

**THE UNITED STATES VIRGIN ISLANDS**

**OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL**



**REVIEW OF ACCOUNTING FOR  
PETTY CASH, IMPREST AND  
ACCREDITATION FUNDS**

**ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO  
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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

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September 30, 2004

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

Honorable David S. Jones  
President  
25<sup>th</sup> Legislature  
Capital Building  
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull and Senator Jones:

This letter audit report contains the results of our review of the accounting for the various petty cash, imprest and accreditation funds of the Virgin Islands Government (Government), as maintained by the Department of Finance (Finance). The review was conducted at the request of the Commissioner of Finance.

The purpose of this review was to verify the accuracy of Finance's records pertaining to petty cash, imprest and accreditation funds issued to custodian(s) of the Government, as well as, to verify whether the funds are still active, closed, or otherwise.

To accomplish our objectives, we telephoned, mailed and/or faxed our requests for information to the various departments and offices in an effort to verify the status of the funds. In addition, we reviewed files maintained by Finance. The scope of our review covered the 2003 and 2004 fiscal years.

The review was performed in accordance with auditing standards issued by the Comptroller General of the United States, and included tests and procedures considered necessary to meet the audit objectives. Internal control weaknesses identified are included in the Audit Results section of the report.

A draft of the report was sent to the Commissioner of Finance on May 14, 2004. The Commissioner's September 2, 2004 response can be found as an appendix beginning on page 6 of this report.

## INTRODUCTION

Finance through the Petty Cash/Imprest Fund Rules and Regulations stipulates that a petty cash/imprest fund is a sum of money advanced to a Government employee to be available for minor disbursements. The Rules and Regulations also state that a custodian is the person to whom the cash has been advanced and who is personally responsible for it. Imprest system means the system under which cash is disbursed and from time to time replenished to its original amount through reimbursements equal to the sums expended.

The purpose of the petty cash or imprest fund is to facilitate the purchase of sundry goods and services which, because of their nature and/or the urgency connected with their acquisition, must be paid for outside of the regular disbursement channels or sooner than is practicable by regular disbursement procedures.

## AUDIT RESULTS

Finance does not have an accurate accounting of the custodians or the value of the petty cash, imprest and accreditation funds outstanding for the Government.

Our initial review indicated that Finance's records showed a total of 322 custodians with \$3,317,757 in petty cash, imprest and accreditation funds outstanding. However, based on limited information obtained from departments and agencies, there is no reliable record of accounts or value of funds outstanding. In some instances, Finance's records did not match the custodians' records. Of the 322 records on file with Finance, there was at least \$384,650 in net changes due to the funds either increasing or decreasing in the amounts on hand. The following schedule illustrates the changes that occurred in six Government entities.

<b>Department</b>	<b>Finance's Records</b>	<b>Department's Records</b>	<b>Net Change</b>
Government Employee's Retirement System	\$150	\$1,000	\$850
Office of Collective Bargaining	\$500	\$2,000	\$1,500
Education's Substitute Teacher's Pool	\$150,000	\$50,000	(\$100,000)
Libraries, Archive and Museums	\$1,000	\$1,500	\$500
Environmental Protection Division	\$500	\$3,000	\$2,500
VI Police Department	\$300,000	\$10,000	(\$290,000)

We also reviewed the records to determine if the accounts were actively being utilized by the agencies. Our review revealed that of the 322 funds outstanding 96 or 30% were active, 32 or 10% were reported as closed by departments, 9 or 3% were neither active nor closed (not being used) according to departmental personnel, and 185 or 57% did not respond to our request or the individual contacted was unaware of such a fund, custodian and/or the status.

