ISSUED: October 25, 2010 **LR-02-30-10**

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

LETTER 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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October 25, 2010

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands
Office of the Governor
21-22 Kongens Gade
St. Thomas, VI 00802

Honorable Luis P. Hill
President
28th Legislature
Capitol Building
St. Thomas, VI 00802

Dear Governor de Jongh and Senator Hill:

This letter report contains the results of our audit of collection activities at the Office of the Lieutenant Governor (Lt. Governor's Office).

The objectives of the audit were to determine if collector operations at the Lt. Governor's Office were in compliance with internal control policies and procedures over (i) collecting, (ii) depositing and (iii) reporting of Government revenues.

The scope of the audit focused on internal controls utilized for revenue and cash collections and reporting procedures within the Lt. Governor's Office during Fiscal Years 2008 and 2009.

To accomplish our audit objectives, we interviewed various officials at the Department of Finance (Finance) and at the Lt. Governor's Office. 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 selected a sample of collection reports for three collectors, and obtained and reviewed records to determine the accuracy and timelines, as well as whether appropriate controls were in place with regards to receipts, deposits and reconciliations

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.

BACKGROUND

The Lt. Governor's Office is responsible for regulating financial and insurance institutions, as well as assessing and collecting certain taxes and fees. The Lt. Governor's Office, which consists of six divisions, has locations on St. Croix, St. Thomas, and St. John. There are four locations in the St. Croix District – Estate Diamond, Frederiksted, and two locations in Christiansted. There are also three locations in the St. Thomas/St. John District – Builders Emporium, Nisky Center, and Cruz Bay.

The Lt. Governor's Office collects revenues for the divisions listed below:

- The Division of Corporations and Trademarks
- The Division of Banking and Insurance
- The Division of Real Property Tax
- The Recorder of Deeds
- The Passport Division

During Fiscal Years 2008 and 2009, the Lt. Governor's Office had twenty-one (21) employees designated to collect revenues. There were eight (8) collectors, three (3) assistant collectors, and a supervisor of collectors in the St. Croix District. In the St. Thomas/St. John District, there were eight (8) collectors, and a supervisor of collectors. Of the sixteen (16) collectors territory-wide, nine(9) [five (5) on St. Croix and two (2) each on St. Thomas and St. John] were transferred from Finance when the responsibility for collecting property taxes was transferred to the Lt. Governor's Office in June 2008.

The ERP system reported total collections for the Lt. Governor's Office in Fiscal Year 2008 of $43.8 million and $63.9 million in Fiscal Year 2009. The following schedule details Fiscal Year 2008 and 2009 collections by district:

District	FY2008 Revenues (millions)	FY2009 Revenues (millions)
St. Thomas/St. John	$34.0	$39.9
St. Croix	9.8	24.0
Total	**$43.8**	**$63.9**

PRIOR AUDIT COVERAGE

We are unaware of any audits done within the past five years that dealt with collection activities at the Lt. Governor's Office. However, we did issue a prior report on January 14, 2005 (AR-01-21-05).

The 2005 audit disclosed that: (i) collectors were not observing internal controls as outlined in Finance's Accounting Manual regarding the proper usage, accountability, and security of pre-numbered cashier receipts, (ii) collectors had not been observing internal controls that were prescribed to ensure that Government revenues generated at the Lt. Governor's Office, were accurately collected, promptly secured in Government bank accounts, and appropriately reported to Finance on a timely basis; and, (iii) senior staff members at the Lt. Governor's Office had not been routinely monitoring the revenue processing activities of the collectors.

As a result of the conditions cited, breaches in internal controls and other unusual activities committed by collectors went unnoticed and unchallenged.

The Lt. Governor's Office concurred with all six of the recommendations made in the report and indicated that corrective actions were in the process of being implemented. These included: (i) a central storage area in the Administration Division of the Lt. Governor's Office that would be used to secure all unused receipts books, and the tracking of all receipts books issued to the Lt. Governor's Office; (ii) the utilization of fire proof safes to safeguard collections until they were deposited; (iii) the assignment of Division Directors to oversee the activities of the collectors; and, (iv) the conducting of periodic reviews of collection activities by the Director of Business and Financial Management.

