

THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL



AUDIT REPORT

**AUDIT OF COLLECTION ACTIVITIES
AT THE OFFICE OF THE LIEUTENANT GOVERNOR**

**ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO
THE OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL BY:**

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GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL
No. 75 Kronprindsens Gade, Charlotte Amalie, St. Thomas, V.I. 00802

STEVEN VAN BEVERHOUDT
V.I. INSPECTOR GENERAL

Tel: (340) 774-3388
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January 14, 2005

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

Honorable Lorraine L. Berry
President
26th Legislature
Capitol Building
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull and Senator Berry:

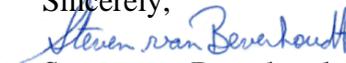
Attached is the final report of our audit of collection activities at the Office of the Lieutenant Governor.

The objective of the audit was to review and evaluate revenue processing practices at the various divisions of the Lieutenant Governor's Office in order to determine whether the collectors were following procedures and observing internal controls for collecting, depositing and reporting Government revenues, as prescribed in the Department of Finance's Accounting Manual. The periods covered by our audit were fiscal years 2001 through 2003, inclusive.

Our audit disclosed that: (i) collectors have not been observing internal controls that have been prescribed to ensure that Government revenues generated at the Lieutenant Governor's Office were accurately collected, promptly secured in Government bank accounts, and appropriately reported to Finance on a timely basis; and, (ii) senior staff members at the Lieutenant Governor's Office have not been routinely monitoring the revenue processing activities of the collectors. As a result, breaches in internal controls and other unusual activities committed by collectors have gone unnoticed and unchallenged.

A response to our recommendations was submitted from the Chief of Operations at the Lieutenant Governor's Office and is included as Appendix I beginning on page 16 of this report.

If you or your staff require additional information, please call me at 774-3388.

Sincerely,

Steven van Beverhoudt
V. I. Inspector General



GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
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EXECUTIVE SUMMARY

The following summarizes the major findings resulting from the Audit of Collection Activities at the Office of the Lieutenant Governor (AR-01-21-05).

Finding 1: Collections (pages 4 to 6)

- ✓ Collectors were not observing internal controls as outlined in the Department of Finance's Accounting Manual regarding the proper usage, accountability, and security of pre-numbered cashier receipts.
- ✓ Collectors failed to use receipt books in strict numerical sequence.
- ✓ Inventory of receipt books were not maintained.
- ✓ Used and unused receipt books were not securely stored.

Finding 2: Deposits (pages 7 to 9)

- ✓ Collectors did not ensure that deposits were made on a timely basis.
- ✓ One collector withheld collections for 41 days before depositing the funds.
- ✓ Undeposited collections were not secured against access from unauthorized personnel.

Finding 3: Reporting (pages 10 to 12)

- ✓ A collector failed to deposit collections in the order that they were received.
- ✓ A collector failed to identify on the Certificate of Deposit the fiscal year to which the revenues related.

Finding 4: Supervision (pages 13 to 15)

- ✓ Supervisors were not monitoring the activities of the collectors
- ✓ Supervisors were unaware that collectors were violating internal controls as established by the Department of Finance's Accounting Manual.

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INTRODUCTION

BACKGROUND

The Office of the Lieutenant Governor (Lieutenant Governor’s Office) of the United States Virgin Islands (Virgin Islands) consists of five (5) divisions that provide essential goods and services to the people and businesses of the Virgin Islands.

The revenues that accrue from the provision of these goods and services are processed by five (5) collectors who are stationed at divisions located in St. Thomas and in St. Croix. A number identifies each collector, and our tabulation below illustrates the divisions to which the collectors are assigned.

