li> </ul>	For the Grants Management Module, the Director, Office of Management and Budget and with respect to the SEFA, the Commissioner, Department of Finance	Immediately	<p>The SEFA is prepared by the Department of Finance via a customized report that extracts information from the ERP system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.</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.</p> <p>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 to 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, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
41	<ul style="list-style-type: none"> <li>Federal Grants and Contributions</li> </ul>	The Director, Office of Management and Budget and Director of Accounting	Fiscal Year 2020	In an effort to more accurately account for Federal receivables and related transactions, the OMB will collaboratively work with the Department of Finance to fully implement the Grants Management Module, per the ERP system. In addition, the Government will conduct research to examine the need for training and proper oversight, to ensure that individuals are reconciling and properly classifying federal expenditures. This could also entail outsourcing this responsibility or developing a unit to address the oversight.
43	2017-006: Capital Assets and Related Expenditures <ul style="list-style-type: none"> <li>Record Keeping</li> </ul>	The Commissioner, Department of Property & Procurement	Immediately	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.
43	<ul style="list-style-type: none"> <li>Reconciliation and Review of Subsidiary Registers</li> </ul>	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team	Fiscal Year 2020	In an effort to verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Government's Capital Assets team will be responsible for reconciling the general ledger accounts to the detailed records on a quarterly basis.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
45	<ul style="list-style-type: none"> <li>Construction in Progress (CIP) Monitoring</li> </ul>	The Commissioner, Department of Property & Procurement	Immediately	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.
46	<ul style="list-style-type: none"> <li>Capital Assets - Business-Type Activities</li> </ul>	The Commissioner, Department of Property & Procurement	Immediately	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.
47	2017-007: Recording of Liabilities  <ul style="list-style-type: none"> <li>Retroactive Pay Liability</li> </ul>	The management team of the Division of Personnel; specifically, the Information Technology Manager, Personnel Records Supervisor, OMB Director, and Senior Budget Analysts	Fiscal Year 2020	The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) and the Office of Management and Budget (OMB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<p>Director and Information Technology and Records Management staff, along with senior budget analysts from OMB to first develop a firm number with regard to the Government's retroactive obligation. This process has already started.</p> <p>Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and OMB. OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.</p>
47	<ul style="list-style-type: none"> <li>Medical Malpractice Liability</li> </ul>	The Commissioner, Department of Health	Fiscal Year 2020	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.
48	<ul style="list-style-type: none"> <li>Accounts Payable</li> </ul>	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Accounting	Immediately	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.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<p>Therefore, given that the OMB allotment process is the underlying controlling mechanism for entering vendor invoices, the Department of Finance must perform a manually intensive review of year-end transactions that are posted in a subsequent year.</p> <p>The Department of Finance will proactively collaborate with the software vendor supporting its ERP Accounts Payable module to ascertain whether a reduction in the existing manual efforts can be achieved. On-going training and employee development will be made available for all users of the accounts payable module and continuous development of the standard operating policies will be enhanced.</p>
48	<ul style="list-style-type: none"> <li>Landfill Closure and Post Closure Costs Liability</li> </ul>	Waste Management Authority Management Team	Fiscal Year 2020	<p>The Government will work with its consultants to implement monitoring controls and ensure that all calculations are reviewed timely.</p>
49	<ul style="list-style-type: none"> <li>Quality of Census Data</li> </ul>	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 2020	<p>For the past three (3) years, since the implementation of the new Benefits system (V3), the Government Employees' Retirement System (GERS) has been allocating resources to identify and correct inaccurate member data in the census database that is provided to our actuaries.</p> <p>Additionally, GERS will allocate displaced employees due to the suspension of the Loan Program to assist with the due diligence on the accuracy of the member information in the census database.</p>



# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<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.</p> <p>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>
50	<p>2017-008: Management of the Medicaid Program</p> <ul style="list-style-type: none"> <li>Cost Report Audits and System Security Review</li> </ul>	The Commissioner, Department of Human Services Chief Financial Officer and the Program Administrator	On-going	<p>The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audits were delayed due to the passage of the hurricanes in September 2017. Presently, the auditor is wrapping up the audits inclusive of fiscal year 2017 and anticipates completion by the end of calendar year 2019. With respect to VIBES, a contract was issued to Public Consulting Group who has now tested the implementation, verification, and validation (IV&amp;V) as mandated by the Centers for Medicare &amp; Medicaid Services (CMS).</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
51	<ul style="list-style-type: none"> <li>Utilization Control and Medicaid Fraud Control Unit</li> </ul>	Program Administrator, Department of Human Services	Immediately	<p>Subsequent to fiscal year-end and during 2018, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory-wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.</p> <p>Further, as the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.</p>
52	<p>2017-009: Unemployment Insurance Trust Fund</p> <ul style="list-style-type: none"> <li>Account Reconciliation Process</li> </ul>	Commissioner, Virgin Islands Department of Labor	Fiscal Year 2020	<p>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.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				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.
