

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL



**AUDIT OF COLLECTION ACTIVITIES
AT THE DEPARTMENT OF AGRICULTURE
ST. CROIX, VIRIGIN ISLANDS**

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STEVEN VAN BEVERHOUDT
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November 14, 201

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands
Government House
Kongens Gade
Charlotte Amalie, V. I. 00802

Honorable Ronald E. Russell, Esq.
President
29th Legislature
Capitol Building
Charlotte Amalie, V. I. 00802

Dear Governor de Jongh, Jr. and Senator Russell:

This letter report contains the results of the audit of collection activities at the Department of Agriculture, St. Croix District (Agriculture).

The objective of the audit was to determine if government collector operations at Agriculture were in compliance with internal control policies and procedures for (i) collecting, (ii) depositing, and (iii) reporting Government of the Virgin Islands (Government) revenues.

The scope of the audit covered Fiscal Years 2009 and 2010 and focused on auditing the strength of the internal controls used by Agriculture's St. Croix district for the revenue collection process.

To accomplish our audit objectives, we interviewed various officials at the Department of Finance (Finance) and Agriculture. We also reviewed bank statements, stamped deposit slips, supporting documentation and records that were generated manually and electronically on the computerized Enterprise Resource Planning (ERP) System. In addition, we reviewed supporting documents for collections occurring in the first seven months in each of Fiscal Years 2009 and 2010 to assess the effectiveness and appropriateness of internal control procedures at Agriculture, for the collecting, depositing, and reporting of Government revenues. Based on our audit, we determined that the seven month review period selected for each fiscal year was a fair representation of the agency's revenue collections for the year.

The audit was performed in accordance with generally accepted government auditing standards applicable to performance 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 conducted other procedures that were considered necessary under the circumstances.

PRIOR AUDIT COVERAGE

We are unaware of any audits completed within the past five years that relate to collection activities at the Department of Agriculture. However, we did issue a related report on July 9, 1998, (AM-17-75-98).

The 1998 audit was conducted at the request of the then Commissioner of Agriculture, based on a report that funds had been stolen from the collection area at the Estate Dorothea Station on St. Thomas. Our audit confirmed that \$3,567 in revenue had been stolen from the station in January 1998. The audit determined that, even though the station was burglarized, 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.

We recommended that Agriculture make daily deposits of collections by using the night depository service and secure collections in the floor safe on those rare occasions when collections could not be deposited on the same day.

BACKGROUND

The Virgin Islands Department of Agriculture is established pursuant to Title 3, Chapter 17, §290 and §291 of the Virgin Islands Code (Code). The Department's mission is to develop, support, and promote an economically profitable agricultural industry in the U.S. Virgin Islands, while protecting consumers and the environment. The Department's primary responsibilities are to: (i) expand agricultural activities for the production and marketing of agricultural commodities; (ii) process agricultural products throughout the U.S. Virgin Islands; (iii) enforce environmental protection laws as they pertain to land, water, and soil; and, (iv) enforce regulatory practices as they relate to veterinary services. The Department of Agriculture is located in two districts in the Virgin Islands: the St. Croix District and the St. Thomas/St. John District. The scope of this audit focused solely on collection activities in the St. Croix District, which is divided into the following divisions:

- Administration
- Agriculture Development
- Horticulture
- Heavy Equipment
- Building and Grounds Maintenance
- Forestry Water and Soil Conservation

- Abattoir
- Veterinary Health
- Marketing

During Fiscal Years 2009 and 2010, the St. Croix District had one (1) employee designated as the main collector (collector) and another employee, the account payable clerk, designated as the assistant collector. There were also other bonded employees (Division Heads within the District) who were authorized to collect in the field, at their respective work stations, and/or in the absence of the collector. All funds, however, were funneled to the collector for the preparation of deposits and for reporting purposes. All collection activities were overseen by the Director of Administration and Management.

The following schedule details Fiscal Year 2009 and 2010 total collections reported in the ERP System for Agriculture, St. Croix. The ERP System is a centralized computerized system which links Government agencies to accounting and financial management information.

Exhibit 1 – Collection Revenues

Fiscal Year	Revenues
FY 2009	\$187,709
FY 2010	\$182,806
Total	\$370,515

Title 3, Section 177 of the Code authorizes Finance to exercise general control over the enforcement of laws relating to the administration of Government finances. Among other things, Finance is authorized to prepare plans for the improvement and management of revenues and to supervise and regulate the collection of revenues.