Collectors’ Number	Assigned Divisions	Island
8522	- Real Property Taxes - Recorder of Deeds - Corporations and Trade Marks	St. Thomas
8562	- Passports	St. Thomas
8587	- Banking and Insurance	St. Thomas
8520	- Real Property Taxes - Banking and Insurance	St. Croix
8542	- Passports - Recorder of Deeds - Corporations and Trade Marks	St. Croix

Section 310 of the Government’s Accounting Manual (Manual) requires collectors to perform three (3) distinct functions (collection, deposit, and reporting) for the processing of Government revenues.

The Manual assigns responsibility for all three functions to a single collector, and prescribes the procedures and the internal controls that the collector is required to observe for the processing of revenues.

Collectors are obligated to: (i) create and secure a paper trail for each of the processing functions, as a source of recorded accountability for the revenues that are collected; (ii) secure the collected revenues by making prompt deposits into the Government’s accounts at local banks; and (iii) report the revenues to the Department of Finance (Finance) through the medium of the source documents that were created for collections and deposits.

OBJECTIVES, METHODOLOGY, AND SCOPE

We conducted our audit in response to a request by the Lieutenant Governor and the Commissioner of Finance, based on an allegation that an employee from the Lieutenant Governor's Office had misappropriated public funds.

The purpose of our audit was to review and evaluate revenue processing practices at the various divisions of the Lieutenant Governor's Office in order to determine whether the collectors were following procedures and observing internal controls for collecting, depositing, and reporting Government revenues as prescribed in the Manual.

The scope of our audit included an examination of the records that were generated from revenue processing functions at the Lieutenant Governor's Office from fiscal years 2001 through 2003, inclusive.

We conducted our review in accordance with standards applicable to compliance audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such tests of records and other auditing procedures that were considered necessary under the circumstances.

Our audit methodology included interviews with staff, and examination of source documents and records that were generated manually and electronically on the computerized Financial Management System (FMS). We also visited the divisions in St. Thomas to observe the facilities that were on hand for safeguarding undeposited revenue collections.

As part of the audit, we evaluated the internal controls over the revenue processing functions at the Lieutenant Governor's Office to the extent necessary to accomplish the audit objectives. The internal control weaknesses identified are included in the Audit Results portion of this report.

PRIOR AUDIT COVERAGE

We are unaware of any audits conducted at the Lieutenant Governor's Office within the last five (5) years relating to its revenue processing procedures.

AUDIT RESULTS

CONCLUSIONS

Our audit disclosed that: (i) collectors at the Lieutenant Governor's Office have not been observing the internal controls that have been prescribed to ensure that Government revenues generated at the agency are accurately collected, promptly secured in Government's bank accounts, and appropriately reported to Finance on a timely basis; and, (ii) senior staff members at the Lieutenant Governor's Office have not been routinely monitoring the revenue processing activities of the collectors. As a result, breaches of internal controls, and other unusual activities committed by collectors have gone unnoticed and unchallenged.

We have also concurred with the findings that were reported from the conduct of an internal investigation into cash embezzlement at the Lieutenant Governor's Office in St.Croix prior to the commencement of our review.

The findings on which our conclusions are based are discussed in detail within the body of this report.

FINDING 1: COLLECTIONS

Collectors at the Lieutenant Governor's Office have not been observing the internal controls that are outlined in the Manual for proper usage, accountability, and security of the pre-numbered cashier's receipt books (receipt books) that form the paper trail of evidence for the revenues collected. Specifically, we found that collectors had failed to: (i) use receipt books in strict numerical sequence; (ii) maintain a record of receipt books that were supplied to them by Finance; and, (iii) store new and completed receipt books in facilities that were secured with locks and accessible only to authorized personnel.

Background

Collectors are required to record revenue collection transactions either in manual or in electronic form. For manual recording, the collector must utilize pre-numbered cashier's receipt books in order to generate a paper trail of supporting evidence for the revenues that were collected. The collector requisitions supplies of receipt books from Finance, and is responsible for their custody and security.

Section 310.3 of the Manual outlines the controls that collectors are required to observe in order to ensure that there is adequate accountability for receipt books. The section specifically states that receipts will be used in strict numerical sequence, and if issued out of sequence, a memorandum containing an explanation should be sent to Finance.