53	2017-010: Workers Compensation Program <ul style="list-style-type: none"> <li>• Accuracy of the Program Loss Reserves</li> </ul>	The management team of the Virgin Islands Department of Labor and Department of Finance; specifically, the WCA Director, and VIDOL IT personnel	Immediately	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.
54	2017-011: Payroll, Related Accruals, and Other Expenditures <ul style="list-style-type: none"> <li>• Payroll Expenditures</li> </ul>	The management team of the Division of Personnel and Department of Finance; specifically, Director of Payroll	Fiscal Year 2020	We will enhance monitoring of deactivating employees from the system and we will closely review reports for appropriate and accurate information.

# Government of the United States Virgin Islands

## Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
54	<ul style="list-style-type: none"> <li>Transactions with Personnel</li> </ul>	The management team of the Office of the Governor and Department of Finance	Fiscal Year 2020	<p>The Department of Finance will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor the reimbursement policy of the Government.</p> <p>Furthermore, we are exploring systems for automatic reconciliations and will consider hiring someone to work at the Department of Finance, specifically to handle credit card payments.</p>
55	<ul style="list-style-type: none"> <li>Supporting Documentation for Expenditures</li> </ul>	The Department of Finance, Executive Assistant Commissioner and Director of Accounting	On-going	We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the invoice approval, invoices are closely reviewed and supported in the Accounts Payable module.
56	<p>2017-012: Bank Accounts</p> <ul style="list-style-type: none"> <li>Strengthen Controls Over Bank Reconciliations</li> </ul>	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Treasury	Fiscal Year 2020	<p>The Treasury Director, with oversight from the Assistant Commissioner will reexamine the process to include reviewing outstanding checks and other reconciling items that have not cleared a specific bank account for more than one year.</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>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
56	<ul style="list-style-type: none"> <li>Cash Pooling and Allocation(s)</li> </ul>	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Treasury	Fiscal Year 2020 and 2021	<p>The Treasury Director, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts.</p> <p>Additional human capital has been provided to ensure that bank reconciliations are prepared timely as we continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.</p>
58	2017-013: 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 2020	<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. 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 need to be created and implemented.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<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. 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.</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. 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>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				<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. 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>
60	2017-014: Landfill Consent Decrees	Office of the Governor, Chief of Staff, and the Waste Management Authority Management Team	Fiscal Year 2020	The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.
61	2017-015: Establishment of a Medical Malpractice Trust Fund	Commissioner, Department of Health and Medical Malpractice Action Review Committee.	Fiscal Year 2020	The Department of Health will continue to closely monitor the applicable laws related to professional medical malpractice by setting up a separate trust fund to be managed by a licensed broker or brokerage firm and to set up an investment plan approved by the Medical Malpractice Action Review Committee.
62	2017-016: Procurement Regulations	Department of Property and Procurement Management Team	Fiscal Year 2020	The Government will continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders and contracts to ensure that regulations are being adhered to by providing justification letters that meet the requirements.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
63	2017-017: Casino Control Commission	The Department of Finance, Executive Assistant Commissioner and Director of Accounting	Fiscal Year 2020	The Government will request reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code. We will review, request, and establish a working document on how this process will be conducted proceeding forward.
64	2017-018: Allowable Costs/Cost Principles - Payroll Activities	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Financial Control Officer for the Special Nutrition Programs will ensure that all expenditures are charged to the correct grants. All records will be kept and filed safely to ensure that they are available upon request from reviewers. In addition, all records relating to expenditures will be effectively reviewed on a regular basis for completeness, accuracy, and allowability. The Special Nutrition Programs will ensure that the responsible entity reviews the NOPAs of employees under their supervision for accuracy to determine that employees are being paid from correct funding sources.
