

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL



**AUDIT REPORT**

AUDIT OF COLLECTION ACTIVITIES AT  
THE VIRGIN ISLANDS TRAFFIC BUREAU

**ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO  
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St. Thomas, Virgin Islands 00802**

**E-Mail:**

**[taskforce@viig.org](mailto:taskforce@viig.org)**



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  
Fax: (340) 774-6431

## **EXECUTIVE SUMMARY**

The following summarizes the major findings resulting from the Audit of Collection Activities at the Virgin Islands Traffic Bureau (AR-01-50-04).

### ***Finding 1: Delayed Deposits (pages 4 to 8)***

- T Collections were not being deposited on a timely basis.
- T Deposits were made as much as 51 days after funds were collected.
- T A surprise cash count revealed over \$78,600 in undeposited collections.
- T Daily collections were not deposited in sequential order.

### ***Finding 2: Accounting for Stock-in-trade (pages 9 to 10)***

- T There was no system in place to account for the acquisition and issuance of license plates, registration stickers, registration certificates and certificates of title.
- T There was no evidence to show that inventory counts were performed to determine the actual quantities of stock on hand.
- T Stock-in-trade items have not been safeguarded to prevent their theft or misuse.

### ***Finding 3: Inadequate Work Facilities (pages 11 to 12)***

- T The facilities, especially on St. Croix, are in a deplorable condition of disrepair.
- T The St. Croix facilities have leaking roofs, rotting floors, rodent infested wall, and exposed electrical wires.
- T Expensive and modern computer equipment has been stored for years because of the deplorable condition of the facilities.
- T The St. Thomas facilities, although not as critical as on St. Croix, have become inadequate for the volume of business and storage needs of the Bureau.



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V.I. INSPECTOR GENERAL

Tel: (340) 774-3388  
Fax: (340) 774-6431

November 21, 2003

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
Government House  
21-22 Kongens Gade  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Honorable David Jones  
President  
25<sup>th</sup> Legislature  
Capitol Building  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull and Senator Jones:

Attached is the final report of our audit of collection activities at the Virgin Islands Traffic Bureau.

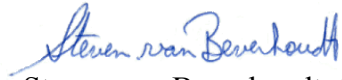
The objectives of the audit were to determine whether: (i) collectors at the Bureaus on St. Thomas/St. John and on St. Croix complied with the policies and procedures that were established for the efficient collection, prompt deposit, and reporting of Government revenues; (ii) the Bureaus' Administrators properly accounted for, and adequately safeguarded the items of their stock-in-trade, (license plates, registration certificates, registration stickers, and certificates of title) from which their revenues are generated; and, (iii) the Director of the Bureau has been furnished with adequate offices, materials, equipment, and trained personnel necessary for the Bureau's operations.

The results of our audit showed that: (i) collections, including cash, were not being deposited on a timely basis as required; some delays were as much as 51 days; (ii) a surprise cash count revealed that over \$78,600 in collections remained undeposited for as much as nine days; (iii) the St. Thomas and St. Croix Bureaus have not been maintaining adequate inventory records nor safeguards for their stock of license plates, registration stickers, and registration certificates; (iv) losses amounting to \$5,685 were incurred due to the purchase of 22,740 registration stickers for 1997 to 2001 that have now become obsolete; and, (v) the Bureau has not been furnished with adequate offices and equipment, on St. Thomas and St. Croix, to effectively carry-out its responsibilities.

An exit conference was held with the Police Commissioner on September 19, 2003. The Commissioner indicated concurrence with the recommendations made in the report. The response is included as Appendix I beginning on page 13.

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

Sincerely,

A handwritten signature in blue ink that reads "Steven van Beverhoudt". The signature is written in a cursive style with a blue ink color.

Steven van Beverhoudt, CFE, CGFM  
V. I. Inspector General

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# INTRODUCTION

## **BACKGROUND**

**T**itle 20, Chapter 472 of the Virgin Islands Code (Code) vests authority in the Police Commissioner to establish and maintain a Traffic Bureau (Bureau) in the Virgin Islands Police Department (Police).

The Code requires that: (a) the Bureau be comprised of two Divisions, to be located in the districts of St. Thomas/St. John and St. Croix; (b) each Division be under the direction of the Chief of Police of the respective district; and, (c) each Division of the Bureau be headed by a Commander (Director) who shall be furnished with adequate offices, materials, equipment, and trained personnel necessary for the Division's operations.

