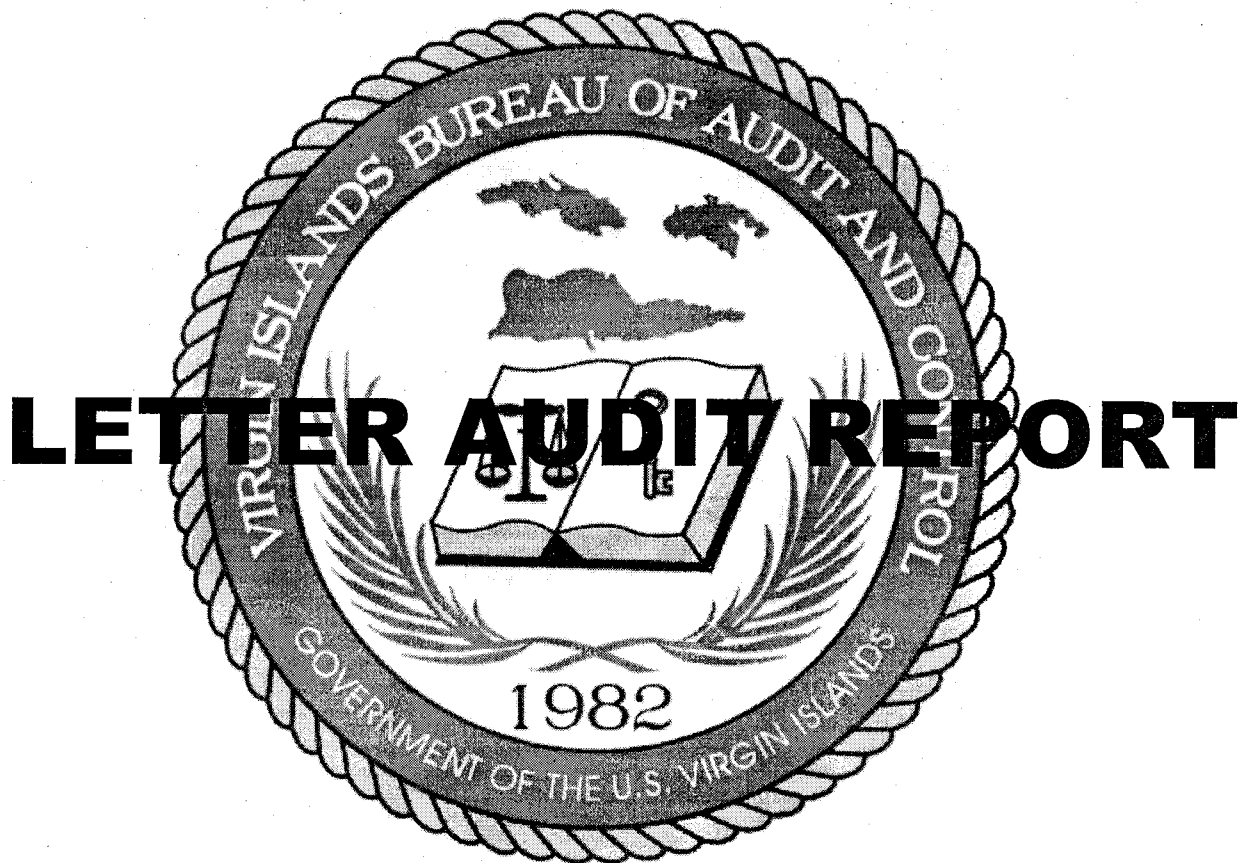


**THE UNITED STATES VIRGIN ISLANDS**  
**VIRGIN ISLANDS BUREAU OF AUDIT AND CONTROL**



**AUDIT OF COLLECTION ACTIVITIES  
AT THE DEPARTMENT OF AGRICULTURE'S  
ESTATE DOROTHEA STATION**

**ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO  
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**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

Tel.:  
(809) 774-3388

July 7, 1998

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(809) 774-6431

Honorable Roy L. Schneider, MD  
Governor of the Virgin Islands  
Government House  
Kongens Gade  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Honorable Lorraine L. Berry  
President  
22nd Legislature  
Capital Building  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Dear Governor Schneider and Senator Berry:

This letter audit report contains the results of our audit of collection activities at the Department of Agriculture's, Estate Dorothea Station (Agriculture). The audit was conducted at the request of the Commissioner of Agriculture, based on a report that funds were stolen from the collection area.