65	2017-019: Allowable Costs/Cost Principles - Indirect Cost Activities	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Special Nutrition Programs utilizes prevailing rates for prior years until the new rates are negotiated and received. There are instances where adjustments are done in-house or forwarded to the Department of Finance for processing. Considering that the expenditures reviewed fell within the fiscal year of Hurricanes Irma and Maria when the ERP system was inoperable for some time, and most adjustments are completed towards the end of the fiscal year, this may have been an oversight. Nonetheless, the Program will ensure that the correct indirect cost rate is utilized once it is negotiated and received and will make adjustments as necessary. The Special Nutrition Programs will also follow-up with the Department of Finance with any adjustments that may have been forwarded for processing.



## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
66	2017-020: Cash Management	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Special Nutrition Programs will ensure that all drawdowns are carried out within the timeframe of the Cash Management Improvement Act of 1990 (CMIA) Agreement.
67	2017-021: Equipment and Real Property Management	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Special Nutrition Programs will maintain complete and accurate records pertaining to the location and distribution of all fixed assets in coordination with DPP.
68	2017-022: Matching, Level of Effort, and Earmarking	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Special Nutrition Programs will ensure that the responsible entity for the approval of employee timesheets under its supervision is cognizant that all timesheets must be signed and approved prior to submitting to the Payroll Division for processing and for the match requirement. Additionally, the Payroll Division should ensure that signatures are affixed to all timesheets requesting payment.
69	2017-023: Period of Performance	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Program will work with the responsible entity to ensure that all expenditures are properly reviewed prior to approval to ensure that they occurred within the period of performance as stipulated by the applicable Grant Award Document.
70	2017-024: Procurement, Suspension, and Debarment	Director, Special Nutrition Programs - DOE	Fiscal Year 2019 and On-Going	The Special Nutrition Programs will work with both District School Food Authorities, as well as communicate with the DPP to ensure that all necessary language and attachments are included in all contracts prior to final approval.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
71	2017-025: Allowable Cost/Cost Principles - Payroll Activities	Human Resources and Payroll Office - DHS	October 2019	DHS is restructuring its internal operations to ensure reconciliations of the payroll cycles ensuring accuracy with charges to the Federal grants. Prior to Hurricanes Irma and Maria, time and attendance reports were approved and electronically transmitted in the ADI time and attendance management system requiring various levels of managerial/supervisory approvals. Additionally, payroll time continues to be uploaded into the ERP system, requiring several additional levels of internal approval inclusive of the CFO and the Commissioner, prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the hurricanes, the ADI system was completely disabled. Access to the system was impossible; stored information of data files was limited, with certain periods a total loss, due to a compromised file server. However, DHS has moved away from the ADI system and is in the process of implementing the Government's STATS system.
73	2017-026: Allowable Costs/Cost Principles - Indirect Cost Activities	Chief Financial Officer - DHS	First Quarter of Fiscal Year 2020	Operations were severely disrupted for months in the 4th quarter of 2017 with the passage of Hurricanes Irma and Maria. DHS recently implemented a reconciliation process wherein an indirect cost analysis is performed at the end of each quarter ensuring accurate cost reporting on the Federal financial report.
74	2017-027: Cash Management	Chief Financial Officer - DHS	On-going	While this is a common finding throughout the Government, DHS continues to strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, DHS is reorganizing the Fiscal office which further assures the separation of duties coupled with proper authorizations.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
75	2017-028: Equipment and Real Property Management	Chief Financial Officer and Program Administrator - DHS	On-going	While this is a common finding throughout the Government, DHS continues to collaborate its efforts with DPP in ensuring Federal and Local regulations over equipment and real property management are met.
76	2017-029: Period of Performance	Chief Financial Officer and Program Administrator - DHS	October 2019	DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a liquidation journal to ensure compliance with period of performance requirements.
77	2017-030: Procurement, Suspension, and Debarment	Department of Property and Procurement	On-going	DPP now reviews vendors' debarment status on Sams.gov and prints a debarment of suspension certification to ensure that all contractors that are awarded Government contracts using Federal funds are not debarred. DPP now requires contractual services to provide documentation to show that full and open competition was conducted with a cost or price analysis. These documents will then be stored in the contract file. DHS will work in tandem with DPP, requiring a review of documents to ensure compliance.