Title 20, Part II of the Code details the services that comprise the Bureau's operations. Essentially, those services consist of the means for the legal and orderly inspection, registration, and licensing of motor vehicles, and other transactions relating to motor vehicle operations.

In 1995, pursuant to Act 5997, the Bureau was also mandated to undertake the responsibilities for the issuance of Certificates of Title for motor vehicles.

The Code prescribes a fee structure for each of the services that the Bureau provides, and in accordance with the regulations outlined in the Government's Accounting Manual (Manual), the Bureau is required to collect and promptly deposit the related revenues, and to submit a report to the Department of Finance (Finance), accounting for the collected revenues.

## **OBJECTIVES AND SCOPE**

**T**he objectives of our audit were to determine whether: (i) collectors at the Bureaus on St. Thomas/St. John and on St. Croix complied with the policies and procedures that were established for the efficient collection, prompt deposit, and reporting of Government revenues; (ii) the Bureaus' Administrators properly accounted for, and adequately safeguarded the items of their stock-in-trade, (license plates, registration certificates, registration stickers, and certificates of title) from which their revenues are generated; and, (iii) the Director of the Bureau has been furnished with adequate offices, materials, equipment, and trained personnel necessary for the Bureau's operations.

The scope of our audit covered the operations of the two divisions of the Bureau in the Virgin Islands over fiscal years 2001 and 2002. It included the conduct of an unannounced cash count at the offices of the St. Thomas/St. John Division of the Bureau located at Sub-Base, on St. Thomas.

Our review was made in accordance with the “Government Auditing Standards,” issued by the Comptroller General of the United States. Accordingly, we included such tests of records, and utilized other auditing procedures that were considered necessary under the circumstances.

Our audit included an evaluation of the internal controls over the collection, deposit, and reporting of Government revenues, as well as, over stocks of registration certificates, license plates, and registration renewal stickers. Internal control weaknesses were identified in these areas, and are discussed in the “Audit Results” section of this report.

## **PRIOR AUDIT COVERAGE**

**T**he Office of the Virgin Islands Inspector General (V. I. Inspector General’s Office) has not issued any reports on the operations of the Bureau within the past five (5) years.

In 1974, the U.S. Government Comptroller’s Office issued the report, “Special Audit of Vehicle Registration and Operating Licensing, Department of Public Safety.”

In December of 1988, the V.I. Inspector General’s Office issued the report, “Review of Collector No. 18, Inspection Lane.”

In March of 1994, the Office of the Inspector General (Interior) U.S. Department of the Interior, issued the survey report, “Motor Vehicle Registration and Driver Licensing Operations, Police Department, Government of the Virgin Islands.”

In January of 2000, Interior issued the report “Internal Controls over Cashier Operations, Government of the Virgin Islands.”

All of the above audits disclosed internal control weaknesses at the Bureau similar to those that are discussed in the “Results of Audit” section of this report.



# AUDIT RESULTS

## CONCLUSIONS

Our audit of the St. Thomas and St. Croix Bureaus, showed that: (i) collections, including cash, were not being deposited on a timely basis as required; some delays were as much as 51 days; (ii) a surprise cash count revealed that over \$78,600 in collections remained undeposited for as much as nine days; (iii) the St. Thomas and St. Croix Bureaus have not been maintaining adequate inventory records nor safeguards for their stocks of license plates, registration stickers, and registration certificates; (iv) losses amounting to \$5,685 were incurred due to the purchase of 22,740 registration stickers for 1997 to 2001 that have now become obsolete; and, (v) the Bureau has not been furnished with adequate offices and equipment, on St. Thomas and St. Croix, to effectively carry-out its responsibilities.

These issues are discussed in more detail in the findings section of this report.

## **FINDING 1: DELAYED DEPOSITS**

The collector at the St. Thomas Bureau's office was not depositing daily collections on a timely basis. Deposits were being made as much as 51 days after funds were collected. A surprise cash count on September 30, 2002, revealed that over \$78,600 in collections was not deposited from collections made for the period of September 18 through 26, 2002. The practice of delaying deposits had been ongoing since at least fiscal year 2001. Once collections were made, they were being batched into groups; however, they were not being deposited in sequential order as required.

The practice of delaying the deposit of revenues not only violated procedures established in the Manual, it also subjected the Government to the possibility of losing revenues through misappropriation and theft. In addition, the Government did not have the use of the funds until they were securely deposited into the appropriate bank account.