AUDIT RESULTS

Conclusion

Internal controls over collector operations at Agriculture were inadequate. We found that the collector or assistant collectors (i) did not always issue receipts required for properly documenting revenue collections; (ii) did not use Finance issued manual receipts in the collection process; (iii) did not deposit collections timely; (iv) did not post batches of daily collections and deposit transactions to the Government’s ERP system timely and consistently; (v) did not process, for payment, batches of credit/debit card transactions daily; and, (vi) performed critical duties without management review, verification, and approval. In addition, we found that revenue collections were not properly and consistently reconciled to deposits and that the Government Accounting Manual was outdated.

We attribute these conditions to ineffective monitoring of the revenue collection process by Finance and management at Agriculture, to include their failure to effectively communicate, implement, and update collection policies and procedures.

As a result, (i) there was no assurance that revenue collections were properly safeguarded and accounted for; and, (ii) revenues were not readily available for use by the Government because of delays in depositing and posting collections, as well as delays in processing credit/debit card transaction batches.

Collections

Agriculture did not adhere to policies and procedures for documenting and accounting for cash receipts. Section 310.3 of the Government Accounting Manual requires that collectors prepare a receipt for every payment received, except as otherwise noted. We found that the St. Croix collector did not always issue receipts for payment transactions. For instance, our review of provided documents for March 2010 collections showed that neither electronic nor manual receipts were issued for 154 payment transactions for services originating at the Horticulture Division. Instead of issuing receipts, the collector simply stamped “paid” on sales or job order forms that were issued to customers from division personnel. Ideally, customers should have been issued ERP electronically generated receipts upon their submission of the sales or job order forms to the collector. If electronic receipts could not be generated, at a minimum, Finance approved manual receipts should have been given to customers.

Our audit found that Agriculture used non-approved receipt books to document revenue collections. Specifically, certain bonded personnel were allowed to acquire their own personal stocks of receipts for issuance to customers. These were usually management level personnel who were permitted to issue receipts directly to customers because of the outlying distances between where services were rendered and the main collector station. Personnel would then turn in the funds, along with copies of the unofficial receipts, to the main collector. Finance officials said that they were unaware of the practice and added that Government agencies are required to use only Finance issued receipts.

Deposits

The collector did not deposit collections timely and in accordance with established policies and procedures. The Government Accounting Manual requires that (except as otherwise authorized by the Commissioner of Finance) collectors make daily deposits of all collections made by them during the day. To determine the timeliness of the deposit of collections, we reviewed supporting documents for collections occurring in the first seven months in each of Fiscal Years 2009 and 2010. Collections reports provided by Agriculture and Finance for those periods documented 266 collection days with revenue collections totaling \$204,416. Our audit disclosed that only 10 or 3.7% of the 266 collections were deposited on the same day of collection. Also, 89 or 33.5% of the collections were deposited 1 day after collected; 163 or 61.3% of the collections were deposited from 2 to 9 days after collected; and 4 or 1.5% of the collections were deposited from 10 to 18 days after collected. The below exhibit provides a breakdown of the revenue collections deposit trends of the agency by fiscal year.

Exhibit 2 - Elapsed Time Between Collections and Deposits

Number of Collections Deposited:					
Fiscal Years	Same Day of Collection	1 Day After Collection	2 to 9 Days After Collection	10 or More Days After Collection	Total Collections Reviewed
2009	10	49	70	2	131
2010	0	40	93	2	135
Total	10	89	163	4	266

Agriculture's failure to make timely deposits meant that revenues were not readily available for use by the Government.

Reporting

The collector did not post batches of daily collections and deposit transactions to the Government's ERP System in a timely manner, or process, for payment, batches of credit/debit card transactions daily.

Posting to the ERP System. Batches of daily collections, along with related deposit transactions, were not posted to the ERP System timely and consistently. In an interview, a Finance official said that collection batches should be posted to the ERP System by the end of the collection day or the following day. A batch usually consists of all collection transactions made during the course of a day. Our analysis results showed that there were 295 collection batches linked to the 266 collection days of data we reviewed for Fiscal Years 2009 and 2010. This occurred because some collection days had multiple sets of batches, which we found were not necessarily posted at the same time. For instance, one of the collection days we reviewed had two sets of batches which were posted to the ERP System 13 days apart from each other.