78	2017-031: Special Tests and Provisions - EBT Card Security	Program Administrator - DHS	Second Quarter of Fiscal Year 2020	The Program Administrator will prepare an SOPP specific to the handling of the EBT cards. Staff will be trained and cross trained to ensure adherence to the policy. Additional level of approvals will be implemented in the process to adequately safeguard the EBT cards, and the issuance process is in full compliance with Federal mandates. Additionally, its noteworthy to state that cards provided by the vendor (FIS) remain inactive until it is activated in the contractor's system.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
79	2017-032: Special Tests and Provisions - EBT Card Reconciliation	Program Administrator - DHS	Second Quarter of Fiscal Year 2020	The Program Administrator will prepare an SOPP specific to the handling of the EBT cards and monthly reconciliations. Staff will be trained and cross trained to ensure adherence to the policy.  DHS intends on hiring an Internal Auditor to assist in ensuring the reconciliation processes are completed in order to allow for full Federal compliance.
80	2017-033: Special Tests and Provisions - ADP System for SNAP-Recertifications	Program Administrator - DHS	Second Quarter of Fiscal Year 2020	The SNAP system will be moving to the implementation of the new Virgin Islands Benefits Eligibility System (VIBES). This process will improve monitoring and controls. This process will offer program changes for better oversight of electronic controls.
81	2017-034: Cash Management	Office Manager, WIC Program	On-going	The WIC Program will ensure that all drawdowns are carried out within the timeframe of the Cash Management Improvement Act of 1990 (CMIA) Agreement.
82	2017-035: Eligibility	Certifying officials for WIC Program	May 2018	This condition has been corrected with the update of the WIC IT system for EBT. This form is generated by the WIC IT system which ensures that proper review and approvals are complete before issuance of certifications.
83	2017-036: Equipment and Real Property Management	Director of WIC Program	October 2019	The program will address this finding with the appropriate DOH, DPP, and management officials for intervention to improve the policies and procedures for equipment and real property management.
84	2017-037: Procurement, Suspension, and Debarment	Office Manager for WIC Program	July 2019	The required justification documents will be obtained related to future pronouncements in accordance with established policies.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
85	2017-038: Special Tests and Provisions - Review of Redeemed Food Instruments and Cash-Value Vouchers	Vendor Monitor for WIC Program	May 2018	This is resolved in fiscal year 2018 with the implementation of EBT since these queries are recorded electronically.
86	2017-039: Allowable Costs/Cost Principles - Payroll Activities	Human Resources and Payroll Office - DHS	October 2019	Prior to Hurricanes Irma and Maria, time and attendance reports were approved and electronically transmitted in the ADI time and attendance management system requiring various levels of managerial/supervisory approvals. Additionally, payroll time continues to be uploaded into the ERP system, requiring several additional levels of internal approval inclusive of the CFO and the Commissioner, prior to the batches (files) being electronically released to the Department of Finance for final processing. After the passage of the hurricanes, the ADI system was completely disabled. Access to the system was impossible; stored information of data files were limited, with certain periods a total loss, due to a compromised file server. However, DHS has moved away from the ADI system and is in the process of implementing the Government's STATS system.
87	2017-040: Cash Management	Chief Financial Officer - DHS	October 2019	While this is a common finding throughout the Government, DHS continues to strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, DHS is reorganizing the Fiscal office which further assures the separation of duties coupled with proper authorizations.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
88	2017-041: Equipment and Real Property Management	Chief Financial Officer and Program Administrator - DHS	On-going	While this is a common finding throughout the Government, DHS continues to collaborate its efforts with DPP in ensuring Federal and Local regulations over equipment and real property management are met.
89	2017-042: Matching, Level of Effort, and Earmarking	Chief Financial Officer and Program Administrator - DHS	October 2019	DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a matching journal to ensure compliance to the local match requirements.
90	2017-043: Period of Performance	Chief Financial Officer and Program Administrator - DHS	October 2019	DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a liquidation journal to ensure compliance with period of performance requirements.