### **Background**

The guidelines for the processing of collections, deposit, and reporting of Government revenues are contained in Sections 310.1 to 310.10 of the Manual. Section 310.4 mandates that collectors deposit daily all collections of Government revenues received by them during the day.

The Bureau on St. Thomas utilizes a PC Cash Drawer System for its collection of Government revenues. This computerized collection system has an on-line interface with the Government's Financial Management System (FMS), so that all cash collection transactions processed through the Bureau's computers are simultaneously reported on the FMS. While this on-line interface arrangement of the Bureau's computer and the FMS facilitates both the collection and the reporting requirements of the Manual, the onus is on the collector to satisfy the requirement of the Manual for prompt deposit of daily collections of Government revenues into the Government's bank accounts.

The Government's procedures for the processing of revenues mandate that a Certificate of Deposit (CD) (Form FD-3-22) be prepared by bank account, each time deposits are made. The CD's are to be numbered consecutively with a four digit number beginning with the number 0001 each fiscal year. For example, the first deposit for fiscal year 2001 will be numbered 0001-01.

### **Delayed Batch Deposits**

The requirement of the Manual for prompt deposit of Government revenue collections on a daily basis has been the failing of the Administrators at the Bureau on St Thomas throughout fiscal years 2001 and 2002. Our examination of the Bureau's collection records for fiscal years 2001 and 2002 disclosed that the collector constantly withheld the daily collections of revenues for long periods, before dispatching batches of daily collections for deposit into the Government's bank accounts.

Our schedule below illustrates some of the collector's accumulations of revenue collections, the batching of many days of daily collections for deposit, the extended periods over which daily collections were withheld, and the amount of revenues withheld over that period. The revenues were deposited into the bank accounts long after they were reported on the FMS. This practice by the collector would have created problems in the reconciliation of the bank account balances with Finance's records, and would have left the Government committing resources which were recorded on the FMS as revenues, but which were not readily available in its bank accounts.

**CHASE MANHATTAN BANK ACCOUNT**

<u>Dates of Collection</u>	<u>Date of Deposit</u>	<u>Number of Collection Days</u>	<u>Days Withheld</u>	<u>Cash Withheld</u>
06/12/02 to 07/31/02	08/02/02	29	2 to 51	\$27,642.75
02/05/02 to 03/19/02	03/21/02	22	2 to 44	20,663.95
07/02/02 to 08/09/02	08/12/02	9	3 to 41	9,156.02
01/28/02 to 02/15/02	03/08/02	10	21 to 39	8,033.83
05/06/02 to 05/22/02	06/10/02	13	19 to 35	10,505.17
04/22/02 to 05/03/02	05/21/02	8	18 to 29	8,346.91
03/20/02 to 04/05/02	04/15/02	10	10 to 26	13,278.82
04/08/02 to 04/19/02	05/01/02	10	12 to 23	9,244.47
08/26/02 to 09/17/02	09/18/02	18	2 to 23	11,888.24
05/23/02 to 06/11/02	06/14/02	13	2 to 22	11,692.50
11/16/01 to 12/02/01	12/04/01	10	2 to 18	7,099.13
11/02/01 to 11/15/01	11/19/01	4	4 to 17	3,741.28

**BANCO POPULAR ACCOUNT**

<u>Dates of Collection</u>	<u>Date of Deposit</u>	<u>Number of Collection Days</u>	<u>Days Withheld</u>	<u>Cash Withheld</u>
*05/31/01 to 06/19/01	06/22/01	8	3 to 22	\$81,640.87
07/25/01 to 08/09/01	08/14/01	9	5 to 20	8,560.00
08/09/01 to 08/24/01	08/28/01	11	4 to 19	9,530.00
07/09/01 to 07/20/01	07/23/01	10	4 to 14	10,125.00
01/04/01 to 01/12/01	01/16/01	6	4 to 12	6,305.00
04/26/01 to 05/04/01	05/07/01	6	3 to 11	5,980.00
**06/15/01 to 06/22/01	06/25/01	3	3 to 10	29,880.88

\* Check payments amounted to \$28,218.63

\*\* Check payments amounted to \$10,835.75

### **Surprise Cash Count**

On September 30, 2002, we conducted a surprise cash count at the Bureau's St. Thomas office. We found undeposited collections for September 18, 2002 through September 26, 2002. The undeposited collections totaled \$78,617.92. The funds were kept in the safe at the Bureau's office. Officials indicated to us that collections were not being deposited on a daily basis because no transportation nor police escort was being provided to deliver the deposits daily to the bank. This reason was also given for the delays in making deposits over the years.