Electronic recording of collected revenues is facilitated through the Government's computerized on-line FMS, which registers each collection transaction on electronically generated paper tape. The controls that collectors are required to observe for computerized collections are outlined in Finance's publication, "The PC Cash Drawer, The Automated Cash Receipt Process".

Usage of Receipt Books

One of the collectors failed to use the receipt books in the strict numerical sequence, as indicated by the pre-numbering.

As illustrated below, audit evidence disclosed that the collector used higher numbered receipt books for earlier dated collections, and lower numbered receipt books for later dated collections. For example, receipt numbers, 1474**208** to 1474**224** were used for collections dated 02/13/02, whereas receipt numbers, 1473**420** to 1473**432** were issued for collections dated 02/26/02.

Receipt Numbers Range	Date of Collection
1474208 to 1474224	02/13/02
1473420 to 1473432	02/26/02
1472751 to 1472769	02/28/02
1482188 to 1482200	10/01/02
1482144 to 1482150	10/07/02
1529802 to 1529831	12/02/02
1529192 to 1529204	12/16/02

Failure to follow the numbering sequence in the usage of receipt books creates problems in periodic reconciliation of monies physically collected with the record of the collection.

Accounting for Receipt Books

Collectors failed to provide an accurate account for stocks of receipt books that were supplied to them by Finance. For some collectors, their only available record of receipt books was the statement from Finance with their affixed signature acknowledging receipt of stock of books. Some collectors could not locate that document, and there was no alternative recording of the receipt, usage, and completion of books that would give an indication as to the number of unused books on hand. One collector could not locate completed receipt book # 1551951 to 1552000, which according to a summary sheet, was used for collections in Fiscal Year 2003.

Security of Receipt Books

Some collectors failed to adequately secure supplies of unused and completed receipt books in locked facilities and beyond the reach of unauthorized persons. One of the collectors stored stocks of receipt books at the side of her desk, and in full view, and access to all other co-workers. Some collectors stored receipt books in locked facilities. However, there were other employees who used those facilities and had their own keys.

The potential for loss of public funds by way of theft of unsecured receipt books is equally as high as for theft of unsecured cash.

Recommendations

We recommend that the Lieutenant Governor:

1. Identify a secure location, such as a safe, that would be used for centralized storage of all of the Lieutenant Governor's Office's used and unused receipt books, and restrict safe combinations and/or keys to a limited number of senior members of staff.
2. Designate an employee, other than a collector, as the custodian of receipt books, and given the responsibility for maintaining a log that tracks the movement of stocks of receipt books from the time supplies are received from Finance, to the issuances to collectors, and the time of completion.

Office of the Lieutenant Governor's Response

The November 9, 2004 response from the Lieutenant Governor's Office indicated agreement with the two recommendations made in this finding. A central storage area in the Administration Division of the Lieutenant Governor's Office will be used to secure all unused receipt books. In addition, the Director of Business and Financial Management will track all receipt books issued to the Office.

Inspector General's Comments

We consider the response to be sufficient for us to close the recommendations.

FINDING 2: DEPOSITS

Collectors did not ensure that the revenues they collected were deposited into the Government's bank accounts within a reasonably short period of time following collection. One collector withheld revenues for forty-one (41) days before depositing into the Government's bank account. In addition, revenues that were retained in the Lieutenant Governor's Office were not secured in one centralized location, and in facilities that were adequately safeguarded against access by unauthorized personnel.

Background

The internal control for "prompt deposit" of collected revenues obligates collectors to secure the revenues they collect by making deposits into the Government's bank account within the same day of its collection.

Section 310.4 of the Manual states, "Except as otherwise authorized by the Commissioner (of Finance), collectors must deposit daily, through the use of the night depository, all collections made by them during the day."