91	2017-044: Activities Allowed or Unallowed	Chief Financial Officer and Program Administrator - DHS	October 2019	<p>The program staff and the Internal Auditor, will perform regularly scheduled sampling of claims to ensure that providers are paid based on the negotiated rate allowing for corrections within a reasonable time period. Special attention will be given to cases that require out of state providers.</p> <p>The Program is seeking assistance from the claims processing contractor in rectifying deficiencies.</p>
92	2017-045: Cash Management	Chief Financial Officer - DHS	On-going	While this is a common finding throughout the Government, DHS continues to strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, DHS is reorganizing the Fiscal office which further assures the separation of duties coupled with proper authorizations.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
94	2017-046: Eligibility	Program Administrator - DHS	Second Quarter of Fiscal Year 2020	<p>The Virgin Islands Benefits Eligibility System (VIBES) was implemented which has improved monitoring and controls. Additionally, a SOPP is being developed requiring the Eligibility Supervisor's review of case files.</p> <p>Management will also conduct random case sampling to ensure compliance. It is noteworthy of stating that the passage of Hurricanes Irma and Maria severely impacted the ongoing process of scanning files into the electronic filing system.</p> <p>The MAP Eligibility unit suffered severe flooding causing extensive damage to a large majority of eligibility files that were stored in boxes.</p>
96	2017-047: Matching, Level of Effort, and Earmarking	Program Administrator - DHS	October 2019	DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a matching journal to ensure compliance to the local match requirements.
97	2017-048: Procurement, Suspension and Debarment	Department of Property and Procurement	On-going	DPP now reviews vendors' debarment status on Sams.gov and prints a debarment of suspension certification to ensure that all contractors that are awarded Government contracts using Federal funds are not debarred. DPP now requires contractual services to provide documentation to show that full and open competition was conducted with a cost or price analysis. These documents will then be stored in the contract file. DHS will work in tandem with DPP, requiring a review of documents to ensure compliance.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
98	2017-049: Reporting	Chief Financial Officer - DHS	October 2019	<p>DHS is in the process of restructuring its fiscal operations to include comprehensive reconciliations. The process will include a process of ensuring Schedule of Expenditures of Federal Awards are reconciled to the Federal financial reports on a quarterly basis.</p> <p>The difference between the Schedule of Expenditures of Federal Awards and the CMS reports will be reconciled periodically as MAP functions on the cash basis rather than the standard Government accrual basis.</p>
99	2017-050: Special Tests and Provisions - Federal Financial Participation Refunds	Chief Financial Officer - DHS	October 2019	DHS will continue to work with the Department of Finance's Treasury Division to allow for quarterly uncashed check reports to be incorporated into the required reconciliation package.
100	2017-051: Special Tests and Provisions - Provider Eligibility	Program Director and Chief Financial Officer - DHS	June 2019 and On-going	<p>The program staff and the Internal Auditor, will perform regularly scheduled sampling of claims to ensure that providers are paid based on the negotiated rate, allowing for corrections within a reasonable time period. DHS will also ensure that providers who are required to provide disclosure information, do so before enrollment. Special attention will be given to cases that require out-of-state providers.</p> <p>The Program is seeking assistance from the claims processing contractor in rectifying deficiencies. Additionally, DHS has implemented a SharePoint consisting of various functions inclusive of a tracking feature for provider agreements.</p>



## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				This feature flags expired Provider Agreements, alerting the Program for immediate action. If necessary, the provider's payments will be barred from processing until the agreement is renewed.
101	2017-052: Special Tests and Provisions - Inpatient Hospital and Long-Term Care	Program Director - DHS	On-going	The Medicaid Program is presently in an active contract with a vendor who is providing the cost audits and reconciliations as required by the Federal regulations. The audits were delayed due to the passage of 2 major hurricanes in September 2017. Presently, the auditor is wrapping up the audit inclusive of fiscal year 2017 and anticipates completion by the end of calendar year 2019.
102	2017-053: Special Tests and Provisions - Medicaid Fraud Control Unit	Program Director - DHS	January 2019	Subsequent to fiscal year-end and during 2018, the V.I. Medicaid Fraud Control Unit (MFCU) was established through a Memorandum of Understanding. The unit is located within the Department of Justice. The MFCU has Territory-wide authority to investigate and criminally prosecute (or refer for prosecution) cases of Medicaid fraud and patient abuse or neglect in residential care facilities. The MFCU may also bring civil actions to recover false Medicaid claims. The MFCU has a memorandum of understanding with the Virgin Islands Medicaid Program which describes the agencies' working relationship.