### **Depositing in Sequential Order**

During our review of fiscal year 2001 and 2002 collection activities, we found that the collector failed to deposit the daily collections of revenues in the consecutive order sequence that has been recommended in the Government's financial regulations for the processing and deposit of collected revenues. That sequence is reflected by the consecutive numbering of the CD's to identify the deposit of each day's collection.

As earlier reported, the collector deposited the revenues in batches consisting of the collections of many days. However, our audit disclosed instances where the number recorded on at least one CD in some of the batches that were deposited was not in sequence with other CD numbers in the batch. In our examples below, we have paired the earliest and latest collection dates that were found in a sample of batches that were deposited. As the examples illustrate through the CD numbers, collections of earlier periods were withheld and batched for deposit at the same time as, or after, collections of later periods. It must be noted that the revenues for the withheld collections were all cash revenues.

<b><u>Batches For Deposit</u></b>	<b><u>CD Number Assigned</u></b>	<b><u>Date of Deposit</u></b>	<b><u>Cash Withheld</u></b>
<b>(a)</b>			
01/31/02	18-077-02	02/04/02	
02/01/02	18-078-02	02/04/02	
01/28/02*	18-074-02*	03/08/02	\$ 715.91
02/15/02	18-088-02	03/08/02	
02/05/02*	18-080-02*	03/21/02	\$1,358.97
03/19/02	18-109-02	03/21/02	

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**(b)**

06/12/02	18-164-02	08/02/02	
07/31/02	18-196-02	08/02/02	
07/02/02*	18-178-02*	08/12/02	\$1,440.79
07/26/02*	18-193-02*	08/12/02	\$1,228.36
08/09/02	18-204-02	08/12/02	

In example (a) above CD numbers 18-074-02 and 18-088-02, representing collections for 01/28/02 and 02/15/02 respectively, were deposited on the same day, 03/08/02. In addition, CD numbers 18-080-02 and 18-109-02, representing collections for 02/05/02 and 03/19/02 respectively, were deposited on the same day, 03/21/02. Finally, CD number 18-074-02 was deposited after CD's number 18-077-02 and 18-078-02, and CD number 18-080-02 was deposited after CD number 18-088-02.

In example (b) above CD's numbers 18-164-02 and 18-196-02 representing collections for 06/12/02 and 07/31/02 respectively were deposited on the same day, 08/02/02. In addition, CD's number 18-178-02 and 18-193-02, representing collections for 07/02/02 and 07/26/02, were deposited on the same day, 08/12/02. Finally, CD number 18-196-02 was deposited before CD's numbers 18-178-02 and 18-193-02.

These two examples suggest a situation known as cash lapping, where deposits are delayed until sufficient funds are in place to cover the delayed collections to be deposited.

Although all collections encountered during our surprise cash count were intact, the weaknesses identified in this finding seriously compromise the operations of the St. Thomas Bureau and leave collected revenues vulnerable to theft and misappropriation.

**Recommendations**

We recommend that the Police Commissioner:

1. Ensure that collections at the Motor Vehicle Bureaus are deposited daily as required by regulations established by Finance.
2. Ensure that certificates of deposit are used in numeric sequence corresponding to the daily deposit of collections.

**Police Commissioner's Response**

The Police Commissioner in his November 5, 2003 response agreed with the recommendations made in this section of the report. He stated that the Director of the Bureau will follow the guidelines contained in the Department of Finance's Accounting Manual.

In response to the first recommendation, he indicated that collections will be made daily as required. He further stated that the collectors “will be provided with the necessary services to perform this task daily. . .”.

Regarding the second recommendation, the Commissioner indicated that all cashiers have been directed to issue certificates of deposit in numeric sequence.

#### **VI Inspector General’s Comments**

The Police Commissioner’s responses to the recommendations made in this section of the report are sufficient for us to consider them resolved. At a later date we will assess the adherence to the Commissioner’s directives.