Account Status	Number of Accounts	Value	Percentage
Active	96	\$1,593,238	30
Closed	32	\$366,150	10
Not active or closed	9	\$82,500	3
Unknown	185	\$891,219	57
<b>Total</b>	<b>322</b>	<b>\$2,933,107</b>	<b>100</b>

In addition, the following findings were noted during our review:

- ✓ A number of transfers of responsibility from one custodian to another occurred due to the person leaving the position, retirement, death or the discontinuance of the fund; however, Finance's records were not updated to reflect these changes.
- ✓ Several funds were reported as being destroyed by fire while others were reported as stolen in Finance's records. Some of the stolen funds were reported to the police while others were never reported. The status of these funds were never updated and remained on the active records of Finance.
- ✓ There was one instance where the custodian of the fund left the department over 16 years ago and the current supervisor has never heard of the individual. There is a note in the general ledger of Finance stating that the person retired waiting for someone to bring in a check for \$200 to close the account, yet there is no indication that the \$200 was remanded and the record is included in the active fund status.
- ✓ In another instance a division was discontinued. A current employee of the new division that was created is not aware of a custodian by that name listed in Finance's records, nor the whereabouts of the funds, and this account remains current on Finance's records.
- ✓ Within the same division previously mentioned, a fund was reported stolen since 1980. The police was called but a report was not filed. This account remains active in Finance's records.

- ✓ During our contacts with the various departments it was found that there are other active funds that are not included in the active records of Finance. For example, a supervisor with V. I. Lottery, informed us that their current petty cash totals \$700 (\$300 – STT, \$300 – STX and \$100 - STJ), while Finance’s records indicate a total of \$200.

**Recommendations**

We recommend that the Commissioner of Finance:

1. Establish procedures for lost, stolen, inactive and shortages of funds, including the handling of the accreditation funds for multiple years. Monitor the funds to ensure that established procedures are followed and that the correct balances of these funds are maintained at all times.
2. Verify that funds reported by the departments as being “closed” have been reconciled and refunded to Finance.
3. Ensure that funds reported by the departments as “not active nor closed” be reconciled and refunded to Finance.
4. Research all funds reported as “unknown” and confirm whether the account should be either “active” or “closed”.
5. Write-off funds that have been confirmed as lost, stolen and/or unrecoverable, but are currently reported as active in Finance’s records.
6. Reconcile Finance’s General Ledger records with current petty cash, imprest and accreditation vouchers by adjusting for lost, stolen, closed and inactive funds, increases or decreases to fund balances and changes in custodians. Implement a system that at least annually reconciles Finance’s General Ledger records with the vouchers.
7. Computerize the reconciled petty cash/imprest fund records in an effort to make updates and changes more efficient.
8. Annually send out letter confirmations to all departments requesting verification of petty cash, imprest and accreditation fund balances with Finance.

**Department of Finance’s Response**

The Commissioner of Finance in her September 2, 2004 response agreed that Finance did not have an accurate accounting of custodians, accounts, nor the value of outstanding petty cash, imprest and accreditation funds. The Commissioner did not agree with the number and dollar amount of petty cash, imprest and accreditation funds mentioned in the report.

The Commissioner agrees with all of the recommendations made in the report, except for the recommendation dealing with the write-off of confirmed lost, stolen and/or unrecoverable accounts. It was stated that Finance does not have the authority to write-off funds, but rather must get this authority from the Virgin Islands Legislature.

### **V. I. Inspector General's Comments**

As stated in the report and agreed to by the Commissioner, Finance does not have an accurate accounting of petty cash, imprest and accreditation funds nor do they know the value of the outstanding amounts, and we have revised the report to eliminate any impression that they do. The 322 custodians and the value of \$2,933,107 mentioned in this report were obtained from records maintained by Finance. The six entities sampled in the report were active accounts per Finance's records. However, when contacted by us, the entities's records were different. By contacting the various departments and agencies, we were able to verify 96 accounts as active, 30 accounts as closed, 9 accounts as inactive but not closed and 185 accounts whose status was not known. We also cited several examples where Finance records were not updated to show transfers of accounts, stolen accounts, and reallocations of funds. All of our recommendations were aimed towards Finance reconciling their records with those at the various departments and agencies. Thereby, getting a true number of custodians and value of outstanding funds.