The objectives of the audit were to determine: (i) the circumstances surrounding the missing funds, as well as the amount actually stolen; and, (ii) if established collection rules and regulations were being followed.

To accomplish our audit objectives, we reviewed the documentation available, examined collection files, interviewed Agriculture employees, and observed the collection process.

We conducted the review using generally accepted auditing standards applicable to government entities, and included tests and procedures that were considered necessary under the circumstances.

As part of the audit, we examined Agriculture's internal controls to the extent necessary to accomplish the audit objectives. The internal control weaknesses identified are included in the Audit Results portion of this report.

## **BACKGROUND**

**P**ursuant to its responsibilities as authorized by the Code, the Department of Finance has issued an Accounting Manual (Manual), which in Section 310.1 to 310.10 establishes the procedures for collecting, recording, and depositing revenues, and reporting those revenues to the Revenue Audit Section of the Department of Finance (Revenue Audit) for the purpose of centralized accounting.

Section 310.4 of the Manual specifically requires a supervising collector (collector) to be responsible for making prompt deposit of all daily collections into a designated government bank account, and to report those revenues to Revenue Audit on consecutively numbered Certificates of Deposits (CD's) and Daily Summaries of Collections and Deposits (Daily Summaries).

## **AUDIT RESULTS**

**T**he results of our review confirmed allegations of revenue stolen at the Station during the weekend of January 16 through January 19, 1998, totaling \$3,567.

We determined that the loss occurred because: (i) daily revenue collections were not promptly deposited into government designated bank accounts on the same day of collection; and, (ii) internal control arrangements applicable to the security of collected revenues were not effective.

### **Stolen Funds**

Revenue collections at the Station were not promptly deposited on the same day of collections. Normally, the collector or assistant collector would secure the funds in-house at the end of the day for deposit on the following day. However, this was not done for the period from January 9 through January 16, 1998. The details of the pertinent losses are as follows:

### Stolen Collections

<u>Date</u>	<u>Cash</u>	<u>Checks</u>	<u>Total</u>
1/09/98	\$ 646	\$ 44	\$ 690
1/12/98	422	131	553
1/13/98	382	-	382
1/14/98	624	-	624
1/15/98	345	-	345
1/16/98	<u>873</u>	<u>50</u>	<u>923</u>
	\$3,292	\$225	\$3,517
Change fund	<u>50</u>	<u>    </u>	<u>50</u>
	<u>\$3,342</u>	<u>\$225</u>	<u>\$3,567</u>

### Internal Controls

Agriculture did not follow the requirements of the Manual in establishing adequate internal controls to safeguard the collection of government revenues.

On Tuesday, January 20, 1998, Agriculture employees, upon opening the office after a 3-day weekend, found it to be ransacked. A Police report indicated that the burglary occurred between the close of business on Friday, January 16 and the opening of business on Tuesday, January 20, 1998. The report states that entry to the office was gained by the removal of a window. The loss was estimated to be about \$2,300 in collections for the period between January 9 through January 16, 1998. As shown in this report, the missing collections actually totaled \$3,567.

Although the office was burglarized, it is apparent that the collections were lost because of weaknesses in internal controls. Specifically the failure to deposit funds on a daily basis.

Prior and subsequent to the theft, we found that deposits were not always made on the same day of collections. In this case, collections were held for over a week without being deposited, a clear violation of collection procedures. A review of recent collections, however, shows that deposits are now being made on a daily basis, with the use of the bank's night depository service.