## **FINDING 2: ACCOUNTING FOR STOCK-IN-TRADE**

Officials at the Bureau in both districts: (i) have not instituted a proper system of book-keeping to keep track of their acquisitions, and issuances of stocks of license plates, registration stickers, registration certificates, and certificates of title; (ii) have failed to conduct periodic inventory counts of these items in order to determine the physical quantities of stocks on hand, and (iii) have failed to safeguard the items from theft or misuse. As a result, accurate estimates of inventory balances on hand for each of these items are not known prior to the re-ordering of new supplies for the replenishment of the stocks. In addition, items, like registration stickers, that have a useful life of only one year were being purchased in excess.

### **Inventory**

Sections 2.5.1 and 2.6.1 of the Bureau's Standard Operating Procedures require that the Administrator and the Chief Clerk organize, maintain, and preserve all records, forms, renewal stickers, license plates, and permits pertaining to the registration and use of motor vehicles.

Orders for the replenishment of stocks are issued from the Accounting Department of the Police. Without a formal system of accounting to track the issuances, and the balances remaining from previous supplies, there is no feed-back to the Accounting Department prior to its re-ordering of new supplies. Re-order quantities are usually based on the amounts that were previously ordered.

The new acquisitions are dropped off at each of the Bureau's facilities, and no recordings of the amount received are made in the books of the Bureau. After several years of no book-keeping, and physical counts, there now exist a surplus of licence plates, and registration certificates lying around on the Bureau's compound where limited space does not allow for their adequate storage and security controls.

At the Bureau on St. Thomas, unissued registration forms, and some unissued license plates, both ordinary and personalized, were stored in the Supply Room together with the office's cleaning supplies. The door to the room was not secured with a lock, and therefore, was easily accessible to all employees, and other individuals who may be within the work area. Previously issued registration forms, containing sensitive customer information, were stored in unlocked filing cabinets, open wooden storage shelves, and on the floor.

At the St. Croix facility, license plates were stored in two separate areas of the compound which are openly accessible to all employees.

### **Unused Registration Stickers**

The Bureau has been incurring losses due to the over- stocking of registration stickers which become obsolete after a shelf life of one year. During our review at the St. Croix facility, we counted 22,740 obsolete registration stickers, valued at \$5,685, dating from 1997 to 2001.

The absence of an adequate system of accounting for items of its stock-in-trade, deprives the Bureau's administrators of a means of reasonably estimating the quantities of registration stickers that may be required for a year's operations. This has resulted in the over-stocking of stickers, which cannot be used beyond the year for which they are designated.

In our tabulation below, we show the amount of registration stickers remaining on hand at the St. Croix facility for calendar years 1997 to 2001. The stickers are packaged in groups of 100 stickers per package, at a cost of 25 cents per sticker.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
3,250 stickers	1,000 stickers	8,365 stickers	9,175 stickers	950 stickers

### **Recommendations**

We recommend that the Police Commissioner:

1. Introduce a system of formal book-keeping to keep track of the movement of the stocks of items that are being traded at the Bureau, and to conduct periodic physical counts of the items of stock.
2. Ensure that the supplies of license plates, registration stickers and forms are kept in a secure location to prevent the theft or misuse of the items.
3. Monitor the supply of items with a short useful life to ensure that the Bureaus do not over-stock items that cannot be used beyond a year.

### **Police Commissioner's Response**

The Police Commissioner agreed with the three recommendations made in this section of the report. He indicated that an inventory will be taken of items that are being traded, and periodic counts will be conducted. Regarding the second recommendation, he stated that once inventoried, trade items will be kept in a locked location. Finally, in response to the third recommendation, he indicated that measures are in place to ensure that items with a short useful life are not overstocked.

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

Based on the Commissioner's response, we consider the three recommendations resolved. At a later date we will review the Bureau's compliance with the planned actions submitted by the Police Commissioner.



### **FINDING 3: INADEQUATE WORK FACILITIES**

The office facilities, especially at Golden Grove, St. Croix, where the Bureau conducts its operations are in a deplorable physical condition of disrepair and neglect. The space is limited, and the deteriorating physical condition of the Bureau's offices: (i) is not conducive to the proper performance of its administrative, clerical, and revenue collecting functions; (ii) is inadequate for the current volume of the operations that are being conducted there; (iii) may be detrimental to the health, and physical safety of the employees and members of the patronizing public; and, (iv) frustrates the best efforts of the Bureau's administrators to observe the storage and security controls that are necessary to safeguard the stocks of items that are traded by the Bureau.

#### **Facilities on St. Croix**

The Bureau's office facilities on St. Croix are housed in two trailers which were made available to the Bureau as temporary accommodation for its office operations following the destruction of the former property by Hurricane Hugo in 1989.