Our audit results showed that of the 295 collection batches reviewed, 140 or 47.5% were posted to the ERP System on the same day of or 1 day after the date of collection. However, the remaining 155 or 52.5% were posted to the ERP System from 2 to 26 days after the collection date, to not at all (based on provided documents or the lack thereof). The following exhibit provides a breakdown of the timeliness of batch postings to the ERP System by Fiscal Years.

Exhibit 3 - Elapsed Time Between ERP System Postings and Collections

Number of Collection Batches Posted to the ERP:						
Fiscal Years	Same Day of Collection	1 Day After Collection	2 to 9 Days After Collection	10 or More Days After Collection	Batches with no Posting Date Info	Total Collection Batches Reviewed
2009	24	33	63	21	19	160
2010	58	25	49	3	0	135
Total	82	58	112	24	19	295

The exhibit column, “Batches with no Posting Date Info,” represents collection batches for which no documentary evidence was provided identifying their posting dates. From provided documents, we were able to ascertain that certain batches had not been posted to the ERP System. As a result, we determined that Agriculture failed to report, to Finance, at least \$3,046 in revenues collected over Fiscal Years 2009 and 2010. The assessed unreported amount was computed by comparing Agriculture’s internal revenue reports to the ERP System’s revenue reports to determine reporting differences.

Credit/Debit Card Transactions: In addition to not posting timely to the ERP System, the collector occasionally did not process or close batches of credit and debit card transactions daily, a required step for receiving payment from banking institutions. Delays in processing the credit and debit card batches could impact the timeliness of revenue payments to the Government, as well as pose difficulties, for Finance, in reconciling bank statements. Finance officials indicated that collectors are required to batch and process credit and debit card transactions daily.

We found that for Fiscal Year 2010, credit and debit card transactions occurred on 66 of the 135 collection days. We found that 37 or 56% of the 66 collection days had batches of transactions that were processed the same day of collection, while 23 or 35% had batches of transactions that were processed from 1 to 9 days after the date of collection. A closer analysis of the 23 collection days showed that 11 days had batches which were processed 1 day after the date of collection, and 12 days had batches which were processed from 2 to 9 days after the date of collection. We did not perform any analysis for Fiscal Year 2009 because, except for April 2009, no credit card batch closing reports were available for our review.

Supervision

We found that neither Finance nor the senior staff of Agriculture provided adequate supervision over the collection process. By default, management allowed the collector and the assistant collectors to perform critical collection procedures without management review, verification, and approval.¹ Some procedures clearly represented conflicts of interest situations for the collectors. The weak internal control structure was attributable to management not ensuring that effective and appropriate internal controls were in place to document that collections were accurate and complete and that they were properly deposited, recorded, and reconciled.

As stated, assistant collectors acquired and used personal stocks of receipts books to account for collections – under the supervision of Agriculture’s senior staff and without the knowledge of Finance. This practice continued for several years without these stocks of receipt books being logged and accounted for.

We found that a culture of issuing manual receipts to customers, instead of ERP System electronic receipts, existed from some point in Fiscal Year 2008 to March 2010. This culture negatively impacted the effective control of Government revenues in that the agency did not fully integrate its collection process with the approved system for collecting revenues (the ERP).

¹ *Management* refers to both Finance and Agriculture’s senior staff.

Our audit showed that the collector had issued only manual receipts to customers in 13 of the 14 months of our detailed collection review.² The collector said system infrastructure failure and agency incompatible and outdated equipment were responsible for the excessive use of manual receipts. The collector indicated that the use of manual receipts required that the collector enter each manual receipt transaction into the ERP System, then batch all the transactions and submit them to Finance at the end of the business day. Due to the collector's workload, these redundant procedures could not always be completed daily. As a result, this was partly to blame for the posting delays of daily collection batches to the ERP System (see section entitled "Reporting").

Segregation of duties. The collector performed procedures that created conflicts of interest situations. As long as Finance had not electronically accepted a posted collection batch, the collector could void receipts without approval by a supervisor or higher level manager. In addition, collectors could make adjustments in the system for shortages and overages without management authorization or involvement. A Finance official said that Finance could not always detect if collectors had shortages or overages due to limited monitoring caused by staffing challenges. The ERP System should be programmed not to permit collectors to reverse or modify entered transactions or totals without supervisory approval. At the very least, procedures should be written and/or enforced requiring collectors to obtain approval before making critical adjustments in the system.