Regarding the recommendation to write-off lost, stolen and unrecoverable funds, we agree that Finance does not have the authority to write-off the funds; however, it is our position that authorization should be sought from the Virgin Islands Legislature. We must still maintain that the recommendation is valid and should be implemented.

Although the Commissioner indicated agreement with the other recommendations, no person responsible for their implementation nor an expected completion date was indicated. Accordingly, we will consider the recommendations resolved but not implemented. We will follow-up at a later date to determine the status of the implementation process.

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

Sincerely,



Steven van Beverhoudt  
V. I. Inspector General

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GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS



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DEPARTMENT OF FINANCE

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September 2, 2004

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

Dear Mr. van Beverhoudt:

This letter is in response to your findings on Petty Cash/Imprest and Accreditation Fund Accounts of the Government of the Virgin Islands.

**The Department of Finance (DOF) concurs** that we do not have an accurate accounting of custodians, number of accounts or value of Petty Cash/Imprest and Accreditation Funds outstanding for the Government of the Virgin Islands that is why the audit was requested.

**The Department of Finance (DOF) does not agree** that the total number of custodians is 322. Is this count territory-wide and does it include assistant custodians? The sample analysis of the six departments is not accurate; for example (1) GERS is no longer part of the central government. (2) When the Substitute Teacher's Pool was initially established, it was in the amount of \$150,000.00. The Insular Superintendents of Schools, STT/STJ and STX districts were responsible for these funds. This process has since changed and all level of schools receive Substitute Teacher's Pool monies in the following allocations: Junior High Schools - \$40,000.00, Elementary Schools - \$50,000.00 and High Schools - \$95,000.00 (3) Libraries, Archive and Museums have amounts of \$1,000.00, \$500.00, and \$200.00, DOF does not know if these were closed out – to be determined. (4) Environmental Protection Division – a balance due of \$246.89 dated 3/29/84 from Franke Hoheb and an active File of \$1,500.00, further the increase from \$500.00 to \$3,000.00, a difference of \$2,500.00 was funded from federal funds and did not come through General Ledger Section, (see attached) and (5) Police – there are various transfers, decreases, increases and others that should have been closed out but not recorded on DOF's records. No evidence of duplicates.

As a result of the above DOF cannot at this time **agree** or **disagree** with the amount of money (\$2,202,607.) outstanding in Petty Cash, Imprest and Accreditation Fund Accounts on hand.

Steven Van Beverhoudt  
September 2, 2004  
Page 2

At this time DOF cannot determine if the accounts are actively being utilized by the agencies.

It will be difficult to determine a number in the FMS by departments because checks are drawn or advanced on the General Fund amounting to one aggregate amount, instead of by departments.

There's no indication that DOF records were duplicated.

**The Department of Finance (DOF) agrees with all findings on page 3. DOF's records were not updated to reflect changes in custodians for one reason or the other. For example, the process of persons leaving the position, retirement, death or discontinuance of funds takes place independent of DOF.**

In the case of funds reported as being destroyed by fire or stolen, DOF cannot remove from records without proper identification. DOF can make recommendations.

In the case of Licensing & Consumer Affairs, Division of Taxicab, the amount is still awaiting an amount of \$200.00 to close the account out.

In the case of VI Lottery, there's an amount of \$200.00 due (Enterprise & Revolving Fund) to close out the account.

In most cases DOF usually find out about the various situations through a third party and cannot be confirmed because the person responsible for petty cash has little knowledge on past incidences.

**Department of Finance (DOF) agrees with all recommendations made with the exception of No. 5. DOF does not have the authority to write off funds that have been confirmed lost, stolen or unrecoverable. DOF must get authority from the Legislature of the V. I. DOF will review and update existing procedures, for processing documents for petty cash, imprest and accreditations funds. DOF will work to ensure that all recommendations are implemented as soon as possible.**

Sincerely,

  
Bernice A. Turnbull  
Commissioner of Finance



BAT/LL/aq

Attachment  
pc: General Ledger-Accounting Division