Another internal control weakness was the security of the funds. We were informed that the collections were kept in a locked desk drawer, while a floor safe was located in another building.

Although we do not recommend that funds be kept overnight without deposit, we do feel that on the rare occasion that funds are not deposited timely, they should be secured properly in the floor safe.

### **Recommendations**

We recommend that the Commissioner of Agriculture:

1. Ensures the continuation of daily deposits of collections by using the night depository service.
2. Ensures that the floor safe is used on the rare occasion that collections can not be deposited on the same day.

### **Commissioner's Resposne**

The Commissioner's response, dated June 29, 1998, indicated agreement with the recommendations made.

### **Inspector General's Comments**

Based on the Commissioner's response and a review of the current collection and deposit procedures, we consider the recommendaitons fully implemented.

If you or your staff needs additional information please call me at 774-6426.

Sincerely,

  
Steven van Beverhoudt, CFE, CGFM



**THE VIRGIN ISLANDS OF THE UNITED STATES  
DEPARTMENT OF AGRICULTURE**



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**Office of the Commissioner**

June 29, 1998

Mr. Steven Van Beverhoudt, CFE, CGFM  
Government of the U.S. Virgin Islands  
V.I. Bureau of Audit and Control  
No. 75 Kronprindsens Gade  
Charlotte Amalie, St. Thomas USVI 00802

Dear Mr. Van Beverhoudt:

Thanks for the draft copy of the audit report dated June 19, 1998, in reference to your staff's audit and review of the Virgin Islands Department of Agriculture (VIDOA's) collection receipts and policy. Your performance of the audit was initiated by a burglary which occurred at the VIDOA's headquarters in Estate Dorothea on St. Thomas between the close of business on Friday, January 16, 1998, and Tuesday, January 20, 1998.

I truly appreciate the assistance provided by your efficient staff with conducting the audit and review of the VIDOA's collections receipts, collection procedures, and the consecutively numbered Certificates of Deposit for disposal of collected funds into designated Government of the U.S. Virgin Islands (GOUSVI) bank accounts.

The loss as a result of the aforementioned burglary was initially estimated to be about \$2,300.00; however, your audit confirmed that the actual loss of collected revenues between January 9, 1998, and January 16, 1998, was \$3,567.00. Please note that all revenues collected from sale of goods and services at the VIDOA are deposited in the Agriculture Revolving Fund, which is utilized for the purpose of purchasing equipment, materials and supplies that are critical for the VIDOA to perform its mandated services. The loss of the collected revenues jeopardizes and compromises the ability of the VIDOA to function. Hence, I have taken the initiative to implement your recommendations into the VIDOA's collections policy to mitigate against any future incidents.

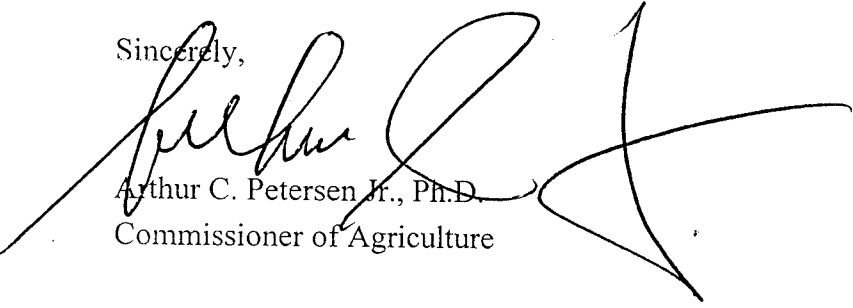
**Letter to Mr. Steven Van Beverhoudt**

**June 29, 1998**

**Page 2**

I would like to thank you and your staff for the excellent job you did in conducting the audit and review of the VIDOA files and policy.

Sincerely,



Arthur C. Petersen Jr., Ph.D.  
Commissioner of Agriculture

**c: Louis E. Petersen Jr., Ph.D., Assistant Commissioner  
Lawrence W. Lewis, Ph.D., Deputy Commissioner**