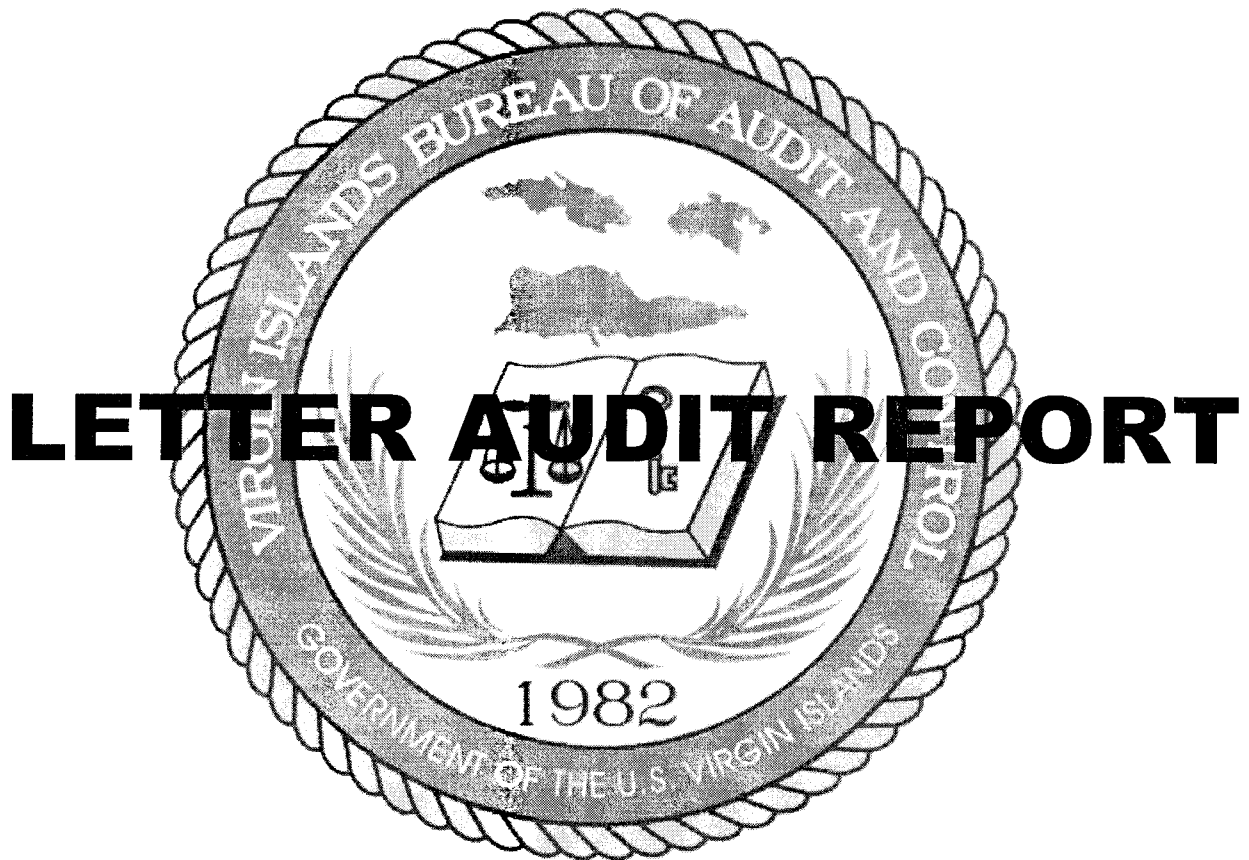


THE UNITED STATES VIRGIN ISLANDS
VIRGIN ISLANDS BUREAU OF AUDIT AND CONTROL



**AUDIT OF
COLLECTION ACTIVITIES
AT THE DEPARTMENT OF LICENSING AND COMSUMER AFFAIRS
CHRISTIANSTED, ST. CROIX**

**ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO
THE VIRGIN ISLANDS BUREAU OF AUDIT AND CONTROL BY:**

Calling:

(809) 774-3381

or

(809) 774-3388

Sending Written Documents to:

V.I. Bureau of Audit and Control

No. 75 Kronprindsens Gade

St. Thomas, Virgin Islands 00802



GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS

V. I. BUREAU OF AUDIT AND CONTROL

No. 75 Kronprindsens Gade, Charlotte Amalie, St. Thomas, V. I. 00802

September 16, 1999

**STEVEN VAN BEVERHOUDT
INSPECTOR GENERAL**

**Tel: (809) 774-3388
Fax: (809) 774-6431**

Honorable Charles W. Turnbull
Governor of the Virgin Islands
Government House
St. Thomas, Virgin Islands 00802

Honorable Vargrave A. Richards
President, 23rd Legislature
Capitol Building
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull and Senator Richards:

This letter audit report contains the results of our audit of collection activities at the Department of Licensing and Consumer Affairs in Christiansted, St. Croix.

The objectives of the audit were to determine whether appropriate internal controls were in place to safeguard funds collected, and if the collector complied with procedures established in Section 310.10 of the Government Accounting Manual.

To accomplish our audit objectives, we performed a surprise cash count, examined collection files, interviewed employees, and observed the collection process. The audit covered the period from October 1, 1998 through May 7, 1999. During FY 1998, the Christiansted, St. Croix office collected \$1,120,016 in licensing fees, fines, and penalties.

Except for limitations to our independence as detailed in the succeeding two paragraphs, the audit was performed in accordance with "Government Auditing Standards" issued by the Comptroller General of the United States. We included tests and procedures that were considered necessary under the circumstances.

The second general standard of the "Government Auditing Standards" states; "In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent and should maintain an independent attitude and appearance."