Policies and Procedures. Finance officials said that the current Government Accounting Manual is outdated. It does not address changes in collection policies and procedures under the ERP System. As a result, collection practices vary from agency to agency because there is no widespread use of the manual by collectors. An employee who monitors the revenue collection process at Agriculture said that the senior staff member had not received a copy of the manual nor was even aware that it existed. Finance officials informed us that they are currently developing a new Government Accounting Manual, which will comprehensively cover policies and procedures under the ERP System and the law. They indicated that the manual, which is near completion, will be distributed to all Government agencies to require and encourage uniformity and to enhance the internal control structure in collecting Government revenues.

Reconciliations. Due to staffing issues, Finance officials said that the department is unable to reconcile collections to deposits by agency. Consequently, its monitoring of the collection process is limited. However, officials said that Government funds' bank statements (such as the General Fund) are reconciled annually by the Reconciliation Division. These bank statements list the activity in the funds' bank accounts from various agencies' transactions. The officials said that the department is looking at ways to better monitor Government revenues, to include reconciling bank statements monthly and/or by agency as staffing increases.

Agriculture. Based on provided documentation, Agriculture's senior staff did not routinely verify and review end of day work and collection summary reports. For instance, collector monthly reports which were provided to a senior staff member were not routinely reviewed for

² We reviewed supporting documents for collections occurring in the first 7 months in each of Fiscal Years 2009 and 2010.

accuracy and completeness. The collector reports served as the basis for preparing other more formal agency reports which were provided to the Office of the Governor. We found that collector monthly reports were inaccurate in that they understated monthly revenue collections. For instance, for Fiscal Year 2009, revenue collections were understated by \$8,935.³ This occurred primarily because the collector failed to include the revenues from credit card transactions in the reports.

Recommendations

We recommend that the Commissioner of Finance:

1. Perform regular monitoring of the collection process and inspections of Government collectors to ensure that collections are properly documented, and are deposited and posted to the ERP System in a timely manner.
2. Establish and distribute new written policies and procedures applicable to the revenue collection process under the ERP System and the law.
3. Establish and/or enforce written policies and procedures which properly segregate collector duties and require that collectors obtain supervisory approval before voiding or adjusting collection transactions or totals. Also, program the system not to permit collectors to reverse or modify entered collection transactions without higher level approval.

We recommend that the Commissioner of Agriculture:

1. Require that collectors use only Finance approved manual receipt books and designate a staff member, other than a collector, to secure and account for them.
2. Designate a senior staff member to ensure that (i) the collector summarizes and reconciles collections daily; (ii) collections are deposited and posted to the ERP System in a timely manner; and, (iii) credit card transaction batches are closed or processed daily.
3. Designate a senior staff member to review and approve the collector's end of day work, daily reconciliations, and collections reports.
4. Ensure that collector duties are properly segregated and that collectors are not allowed to void or make adjustments to collection transactions or totals without supervisory approval.
5. Ensure that the agency's collection process is fully integrated with the ERP System and that manual receipts are used only as needed.

³ Our review of the first four months of Fiscal Year 2010 found that the collector report had understated revenue collections by \$3,781.

Department of Finance's Response

The Commissioner of Finance, in a November 9, 2011 written response, concurred with all the recommendations in the report.

In response to Recommendation One, the Commissioner indicated that the department has already taken steps to ensure that collections are properly processed through regular supervision and inspections of Government Collectors. The Director of Treasury, under the supervision of the Commissioner of Finance, has been assigned to supervise inspection and monitoring initiatives addressing Government collectors and the collection process. Other implemented steps have included the department meeting with Government agencies representing 80% of total revenue collections to document their understanding of the collection process; performing a gap analysis of which analysis results were achieved through comparing the collection practices of the reviewed agencies; and hiring a consultant to help the treasury division develop "Best Business Practices and Standard Operating Policies and Procedures for Deposits and Collections." In addition, to specifically address internal and monitoring controls over the collection operations, the department has already drafted standard operating policies and procedures, which will be distributed to Government agencies by November 30, 2011.

In response to Recommendations One and Two, the Commissioner provided copies of newly drafted policies and procedures designed to strengthen key controls in the current revenue collection system. They include preventive and detective measures addressing cash collections and processing, segregation of duties and ERP System payment reversals. The Commissioner indicated that the drafted policies and procedures, which are pending final review, will be disseminated to Government agencies starting November 15, 2011, through December 31, 2011.