The St. Thomas Lieutenant Governor's Office instituted its own internal arrangements for the purpose of making timely deposits of revenues. The arrangement required that all collectors hand over their daily collections to the main collector who would be accompanied to the bank by one of the Lieutenant Governor's Office's security guards to make the deposit.

Prompt Deposit

Collectors have claimed that for a number of reasons, it is not always possible to deposit the collections of the day on the same day. For example, an armed escort was not always available on a daily basis to accompany the collector to the bank to make deposits. Also, the volume of the workload on a busy collection day did not allow collectors enough time to complete the paper work that was necessary for depositing and reporting the revenues before the end of the workday.

The Lieutenant Governor's Office's internal arrangement for timelier deposits of revenues did not always work as planned, as one of the collectors failed to deliver collections of the day to the supervisory collector. Revenues collected by that collector were sometimes deposited twenty (20) days after the supervisory collector had deposited the revenues of that date.

We analyzed the records relating to 299 days of receipts, a total of \$6,425,166 collected at the five divisions. The objective was to determine the length of time that it normally took before collected revenues were made available for Government's use.

Our analysis disclosed that only on two (2) occasions were collections of the day deposited on the same day. We also noted that:

- ✓ 23 collections were withheld for 1 day;
- ✓ 197 collections were withheld for 2 to 9 days; and,
- ✓ 77 collections were withheld for 10 to 41 days.

Revenues that were processed through the FMS were reported to Finance as soon as the collection transaction was captured. However, because of the long delays in depositing the funds, these revenues were not immediately available for Government's use. Where revenues were processed by manual methods, Finance did not receive a report, nor were the revenues available for Government's use until deposited.

Security of Revenues

Revenues that were retained in the Lieutenant Governor's Office were not secured in storage facilities that were equipped with locks, and adequately safeguarded against access by unauthorized personnel.

During our onsite visit of the facilities in St. Thomas, we made the following observations:

- ✓ A collector left daily collections overnight in a cash drawer in the collector's booth, and transferred them to a safe only after completing the paper work for depositing and reporting the revenues. She claimed that sometimes it took up to three (3) days to complete the paper work. Although lockable, the cash drawer was not stationary or affixed to any structure in the booth. The collector claimed that she always kept her booth locked; however, there is an extra key, but she did not know who had custody of it.
- ✓ One collector did not have exclusive access to the safe where monies collected were kept before being deposited. The safe was shared with other staffers who were not themselves collectors.
- ✓ A collector kept monies collected in a safe that is located in an office away from the collector's booth. Other staffers also had access to the office and the safe. However, the collector claimed that the safe remained unlocked because no one remembered its combination code numbers.
- ✓ When the main collector was away on lunch, her booth was left unmanned, and assistant collectors carried out revenue processing activities from their respective offices where there were no facilities for securing monies collected.

Recommendations

We recommend that the Lieutenant Governor:

1. Identify a facility, such as a safe, that would be used for centralized storage of all of the Lieutenant Governor's Office's collected monies until deposited, and restrict safe combinations and keys to a limited number of senior members of staff.

2. Designate a senior member of staff (not a collector) with the responsibility for: (i) reviewing and approving the collector's reconciliation of the daily cash receipt summary and the physical monies received; (ii) ensuring that collectors leave all collections of the day that are not deposited in the centralized storage facility; and (iii) informing the Commissioner of Finance, and requesting assistance where monies remain un-deposited for over three working days.

Office of the Lieutenant Governor's Response

The response indicated agreement with the two recommendations made in this section of the report. It was stated that fire-proof safes will be utilized to safeguard collections until they are deposited. In addition, Division Directors will be assigned to oversee the activities of the collectors.

V. I. Inspector General's Comments

The response to the recommendations made in this section of the report are sufficient for us to consider them resolved.

FINDING 3: REPORTING

One collector, not only failed to deposit the revenues in the same consecutive sequential order in which they were collected, but also failed to identify on the Certificate of Deposit (CD) the fiscal year to which the revenues related.