103	2017-054: Special Tests and Provisions - ADP Risk Analysis and System Security Review	Program Director - DHS	Fiscal Year 2020	With respect to VIBES, a contract was issued to Public Consulting Group who has now tested the implementation, verification, and validation (IV&V) as mandated by the Centers for Medicare & Medicaid Services (CMS).

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
104	2017-055: Special Tests and Provisions - Utilization Control and Program Integrity	Program Director - DHS	On-going	As the Medicaid Fraud Control Unit has been created, the program is in the process of developing its own internal controls in an effort to prevent unnecessary utilization of care and services. The Medical Assistance Program continues to conduct clinical reviews of all inpatient stays over ten days, including a clinical review of the Patient Care Plans.
106	2017-056: Activities Allowed or Unallowed	Program Administrator and Chief Financial Officer - DHS	On-going	<p>The program staff and the Internal Auditor will perform regularly scheduled sampling of claims to ensure that providers are paid based on the negotiated rate allowing for corrections within a reasonable time period. Special attention will be given to cases that require out of state providers.</p> <p>The Program is seeking assistance from the claims processing contractor in rectifying deficiencies. Additionally, DHS has implemented a SharePoint consisting of various functions inclusive of a tracking feature for provider agreements. This feature flags expired Provider Agreements, alerting the Program for immediate action. If necessary, the provider's payments will be barred from processing until the agreement is renewed.</p>
107	2017-057: Cash Management	Chief Financial Officer - DHS	On-going	While this is a common finding throughout the Government, DHS continues to strive to ensure that proper financial controls are put in place to prevent further occurrences. Additionally, DHS is reorganizing the Fiscal office which further assures the separation of duties coupled with proper authorizations.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
108	2017-058: Matching, Level of Effort, and Earmarking	Chief Financial Officer - DHS	October 2019	DHS is in the process of restructuring its policies and procedures to include comprehensive reconciliations. The reconciliation process will include a matching journal to ensure compliance to the local match requirements.
109	2017-059: Reporting	Chief Financial Officer - DHS	October 2019	<p>DHS is in the process of restructuring its fiscal operations to include comprehensive reconciliations. The process will include a process of ensuring Schedule of Expenditures of Federal Awards are reconciled to the Federal financial reports on a quarterly basis.</p> <p>The difference between the Schedule of Expenditures of Federal Awards and the CMS reports will be reconciled periodically as MAP functions on the cash basis rather than the standard Government accrual basis.</p>
110	2017-060: Cash Management	Senior System Analyst and Director of Federal Grants - DOH	Second Quarter of Fiscal Year 2020	<p>The Department of Health's Office of Federal Grants has Standard Operating Procedures which outlines the cycle of cash management procedures for the Department.</p> <p>Improvements in documentation procedures of the forms for Cash Requests and Cash-draw confirmation in the operating cycle for the Cash Management will be performed by the Senior System Analyst. Training improvements in the Standard Operating Procedures, and actual operations will begin by the second quarter of the fiscal year 2020. The Director of Federal Grants will ensure the documentation processes are reviewed and carried through.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
111	2017-061: Equipment and Real Property Management	Program Director - DOH	October 2019	The Department of Health will maintain a complete listing of all equipment purchased by Federal funds. Once a year, the Department of Health will compare its listing with Property and Procurement to make sure all equipment is captured and all the pertinent information are listed.
112	2017-062: Reporting	Program Director and Deputy Commissioner - DOH	First Quarter of Fiscal Year 2020	<p>The Virgin Islands Department of Health's program submitted an annual performance report within the agency portal. The signature confirmation was not included in review.</p> <p>The Virgin Islands Department of Health Deputy Commissioners will ensure programmatic reports are submitted by the Program Directors within the proper submission/confirmation standards.</p> <p>The report and confirmation will be printed and filed for proof of submission, within proper standard submission practices. The Virgin Islands Department of Health will educate staff by sending out a memo on standard programmatic report submission and enforce this practice by the up-coming fiscal year.</p>
113	2017-063: Allowable Costs/Cost Principles - Payroll Activities	PCSD Director, Assistant Director and Federal Grants Coordinator - DOJ	First Quarter of Fiscal Year 2020	PCSD-DOJ will ensure that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. A full review of all NOPAs will be executed upon issuance. NOPAs will be reviewed by the fiscal officer and a report will be given to the Director.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
114	2017-064: Allowable Costs/Cost Principles - Indirect Cost Activities	PCSD Director and Federal Grants Coordinator - DOJ	On-going	PCSD will revisit and amend its Standard Operating Procedures, if necessary. PCSD will also review and reconcile cost allocations to ensure accuracy, as recommended.