V. I. Inspector General's Comment

We consider all of the recommendations resolved. However, we require documentation showing that the newly drafted standard operating policies and procedures have been implemented and distributed to Government agencies.

Department of Agriculture's Response

The October 25, 2011 response from the Commissioner of Agriculture indicated agreement with all the recommendations in the report.

In the response, the Commissioner indicated the specific policies and procedures the department will implement to improve the collection operations. Corrective measures will include assigning the responsibility of securing and accounting for the manual receipt books to the Assistant Collector (Accounts Receipts Clerk), who is stationed in a separate building from the Main Collector. If the Main Collector is on leave, the responsibility of securing and accounting for the receipt books will be delegated to the Director of Administration and Management.

The Commissioner indicated that the department will designate senior staff members to perform functions that will address internal control weaknesses related to the collection and deposit of funds, the daily processing of credit card transactions, and the overall supervision of the collection process. The Director of Administration and Management will ensure that the collector follows established procedures for the daily processing, deposit and reporting of collections; and the Assistant Commissioner and/or Deputy Commissioner will review and approve the collector's end of day work and other key collection reports.

To prevent collectors from voiding transactions without supervisory approval, the Commissioner indicated that collectors will be required to obtain approval from the Director of Administration and Management to void or reverse transactions.

To ensure that the department's collection process is fully integrated with the ERP System and that manual receipts are used only as needed, the Commissioner said that the Department "plans to maintain a credit with its internet provider...to ensure internet connectivity is not interrupted." Also, the Commissioner will submit a job request to Finance for the installation of a secondary cashier receipt machine in the Assistant Collector's office "so that manual receipts are only used for unforeseen situations."

V.I. Inspector General's Comments

We consider all of the recommendations resolved. However, we will address the corrective actions proposed by the Commissioner in response to Recommendation One. To better safeguard and account for the manual receipt books, the Commissioner proposes to assign those responsibilities to the Assistant Collector. In addition, those responsibilities will be temporarily delegated to the Director of Administration and Management when the Main Collector is on leave and, we presume, the Assistant Collector has to perform collection duties.

As conveyed in the recommendation, our position is that the manual receipt books should be controlled by an employee other than a collector, preferably someone who functions in a supervisory or management capacity. The designated employee will be responsible for receiving and controlling the unused stocks of receipt books supplied to the department by Finance. The employee will distribute, as needed, receipt books to the collector who will sign for the books and return them after all the receipts have been used. The employee will then reconcile the total dollar amounts of the used receipts and corresponding collection reports.

Also, in the response the Commissioner did not address the part of the recommendation that requires that collectors use only Finance approved manual receipts. We do emphasize the importance of adhering to this requirement. The use of unapproved receipts for documenting collections weakens the controls over Government funds.

We have included copies of the responses to the report as Appendix I and Appendix II beginning on page 12. We have also included, as Appendix III beginning on page 18, the additional information needed before the recommendations can be closed.

If you or members of your staff require additional information, please call me at 774-6426.

Sincerely,



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

DEPARTMENT OF FINANCE'S RESPONSE

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DEPARTMENT OF FINANCE

November 9, 2011

Steven van Beverhoudt, CFE, CGFM
Inspector General
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2315 Kronprindsens Gade #75
St. Thomas, Virgin Islands 00802

Dear Mr. van Beverhoudt:

Thank you for your Draft letter Audit Report of collection activities at the Department of Agriculture, St. Croix District. The following responses are provided to the recommendations to the Commissioner of Finance contained therein.

RECOMMENDATION # 1: Perform regular monitoring of the collection process and inspections of Government collectors to ensure that collections are properly documented, and are deposited and posted to the ERP System in a timely manner.

Response: The Department of Finance concurs with the Inspector General's findings and recommendations.

Resolution: With oversight from the Commissioner of Finance, the Director of Treasury is spearheading the inspection of Virgin Islands Government collectors and monitoring of the collection process. The steps already taken are as follow:

1. Met with those departments/agencies that account for 80% of revenue collections (i.e., I.GO, IRB, LCA, DPNR and BMV) in order to document their existing understanding of the collection process.
2. Performed a gap analysis via comparison of the practices used by these departments/agencies.

DEPARTMENT OF FINANCE'S RESPONSE

Steven vanBeverhoudt
November 9, 2011
Page -2-

3. Engaged a consultant from Tyler Technologies (Munis Division) to assist the Treasury Division with the development of Best Business Practices (BBP's) and Standard Operating Policies and Procedures (SOPP's) for Deposits and Collections.