Background

The Manual prescribes that for the purpose of accurately reporting revenues that they collect, collectors are required to prepare a CD for each deposit of collected revenues, and to identify on it the Government's bank account into which particular revenues were deposited.

Section 310.4 of the Manual requires that certificates of deposits "be numbered consecutively with a four-digit number beginning with the number, such as 0001, each fiscal year. The series for each bank account will begin with that number. For example, the first certificate for Fiscal Year 1993 will show the number 0001-93; for Fiscal Year 1994, the first number will be 0001-94, and so forth for each fiscal year."

The numbering of the CD's signifies the sequential order in which collectors are required to deposit collected revenues.

Funds Withheld

Our exhibit below illustrates evidence of a collector: (i) failing to record on the CD the fiscal year in which the revenue was collected; (ii) depositing collections of earlier days after collections of later days; and, (iii) withholding collections for extended periods before making deposits.

CD Number	Date of Collection	Date of Deposit	Collections	Cash Withheld	Days Withheld
00-002	10/02/02	10/15/02	\$206	\$146	13
00-003	10/03/02	10/07/02	\$254	\$114	4
00-004	10/04/02	10/21/02	\$277	\$242	17
00-005	10/07/02	10/21/02	\$253	\$123	14
00-006	10/08/02	10/15/02	\$101	\$ 66	7
03-007	10/09/02	10/25/02	\$471	\$131	16
20-008	10/10/02	10/15/02	\$121	\$ 56	5
20-009	10/11/02	10/15/02	\$ 98	\$ 38	4
03-010	10/15/02	10/25/02	\$260	\$165	10
03-011	10/16/02	10/30/02	\$376	\$139	14
03-012	10/17/02	11/07/02	\$207	\$162	21
20-013	10/18/02	10/18/02	\$440	\$ 87	0
03-021	10/30/02	11/18/02	\$163	\$143	19
03-022	10/31/02	11/07/02	\$214	\$ 39	7
03-032	11/19/02	12/06/02	\$278	\$158	17
03-033	11/20/02	12/18/02	\$239	\$224	28
03-034	11/21/02	11/27/02	\$180	\$ 80	6
03-041	12/03/02	01/13/03	\$471	\$266	41
03-042	12/04/02	12/06/02	\$105	\$ 40	2
03-050	12/16/02	01/15/03	\$250	\$160	30
03-051	12/17/02	01/08/03	\$285	\$115	22
03-053	12/19/02	01/10/03	\$486	\$113	22

Numbering of CD's

The collector used the CD numbers that are listed in our illustration to identify some of the deposit transactions that she had made during the period October to January of Fiscal Year 2003, rather than the numbering system required. According to the Manual, the CDs should have been numbered 0002-03, 0003-03, 0004-03, 0005-03, 0006-03, and 0007-03, respectively. The collector, not only failed to record the numbers on the CD in the format indicated by the Manual, but also omitted the "03" number that represents the fiscal year to which the revenues relate.

Sequence of Deposits

Collections of the day were frequently not deposited on that same day. Batches of collections of several days were always in the custody of the collector to be deposited. However, when it was possible to make deposits, the collector failed to deposit all the batches at the same time. Those batches that were chosen for deposit did not always correspond to the same consecutive sequential order in which they were collected. The collector seems to have been knowingly and deliberately withholding certain batches of collected monies before depositing them. As illustrated in our exhibit, collections of earlier days were deposited long after collections of later days. For example, collections of 10/02/02 were deposited on 10/15/02, whereas those of 10/03/02 were deposited on 10/07/02. Also, collections of 10/04/02 were deposited on 10/21/02, whereas those of 10/08/02 were deposited on 10/15/02.

Recommendation

We recommend that the Lieutenant Governor designate senior members of staff with the responsibility to conduct random reviews of all the revenue processing activities that collectors undertake in order to ensure there is conformance with the internal controls that are in place for the security and accountability of Government revenues.