115	2017-065: Cash Management	PCSD Director and Federal Grants Coordinator - DOJ	On-going	<p>The Director of PCSD has implemented a policy of reviewing, initialing and dating the supporting documents before a payment and/or drawdown request is made. Policies and procedures are presently in place to ensure compliance with the Uniform Guidance.</p> <p>The Federal Grants Coordinator will comply with the CMIA agreement and will use a clearance pattern of 4 days or less. Standard Operating Procedures have been established.</p>
117	2017-066: Equipment and Real Property Management	PCSD Director and Federal Grants Coordinator - DOJ	On-going	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 so that DPP's records reconcile with PCSD's records of equipment. This is a common finding throughout the Government. Standard Operating Procedures have been established.
118	2017-067: Matching, Level of Effort, and Earmarking	PCSD Director and Federal Grants Coordinator - DOJ	On-going	PCSD Director will review, initial and date all supporting documents before a request for payment is made. Adequate policies and procedures are in place to ensure compliance with the matching requirement is met. PCSD will develop a Matching Requirement Report to monitor. Standard Operating Procedures have been established.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
119	2017-068: Reporting	PCSD Director and Federal Grants Coordinator - DOJ	On-going	PCSD will reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by the Director. This will ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe, as recommended. Standard Operating Procedures will be amended accordingly. PCSD has contracted a vendor which will monitor the system.
120	2017-069: Cash Management	Assistant Director of Administration - DPW	Fiscal Year 2018	DPW along with OMB and Finance worked with the Federal Government to have the department removed from the CMIA agreement. The program is a manually reimbursable program, making it impossible to meet the time threshold. As of fiscal year 2018, the Department has been removed from this requirement while we work with FHWA to implement an electronic system.
121	2017-070: Equipment and Real Property Management	Highway Program Manager - DPW	March 2020	DPW is working with the Department of Property & Procurement so that all equipment is registered, properly tagged, and reviewed by DPP in a prescribed required timeframe. The Department is also implementing its own asset management system to facilitate the tracking of all of its assets internally.
122	2017-071: Activities Allowed or Unallowed	UI Director and Commissioner of Labor	Fiscal Year 2020	The Virgin Islands Department of Labor (VIDOL) recognizes the need to properly report the activities of the Unemployment Insurance Trust Fund. VIDOL has requested and received approval from the Virgin Islands Office of Management and Budget for the hiring of accountants, whose responsibilities will be to record the activities of the Fund in accordance with generally accepted accounting practices.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				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.
123	2017-072: Cash Management	Business & Administration Director and Commissioner of Labor	September 2020	The VIDOL currently has an effective Cash Management and Drawdown Policy in place. A policy refresher will be conducted with the respective staff.
124	2017-073: Eligibility	Business & Administration Director and Commissioner of Labor	September 2020	VIDOL will implement a schedule for regular file review and work to strengthen its Benefits Payment Control Unit to prevent such discrepancies.
125	2017-074: Cash Management	Associate Director of Auditing and Reporting - OMB	On-going	The Government will continue to exercise due diligence in requesting federal funds as specified under the CMIA agreement with respect to reimbursable funding for expenditures incurred.
126	2017-075: Equipment and Real Property Management	Deputy Commissioner of Property - DPP, Fixed Assets Manager - DPP and the Associate Director of Auditing and Reporting - OMB	On-going	DPP will continue to work with Munis and DOF to implement the ERP Assets Module and gain one hundred percent compliance with federal regulations.
127	2017-076: Procurement, Suspension, and Debarment	Deputy Commissioner of Property - DPP	On-going	The Government's Procurement Process, Overview and Guide Policy were revised, and updates were made. The updated version was posted to DPP's website and training to User Agencies was conducted. OMB will continue to work in tandem with DPP.