The trailers, with a total floor space of approximately 1,800 square feet, accommodate: (i) the Bureau's personnel who perform its administrative, clerical, revenue collecting, and storage functions; (ii) the office machinery, equipment, and supplies that are used to carry out these functions; and, (iii) the patronizing members of the public who frequent these facilities on a daily basis, all year round.

The facilities have not been subjected to frequent and major repairs and maintenance, with the result that there are leaking roofs, rotting floors, molded and mildewed walls, backed-up sewers, and exposed electrical wires. The compound is not cleaned on a regular basis. Once every other week, a maintenance person, who is employed with the Police cleans the offices. There is an infestation of rats, and insects that destroy stored paperwork and the electrical cables. The rats live within the walls of the panels and they die and decay there. There is no custodial worker in the Bureau's employ. Each employee has been given a key, so that access to the trailers can be facilitated at any time.

**Stored Equipment.** With conditions at the St. Croix offices existing as described above, the Police has decided to store, rather than install, computers for computerized testing of student drivers for drivers' permits, the PC Cash Drawer System to expedite revenue collection, and facilitate an on-line link with the FMS for the reporting of revenues, and state-of-the-art cameras for use in the processing of photographs for drivers' licences. These pieces of expensive equipment have been in storage for several years now, and will probably become obsolete with the passing of time. The decision not to install the equipment amounts to an acknowledgment by the Police that the facilities are inadequate. Hence, in this regard, the Code's requirement that the Bureau's Director be furnished with adequate facilities, and equipment necessary for the Bureau's operations has not been complied with.

### **Facilities on St. Thomas**

Although not as bad as on St. Croix, the St. Thomas facilities are also inadequate for the volume of business that must be transacted on a regular basis. There is no secure area to store license plates, registration stickers, forms, and other inventory items that can be subject to abuse and misuse. In addition, employees are forced to work in a very limited area surrounded by boxes of used and unused records, documents and supplies.

In response to the increase in the public's patronage for services offered by the Bureau, certain new innovations of equipment have been added to the St. Thomas operations to enhance the efficiency of the related services. One example is the new computerized testing system now being used to give written test for driver's licenses and permits. However, problems of space for the accommodation of patrons have not been adequately addressed. Bureau officials indicated that there have been numerous squabbles and fights among patrons as they wait for services in the limited space available to the patrons.

### **Recommendation**

We recommend that the Police Commissioner expedite plans to find more suitable accommodation for housing the operations of the Bureau, especially on St. Croix.

### **Police Commissioner's Response**

The Police Commissioner agreed with the recommendation made in this section of the report. He indicated that plans are in place to move the Motor Vehicle Bureau on St. Croix to the Patrick Sweeney Headquarters once the move of the Administrative Offices to the Rainbow Building is completed.

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

The Commissioner's response is sufficient for us to consider the recommendation resolved. Our only additional comments to the response given deals with the St. Thomas Motor Vehicle Bureau facility. As stated in the report, the current facilities is also inadequate for the volume of activities done at the location. Although, it is not nearly as critical as the St. Croix facility, plans should begin on either expanding or moving to a more suitable location in the near future.

At a later date we will follow up on the move on St. Croix and action plans to deal with the expanding situation on St. Thomas.



Government of  
The Virgin Islands of the United States  
-0-  
VIRGIN ISLANDS POLICE DEPARTMENT  
OFFICE OF THE POLICE COMMISSIONER

November 05, 2003

ALEXANDER A. FARRELLY  
JUSTICE CENTER  
CHARLOTTE AMALIE  
ST. THOMAS, V. I. 00802  
(340) 774-2310

LEANDER JURGEN COMMAND  
CRUZ BAY  
ST. JOHN, V.I. 00830  
(340) 693-8880

PATRICK SWEENEY HD'QTRS.  
RR-02, KINGSHILL  
ST. CROIX, V.I. 00850  
(340) 778-2211

Steven van Beverhoudt CFE, CGFM  
V. I. Inspector General  
Office of the V. I. Inspector General  
No. 75 Kronprindsen Gade, Charlotte Amalie  
St. Thomas, V. I. 00802

Dear Inspector General Van Beverhoudt:

This letter is in response to the Draft Audit Report on the Motor Vehicles Bureau accounting management and day-to-day operations. Pursuant to your request for input, I tasked Mr. Lawrence Olive, the Director of the Motor Vehicle, to review the audit's findings and submit a response to each point of concern.