Office of the Lieutenant Governor's Response

Agreement with the recommendation was indicated. The Director of Business and Financial Management has been assigned the responsibility of conducting periodic reviews.

V. I. Inspector General's Comments

The response is sufficient for us to close this recommendation.

FINDING 4: SUPERVISION

Senior members of staff at the Lieutenant Governor's Office did not routinely monitor the revenue processing activities of the collectors. Consequently, breaches by collectors of the internal controls relating to each of the processing functions have gone unnoticed and unchallenged. For example, there were a number of entries which showed that the amount of money deposited were significantly lower than the amounts reported as collected on the related supporting source documents. When queried, the collector stated that the differences were due to transactions that had been voided. However, prior to our query, senior members of staff were not aware that the collector had been voiding certain transactions.

Background

Section 310.2 of the Manual states that, "A 'Collector' is a person who shall be responsible for the collection and deposit of cash, and for preparing such records and reports as may be necessary for the purpose. In addition to his/her regular duties, a Collector shall supervise and be responsible for the operations performed by his/her Assistant Collector."

Section 330.7.3 of the Manual prescribes the procedures for issuing refunds to patrons. The collector is required to prepare Refund Voucher, Form FD-2-43, "to support payment of refunds of taxes and other monies collected by the Government." The Manual states that, "The voucher shall be prepared by the Revenue Audit Section, Treasury Division, and the Payroll Division, Department of Finance, and by departments and agencies as appropriate."

Monitoring

The Lieutenant Governor's Office's senior staff is directly responsible for all of its activities, including conformance to its system of internal controls. During our review, we saw no evidence to indicate that persons who were senior in rank periodically reviewed the revenue processing activities of the collectors.

Failure to monitor and enforce the internal controls for the security of collected money makes it possible for persons to embezzle cash receipts through various schemes, such as lapping. Lapping is a recognized fraudulent scheme in which the embezzler uses later cash collections to replace those already stolen.

Our review encountered evidence of voided transactions, unauthorized refund of fees to patrons, long delays before making bank deposits, and other unusual activities by collectors, all of which presented possibilities for the committal of cash-lapping.

Voids

The collector claimed that voided transactions would account for the difference between amounts deposited and amounts recorded on supporting collection documents. We selected for testing 181 voided transactions that were processed through the FMS. Our test to reconcile the difference was not achieved because the collector could not find all documents supporting the voids.

Refunds

We identified 13 transactions, which the collector alleged represented fees that had been refunded to customers who had paid for the conduct of lien searches. Patrons are required to pay in advance of the lien search, but the UCC lien document is valid for only three (3) business days. Customers who could not complete their business within the allotted time would request a refund of the fees that were paid. Our attempt to test and reconcile these refunds was again futile because the collector could not find the voided refund vouchers, or the original receipts that were returned by customers in exchange for the refund.

Delaying Deposits

Our exhibit below illustrates some of the periods over which one of the collectors retained revenues before making deposits. Delaying collections for lengthy periods before making deposits is one of the signs that a possible cash-lapping scheme was taking place.

Collection Date	Deposit Date	Retention Period	Cash Withheld	Checks Withheld
10/04/02	10/21/02	17 days	\$242	\$ 35
10/17/02	11/07/02	21 days	\$162	\$ 45
10/30/02	11/18/02	19 days	\$143	\$ 20
11/19/02	12/06/02	17 days	\$158	\$120
11/20/02	12/18/02	28 days	\$224	\$ 15
12/03/02	01/13/03	41 days	\$266	\$205
12/16/02	01/15/03	30 days	\$160	\$190
12/17/02	01/08/03	22 days	\$115	\$ 170
12/19/02	01/10/03	22 days	\$113	\$ 373

We could not determine if a cash-lapping scheme was occurring. However, from our review, there have been long lapses in making deposits throughout fiscal years 2001 to 2003, inclusive and the evidence do suggest that a cash-lapping scheme was occurring.