Additionally, SOPP # 203 (Internal Controls - Monitoring Controls), attached, has been drafted and is pending final review and dissemination.

Responsibility: Commissioner's Office, Treasury Division, and Audit Assurance Division

Implementation Date: Monitoring and Inspection of Government collectors in an ongoing process. SOPP #203 (Internal Controls - Monitoring Controls) will be disseminated by November 30, 2011.

RECOMMENDATION # 2: Establish and distribute new written policies and procedures applicable to the revenue collection process under the ERP System and the law.

Response: The Department of Finance concurs with the Inspector General's findings and recommendations.

Resolution: The following SOPP's (attached) have been drafted and are pending final review and dissemination:

- #100 Cash Draw Control
- #101 Checks and Check Cashing
- #103 Approval of Collectors
- #104 Receiving Currency and Coins
- #105 Cash and Check Recognition
- #106 Counting Currency
- #107 Counting Coins
- #108 Counterfeit Money
- #109 Making Change
- #110 Bundling Currency
- #111 Handling Mutilated Money
- #112 Recording Receivables in the ERP
- #113 Daily Balancing
- #114 Bank Deposits
- #115 Courier Service and Deposits
- #116 Check Reference
- #117 Identification Required for Accepting Checks

DEPARTMENT OF FINANCE'S RESPONSE

Steven vanBeverhoudt
November 9, 2011
Page -3-

- #118 Verification of Cash Collected
- #119 Frequency of Bank Deposits
- #120 Preparing Bank Deposits
- #200 Internal Controls - General Controls
- #201 Internal Controls - Security Controls of Cash Drawers
- #202 Internal Controls - Management Controls

Responsibility: Commissioner's Office, Treasury Division, and Audit Assurance Division

Implementation Date: The above listed SOPP's will be disseminated in batches beginning November 15, 2011, through December 31, 2011.

RECOMMENDATION # 3: Establish and/or enforce written policies and procedures which properly segregate collector duties and require that collectors obtain supervisory approval before voiding or adjusting collection transactions or totals. Also, program the system not to permit collectors to reverse or modify entered collection transactions without higher level approval.

Response: The Department of Finance concurs with the Inspector General's findings and recommendations.

Resolution: The following SOPP's (attached) have been drafted and are pending final review and dissemination:

- #102 Segregation of Duties (Preventive and Detective)
- #204 ERP Payment Reversals

Responsibility: Commissioner's Office, Treasury Division, and Audit Assurance Division

Implementation Date: The above listed SOPP's will be disseminated by November 30, 2011.

Thank you for this opportunity to respond to the recommendations contained in your Draft letter Audit Report of Collection Activities at the Department of Agriculture, St. Croix District . We look forward to answering any questions that you may have and/or receiving any constructive feedback.

Sincerely,



Angel E. Dawson, Jr.
Commissioner

DEPARTMENT OF AGRICULTURE'S RESPONSE



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Office of the Commissioner

October 25, 2011

Steven van Beverhoudt, CFE, CGFM
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Dear Inspector General van Beverhoudt,

Greetings from the VI Department of Agriculture (VIDOA)! My office is in receipt of the draft letter report for the results of the audit of collection activities at the VIDOA-St. Croix District. First, I would like to extend professional compliments to Marsha duBois of your staff who lead the audit. She was extremely patient, forthcoming and pleasant to work with.

On September 26, 2011, Mr. Glenville Thompson, Mrs. duBois, Delreese Brown and I met in my St. Thomas office to review the draft letter report. At this meeting, we discussed the weaknesses that were found by Mrs. duBois, practices that the VIDOA have already implemented, and asked for clarification on items that may affect the collection operations of the VIDOA.

We do concur with the findings of the draft letter report and hereby submit a response to the recommendations that were referenced for the VIDOA to undertake on page 12. The responses will be numbered in the same sequence as the draft letter report.

1. Require that collectors use only Finance approved manual receipts books and designate a staff member, other than a collector, to secure and account for them.
The manual receipts books will be secured and accounted for by the Assistant Collector (Accounts Receivable Clerk), who is in a separate building from the Main Collector (Collection Agent). In the event that the Main Collector is absent or on vacation, the receipt books will then be removed from the Assistant Collector's office and secured by the Director of Administration & Management and distributed back to the Assistant Collector for collection operations. The log will be stationed in the Assistant Collector's

DEPARTMENT OF AGRICULTURE'S RESPONSE

office and in rare occasions when the ERP system is unavailable due to power failure, internet connection, etc. a manual receipt book will be issued to the Main Collector.