**FINDING 1: DELAYED DEPOSITS**

The Collectors at the St. Thomas Bureau's office were not depositing daily collections on a timely basis. Deposits were being made as much as 51 days after funds were collected. A surprise cash count on September 30, 2002, revealed that over \$78,600 in cash was not deposited from collections made for the period September 18 through 26, 2002. The practice of delaying deposits had been on-going since at least Fiscal Year 2001. Once deposits were made, they were being batched into groups; however, they were not being done in sequential order as required.

In addition to violating the procedures as established by the Manuel, these practices subjected the Government to the possibility of losing revenues through misappropriation and theft. In addition, the Government did not have the use of the funds until they were securely deposited into the appropriate bank account.

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Director Olive and myself concur with the above findings and he agreed to comply.

Director Olive will follow the guidelines for processing of collections, deposits and reporting of Government revenues contained in Section 310.1 to 310.10 of the Manuel. Section 310.04, which mandate that collectors deposit daily all collections of Government revenues received by them during the day.

- Effective immediately corrective measures have been implemented, all collectors on St. Thomas, St. Croix and St. John will deposit daily all collections of Government revenues received by them during the day. They will be provided with the necessary services to perform this task daily to ensure that collections at the Motor Vehicle Bureaus are deposited daily as required by regulations established by Dept. of Finance.
- Effective immediately all cashiers were directed to follow the numeric sequence to ensure that certificates of deposit are used in numeric sequence corresponding to the daily deposit of collections.

#### **FINDING 2: ACCOUNTING FOR THE STOCK-IN-TRADE**

Officials at the Bureau in both districts: (i) have not instituted a proper system of book-keeping to keep track of their acquisitions, and issuances of stocks of license plates, registration stickers, registration certificates, and certificates of title; (ii) have failed to conduct periodic inventory counts of these items in order to determine the physical quantities of stocks on hand, and (iii) have failed to safeguard the items for theft or misuse. As a result, accurate estimates of inventory balances on hand for each of these items are not known prior to the re-ordering of new supplies for the replenishment of the stock. In addition, items, like registration stickers, that have a useful life of only one year were being purchased in excess.

#### **Inventory**

Section 2.5.1 and 2.6.1 of the Bureau's Standard Operation Procedures require that the Administrator and the Chief Clerk organizer, maintain, and preserve all records, forms, renewal stickers, license plates, and permits pertaining to the registration and use of motor vehicles.

Director Olive and myself concur with the above findings and he agreed to comply.

- Director Olive has endorsed several recommendations for immediate corrective measures that were already implemented to ensure accountability. An inventory will be conducted to keep track of the stocks of items that are being traded; also, periodic physical count will be conducted.

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- Corrective measures are in place to ensure all items that are inventoried will be kept in a locked secured location to prevent theft or misuse of the items.
- Corrective measures are in place to closely monitor supply of items with short useful life to ensure that the Bureaus do not over-stock items that cannot be used beyond a year.

**FINDING 3: INADEQUATE WORK FACILITIES**

The office facilities, especially at Golden Grove, St. Croix, where the Bureau conducts its operations are in a deplorable physical condition of disrepair and neglect. The space is limited, and the deteriorating physical condition of the Bureau's offices: (i) is not conducive to the proper performance of its administrative, clerical, and revenue collecting functions; (ii) is inadequate for the current volume of the operations that are being conducted there; (iii) may be detrimental to the health and physical safety of the employees and members of the patronizing public; and, (iv) frustrates the best efforts of the Bureau's administrators to observe the storage and security controls that are necessary to safeguard the stocks of items that are traded by the Bureau.

Director Olive and myself concur with your findings and several recommendations have been implemented.

- It is recommended that plans are in place to expedite the relocation of the Motor Vehicle Bureau on St. Croix to the Patrick Sweeney Headquarters and as soon as the Administrative Offices move into the Rainbow Building is completed.

The implantation of further remedial courses of action will strengthen our internal controls and minimize potential losses to the Government. I appreciate the work of your staff, and the thoroughness of the audit report to ensure the efficiency of the Motor Vehicle Bureau's management and operational practices.

Sincerely,



Elton Lewis  
Police Commissioner

CC: Jerris T. Browne, Deputy Commissioner, Support Services  
Sgt. Thomas Olive, Special Assistant to the Commissioner  
Lawrence Olive, Director, Motor Vehicle Bureau

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