Enforcement

In April 2003, the Lieutenant Governor referred to the relevant sections of the Virgin Islands Code in order to impose penalties on two collectors who, based on the Lieutenant Governor's Office's internal investigation, were adjudged to have willfully committed improprieties that resulted in the loss of public funds during the performance of their duties.

The employment of one collector was terminated on grounds of embezzlement of public funds, in accordance with the requirements of Title 14, Chapter 55 of the Virgin Islands Code. The other, a supervisory collector, was suspended without pay for a period of three (3) days for having knowledge of the commission of the embezzlement, and willfully concealing it from the proper authorities. In the case of this supervisor, the Lieutenant Governor cited Title 14, Chapter 1, subchapter 11, of the Virgin Islands Code.

We complement the Lieutenant Governor for taking quick action in addressing the situation once it was brought to his attention.

Recommendation

We recommend that the Lieutenant Governor designate senior members of staff with the responsibility to conduct random reviews of all the revenue processing activities that collectors undertake in order to ensure their conformance with the internal controls that are in place for the security of Government revenues.

Office of the Lieutenant Governor's Response

The Director of Business and Financial Management has been assigned the responsibility of conducting periodic reviews.

V. I. Inspector General's Response

The response is sufficient for us to consider it resolved.

OFFICE OF THE LIEUTENANT GOVERNOR'S RESPONSE



THE UNITED STATES
VIRGIN ISLANDS

Lieutenant Governor
Vargrave A. Richards

ST. CROIX REVITALIZATION

COMMISSIONER OF INSURANCE
CHAIR, V.I. BANKING BOARD

DIVISIONS:

Banking and Insurance
Corporations and Trademarks
Medicare
Passport
Recorder of Deeds
Tax Assessor

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BUSINESS AND FINANCIAL MANAGEMENT

November 9, 2004

Mr. Steven G. Van Beverhoudt
Inspector General
V. I. Bureau of Audit & Control
No. 75 Kronprindsens Gade
St. Thomas, V.I. 00802

Dear Mr. van Beverhoudt:

Please find enclosed responses to the audit and recommendations on cash, collections, and reporting as requested by the Lieutenant Governor and the Commissioner of Finance.

We have ordered equipment and begun implementing changes in our operations in order to comply with the Government's Accounting Manual.

We thank you for your patience and consideration while working with the Office of the Lieutenant Governor on this audit.

Sincerely,


Delbert Hewitt
Chief of operations
Office of the Lieutenant Governor

Enclosure

cc: Lt. Governor Vargrave Richards
Iverine Hedrington - BFM

**OFFICE OF THE LIEUTENANT GOVERNOR'S
RESPONSE**

**OFFICE OF THE LIEUTENANT GOVERNOR
RESPONSE TO CASH AUDIT
CONDUCTED BY THE OFFICE OF THE INSPECTOR GENERAL**

FINDING 1: COLLECTIONS

**OFFICE OF THE INSPECTOR GENERAL RECOMMENDATION # 1
COLLECTIONS**

We Recommend that the Lieutenant Governor:

Identify a secure location, such as a safe, that would be used for centralized storage of all of the Lieutenant Governor's Office's used and unused receipt books, and restrict safe combinations and/or keys to a limited number of senior members of staff.

**LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION #1 -----
COLLECTIONS**

We concur with this recommendation and have already begun implementation of this recommendation. A site has already been located in the Administration Division of the Office of the Lieutenant Governor where all receipts requested from the Department of Finance will be secured and distributed as requested to all five (5) cash collection areas. The request for the necessary filing cabinet has been made and the order for such cabinet will be placed by November 22, 2004. All unused books will be placed in a fire proof safe and the combination for that safe will be given to the Director, Business and Financial Management, the Chief of Operations and the cashier at each individual site. Currently, the search for three fire proof safes has begun. On November 10, Frank's Lock and Key will visit the Offices of the Lieutenant Governor that houses the Tax assessor's Office, the Division of Corporation and Trademarks and the Office of the Recorder of Deeds to ensure that the Fire proof safe at that location is made functional.