2. Designate a senior staff member who is not a collector to ensure that (i) the collector summarized and reconciles collections daily; (ii) collections are deposited and posted to the ERP in a timely manner; and (iii) credit card transactions batches are closed or processed daily.
The Director of Administration & Management will be the senior staff member to complete these tasks daily.
3. Designate a senior staff member (not a collector) to review and approve the collector's end of day work, daily reconciliations, and collection reports.
The Assistant Commissioner and/or Deputy Commissioner will be the senior staff member to complete these tasks daily.
4. Ensure that collector duties are properly segregated and that collections are not allowed to void or make adjustments to collection transaction or totals without supervisory approval.
Once the VI Department of Finance removes the capability of the individual cashiers to void (reverse) completed transactions in a live batch, this matter will be avoided. Until then, the Main Collector or Assistant Collector must inform the Director of Administration & Management before a reversal is done and give reason why it's necessary, this goes for reversals on the ERP system or voids of manual receipts. On the batch report, the Main Collector or Assistant Collector must indicate in written form, the reason for the reversal/void and during the Director's review of the daily collections the Director must initial approval of the reversal/void.
5. Ensure that the agency's collection process is fully integrated with the ERP system and that manual receipts are used only as needed.
The VIDOA will work with the VI Department of Finance-MIS Division and the Bureau of Information Technology to ensure that the most updated version of the ERP system is always in use by the VIDOA-Administration Division. The VIDOA also plans to maintain a credit with its internet provider, Choice Communications, to ensure internet connectivity is not interrupted. Only in unforeseen situations to include power failure, internet connection, ERP system shutdown, etc. can the Main Collector be issued manual receipt books to use. The VIDOA will initiate a job request from DOF-MIS or BIT to install a secondary cashier receipt machine in the Assistant Collector's office so that manual receipts are only used for unforeseen situations.

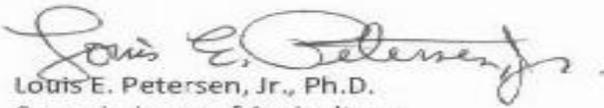
The VIDOA recognizes there are weaknesses that need to be addressed to sure up the collection operations. We do also recognize that there was no blatant misuse or discrepancies that were found in the draft letter reports that speak to the integrity of the VIDOA collectors. As discussed and shared with Mrs. duBois, the VIDOA has initiated its own internal procedures to fit our environment, revised our monthly collection reports, limited access to the collection

DEPARTMENT OF AGRICULTURE'S RESPONSE

area from regular employees, added security features to collection area, and given our limited administrative staff, have instituted a tight rotation of deposits. We will continue to strengthen our policies and procedures as it relates to collection operations.

If you have any questions or need further information regarding this matter, please feel free to contact my office at (340) 778-0991. Thank you again for your cooperation, patience, and guidance in this most important matter.

Respectfully,



Louis E. Petersen, Jr., Ph.D.
Commissioner of Agriculture

cc: Laurel Payne, Director of Treasury – VI Dept. of Finance
Luther F. Renee, Assistant Commissioner – VIDOA
Errol Chichester, Deputy Commissioner – VIDOA
Delreese C. Brown, Director of Administration & Management – VIDOA
Mary Kent, Collection Agent – VIDOA
Renney Charles, Accounts Receivable Clerk – VIDOA

**ADDITIONAL INFORMATION NEEDED
TO CLOSE RECOMMENDATIONS**

**Recommendation
Number and Status**

Additional Information Needed

To the Commissioner of Finance:

- | | |
|-------------|--|
| 1. Resolved | Please provide documentation showing that the newly drafted standard operating policies and procedures have been implemented and distributed to Government agencies. |
| 2. Resolved | Same as Recommendation 1 |
| 3. Resolved | Same as Recommendation 1 |

To the Commissioner of Agriculture:

- | | |
|-------------|---|
| 1. Resolved | Please provide documentation to show that manual receipt books are primarily controlled and accounted for by staff other than collectors. |
| 2. Resolved | No additional information needed. |
| 3. Resolved | No additional information needed. |
| 4. Resolved | No additional information needed. |
| 5. Resolved | No additional information needed. |