Under the current organizational structure, the Virgin Islands Bureau of Audit and Control (Audit Bureau) is not organizationally independent. Budget and personnel limitations have adversely affected the Audit Bureau's ability to fully carry out our responsibilities.

AUDIT RESULTS

We found that, overall, internal controls provided for the proper segregation of duties and physical security of funds collected. However, there were two areas that needed corrective action. The first dealt with delays in the deposit of funds collected, and the second dealt with an unauthorized collection of funds by a Department employee.

Delays in Deposit of Funds Collected

We found that funds collected were not deposited promptly. In one case, funds collected were kept in a safe for as long as eleven days. In Section 310.4 of the Accounting Manual, collectors and assistant collectors are instructed to deposit funds collected no later than the morning of the next work-day. The following are examples of delayed deposits:

<u>Period of Collection</u>	<u>Amount Collected</u>	<u>Deposit Date</u>	<u>Delay</u>
Feb 5 to 12	\$25,863	2/16/99	From 4 to 11 days
March 1 to 5	\$29,715	3/08/99	From 3 to 7 days
April 19 to 23	\$24,023	4/26/99	From 3 to 7 days

Deposits must be made on the same day of collection or on the next morning, not only to protect funds collected, but to also help the government deal with the present cash flow problems.

Unauthorized Collection of Funds

A Department employee, who was not an approved collector, was instructed to go to the field and collect \$380 in cash from a businessman. The businessman had previously issued a check that was dishonored by the bank. Since he disregarded a notice of collection, it was necessary to send an enforcement officer to collect the money.

The Department has three enforcement officers investigating applicants' businesses and issuing citations for violations of the Code, but they are not approved collectors. Section 310.2 of the Government Accounting Manual states that collection of funds must be made exclusively by collectors and assistant collectors duly approved by the Commissioner of Finance. Whenever a Department employee, acting as a courier, receives money from an applicant to take to the collector, he/she is making an unauthorized collection of funds. In addition, since a receipt is not issued until the funds are turned over to the official collector, the responsibility for the possible loss of funds would be difficult to establish.

Recommendations

We recommend that the Commissioner of Licensing and Consumer Affairs:

1. Requires that funds be deposited on the same day of collections, or on the following morning, as required in Section 310.4 of the Accounting Manual.
2. Ensures that collections are made only by authorized personnel. Request and receive required approval from the Commissioner of Finance before allowing anyone, other than official collectors, to collect fees and fines.

Department's Response

The Commissioner of the Department of Licensing and Consumer Affairs, in his response, agreed that although rules and regulations require the timely deposit of collections, the collector on St. Croix was not following them. He stated that steps have been taken to ensure that enforcement officers accompany the cashier to the bank each day.

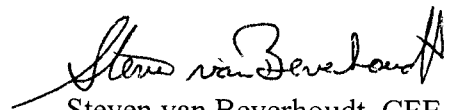
Regarding the second recommendation on limiting collection activities to authorized collection personnel only, the response indicated that enforcement officers will no longer collect funds. Instead, enforcement staff will instruct the delinquent licensee to appear in person at Licensing to replace the dishonored check with cash. Should the licensee refuse, their license will be revoked for nonpayment.

Inspector General's Comments

Based on the response submitted by the Commissioner of Licensing and Consumer Affairs, we consider the recommendations to be fully resolved. A follow-up review will be conducted at a later date.

If you or your staff require additional information, please feel free to contact me at 774-6426.

Sincerely,



Steven van Beverhoudt, CFE, CGFM
Inspector General

Enclosure:

GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

—0—

Department of Licensing and Consumer Affairs

Office of the
Commissioner

September 8, 1999

Honorable Steven van Beverhoudt, CFE, CGFM
Inspector General
V.I. Bureau of Audit and Control
No. 75 Kronprindsens Gade
St. Thomas, VI 00802

Dear Mr. van Beverhoudt:

Thank you for meeting with me and my staff on August 20, 1999 for the exit interview. We agree with your recommendations in the draft report and provide the following as measures for corrective action.

All funds collected are deposited on the day of collection. Rules and regulations are in place and both cashiers are to follow them. The cashier in the St. Croix office, however, did not follow instructions nor the rules. We have taken steps to assure that such actions will not be repeated.

In St. Thomas a schedule is followed whereby enforcement officers accompany the cashier to the bank each day. This was not the case in St. Croix. Steps have been taken to ensure that this procedure will be the norm in both districts. In addition, the Director in St. Thomas, and Assistant Director, in charge of the Division in the St. Croix office, must initial the deposit slip each day. If she is not in, then the next person bonded must then initial the slip. As is the custom in St. Thomas, all moneys collected that day is deposited in the bank's night depository.

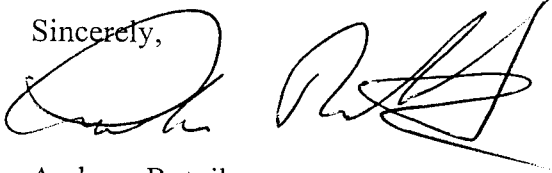
Enforcement officers do not collect moneys on dishonored checks. Effective immediately, enforcement officers will deliver a letter signed by the Commissioner requesting that the licensee come into the Department within 48 hours to make good on the dishonored check or run the risk of their license being revoked. Because of the present situation with gas, we have instructed the enforcement officers to make telephone calls to those individuals, a practice in place in the St. Thomas office. We now have a listing of those persons/businesses and the Department will accept only personal certified checks, money orders or cash. We are now in the process of collecting outstanding amounts.

Honorable Steven van Beverhoudt, CFE, CGFM
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September 9, 1999

We hope that these remedies meet your approval and we look forward to receiving the final audit report.

Sincerely,

A handwritten signature in black ink, appearing to be 'ARutnik', written in a cursive style.

Andrew Rutnik
Commissioner