**OFFICE OF THE LIEUTENANT GOVERNOR'S
RESPONSE**

**OFFICE OF THE INSPECTOR GENERAL'S RECOMMENDATION # 2
COLLECTIONS**

Designate an employee, other than a collector, as the custodian of receipt books, and given the responsibility for maintaining a log that tracks the movement of stocks of receipt books from the time supplies are received from Finance, to the issuance to collectors, and the time of completion.

**LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION # 2 -----
COLLECTIONS**

We concur with this recommendation. The Director of Business and Financial Management has been designated to track all receipt books as requested in the audit.

OFFICE OF THE LIEUTENANT GOVERNOR'S RESPONSE

FINDING 2: DEPOSITS

OFFICE OF THE INSPECTOR'S RECOMMENDATION # 1 DEPOSITS

We recommend that the Lieutenant Governor:

Identify a facility, such as a safe, that would be used for centralized storage of all of the Lieutenant Governor's Office's collected monies until deposited, and restrict safe combinations and keys to a limited number of senior members of staff.

LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION #1 ON DEPOSITS

We concur with this recommendation and will utilize the fire proof safes referred to in recommendation #1 on **COLLECTIONS** as storage facilities for all monies on both St. Thomas and St. Croix. Again access to safe will be limited only to senior staff of the Office of the Lieutenant Governor. Additionally, we strive to make daily deposits of all monies collected.

OFFICE OF THE INSPECTOR GENERAL'S RECOMMENDATION # 2 DEPOSITS

Designate a senior member of staff (not a collector) with the responsibility for: (i) reviewing and approving the collector's reconciliation of the daily cash receipt summary and the physical monies received; (ii) ensuring that collectors leave all collections of the that are not deposited in the centralized storage facility; and (iii) informing the Commissioner of Finance, and requesting assistance where monies remain un-deposited for over three working days.

OFFICE OF THE LIEUTENANT GOVERNOR'S RESPONSE

LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION # 2 ON DEPOSITS

We concur with, and will implement this recommendation. A rotation schedule is being prepared where all Division Directors will be assigned to (i) the reviewing and approving of collector's daily cash receipts; (ii) ensuring that collectors leave all collections in the fire proof safe; and (iii) inform the Commissioner of Finance for assistance as necessary. A copy of schedule will be forwarded to your office as soon as it is prepared.

OFFICE OF THE LIEUTENANT GOVERNOR'S RESPONSE

FINDING 3: REPORTING

OFFICE OF THE INSPECTOR'S RECOMMENDATION #1 REPORTING

We recommend that the Lieutenant Governor designate senior members of staff with the responsibility to conduct random reviews of all the revenue processing activities that collectors undertake in order to ensure there is conformance with the internal controls that are in place for the security and accountability of government revenues.

LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION # 1 ON REPORTING

We concur with, and have implemented this recommendation. The Director, Business and Financial management has been assigned to conduct periodic reviews to ensure that the collection is in conformance with established procedures.

OFFICE OF THE LIEUTENANT GOVERNOR'S RESPONSE

FINDING # 4: SUPERVISION

**OFFICE OF THE INSPECTOR'S RECOMMENDATION #1
SUPERVISION**

We recommend that the Lieutenant Governor designate senior members of staff with the responsibility to conduct random reviews of all the revenue processing activities that collectors undertake in order to ensure there is conformance with the internal controls that are in place for the security of Government revenues.

**LIEUTENANT GOVERNOR'S RESPONSE TO RECOMMENDATION # 1 ON
SUPERVISION**

We concur with, and have implemented this recommendation. The Director, Business and Financial management has been assigned to conduct periodic reviews to ensure implementation with established procedures.

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