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
128	2017-077: Allowable Costs/Cost Principles	Director, Administration and Business Management - OTAG	January 2020	New policies and procedures have been created to address the payroll process of authorizing and moving grant funded personnel to the current-year grant.
130	2017-078: Cash Management	Director, Administration and Business Management - OTAG	Fiscal Year 2018	<p>The Office of Management and Budget has expressed to the Department of Finance through correspondence that OTAG be removed from the Treasury State Agreement (TSA) effective Fiscal Year 2018.</p> <p>The request has been accepted and OTAG will no longer fall under the CMIA.</p>
132	2017-079: Matching, Level of Effort, and Earmarking	Director, Administration and Business Management - OTAG	January 2020	The Master Cooperative Agreement (MCA) through the appendices identifies the cost share and what is required by persons performing management functions. OTAG has developed a new policy and procedure manual that includes tracking the match fulfillment for each expenditure.
133	2017-080: Period of Performance	Director, Administration and Business Management - OTAG	January 2020	OTAG has developed new policies and procedures to track expenditures for each grant while improving the review and approval of those expenditures. It also addresses the completion of the close out process within 90 days.
134	2017-081: Reporting	Director, Administration and Business Management - OTAG	January 2020	OTAG has developed a new policy and procedures manual to address the preparation and submittal of SF-270's. In addition, a Chief Financial Officer has been put in place to ensure separation of duties in Financial reporting.



## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
135	2017-082: Allowable Costs/Cost Principles - Indirect Cost Activities	Grant Manager - DPNR	October 2019 and On-going	The program will ensure that all indirect calculations are properly allocated and reviewed by senior staff to prevent this finding from recurring.
136	2017-083: Cash Management	BDAS Director and Grant Manager - DPNR	October 2019 and On-going	DPNR will ensure that all drawdowns are carried out within the timeframe of the Cash Management Improvement Act of 1990 (CMIA) Agreement. All drawdowns and other documentation must be submitted to US EPA for review which normally takes a longer time than the CMIA agreement.
137	2017-084: Equipment and Real Property Management	Divisional Administrative Staff - DPNR and DPP	August 2019 and On-going	<p>The physical conditions of the vehicles were as a result of Hurricanes Irma and Maria. The funding to repair the vehicles was issued to a Project Worksheet through VITEMA from FEMA, following a satisfactory review and approval of DPNR's documentation to support the claim. However, to date, the funding has not been released.</p> <p>The Program will continue to enhance its maintenance of vehicles by ensuring that funding is made more readily available to repair vehicles when damages occur. Vehicles are parked in an enclosed and locked facility with nightly security. The program has made intentional efforts to ensure its inventory is current and complete.</p> <p>The Program began its physical inventory in August 2019 and is working closely with DPP to ensure that both departments' inventory records are accurate, complete, and reconciled.</p>

## Government of the United States Virgin Islands

### Appendix B: Corrective Action Plan Year Ended September 30, 2017

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
138	2017-085: Matching, Level of Effort, and Earmarking	Grant Manager and Accountant - DPNR	October 2019 and On-going	The Program will ensure that appropriate measures are put in place to accurately account and track the matching amounts in order to ensure full compliance.
139	2017-086: Procurement, Suspension, and Debarment	Divisional Administrative Staff - DPNR and DPP	October 2019 and On-going	The Program agrees that the evidence was not present to indicate that DPP reviewed the Excluded Parties List System (EPLS). The Program however, conducted its review of the EPLS to ensure that the vendors it conducts business with are not debarred or suspended; though the evidence was not printed and filed. Going forward, the Program will ensure that the necessary documents are filed properly for each search conducted.
140	2017-087: Reporting	Internal Auditor - DPNR	October 2019 and On-going	Going forward, the Program will communicate with US EPA relative to this matter, and formulate a plan of action relative to evidence needed for review of reports and implement it in the immediate future.
141	2017-088: Data Collection Form and Single Audit Reporting Package	Associate Director - OMB	Fiscal Year 2020	The Government agrees that the Data Collection Package was not provided timely. However, the Government will set up appropriate measures to ensure that the data collection form and reporting package is submitted to the FAC on the required due date for the next audit period.