AUDIT RESULTS

We found that: (i) supervisory personnel at Finance and the Lt. Governor Office were not performing regular onsite visits and review of the collection process; (ii) there were weaknesses in internal control procedures relative to: (a) accurate and timely recording of transactions; (b) the use and accountability of receipts books; (c) review and effective monitoring of revenues; (d) segregation of collector duties; and, (iii) collection methods and processes varied among sites and collectors.

We attribute these conditions to: (i) a lack of comprehensive written policies and procedures central to the collection process from Finance; (ii) a lack of written internal policies and procedures governing its collection operation from the Lt. Governor's Office; and, (iii) a lack of effective monitoring and review of collection activities by Finance.

As a result, critical internal control functions were not performed with regards to collections, deposits, reconciliations, and reporting of revenue activities at the Lt. Governor's Office, causing: (i) collections to not always be posted to the ERP system by collectors, leading to Fiscal Year 2009 collections being understated by $94,265; (ii) receipts to be used indiscriminately; (iii) deposits to not be verified by supervisory personnel; and, (iv) end of day reconciliations and reporting functions to be inconsistently executed by collectors.

Management Control

We found that Finance did not monitor the collection activities of the Lt. Governor's Office. Finance made no effort to conduct onsite reviews or inspections of collection operations, nor did Finance adequately monitor or review deposits. Title 3, section 177 of the Virgin Islands Code places the responsibility for preparing plans for the improvement, management, supervision, and regulating of revenues with Finance.

Finance had not issued comprehensive written policies and procedures governing the collections process, including procedures for issuing manual receipts, depositing payments, reconciling collections, safeguarding funds and documents, handling overages/shortages, and dealing with dishonored checks. Instead, on March 28, 2007, Finance issued *Finance Memorandum No. 029-07*, which gave basic collections instructions and stated that the department was working on drafting collections policies and procedures.

Additionally, the Lt. Governor's Office did not establish written internal policies and procedures for all its collection operations. In the summer of 2008, the Lt. Governor's Office issued an operating procedure handbook for its collectors; however, the procedures were limited to the collection of property taxes. The handbook addressed the basic guidelines for safeguarding funds and described ways of identifying counterfeit bills, but did not address procedures for handling other types of revenues, deposits, shortages, and overages. In addition, the handbook did not provide guidelines and requirements for reporting to supervisors or Finance.

Collection Reporting

Collection supervisors at the Lt. Governor's Office did not review collection activities to ensure that all revenues were posted to the ERP System. Daily collections are posted to the ERP System by individual collectors within the Lt. Governor's Office. We found that during Fiscal Years 2008 and 2009, most collections were posted to the ERP System. However, we noted a few exceptions. For example, on December 10, 2008, one collector failed to post $67,082 in revenues. Another collector, for several collection days in November and December of 2008, failed to post collections totaling $81,382. In addition, on February 10, 2009, we noted that a

collector posted $12,882 to the ERP System; however, this amount was not reflected in the ERP, because Finance did not close the collector's daily batch posting. In another instance, on February 2, 2009, a collector erroneously added $600 to an ERP posting. Then on June 19, 2009, a $20 collection was not posted. As a result, Fiscal Year 2009 total collections by the Lt. Governor's Office were understated in the ERP by $94,265.

During the audit we inquired about the $81,382 of collections that were not posted for several collection days in November and December 2008. The collector subsequently made the postings in December 2009, a year after the revenues were actually collected. Thereby causing the revenues to be reported and overstated in Fiscal Year 2010.

We were unable to verify revenue collections for Fiscal Year 2008, because the Lt. Governor's Office did not maintain daily collection reports for 2008. The practice of the Lt. Governor's Office maintaining daily collection reports was implemented in 2009.

Internal Controls

Our audit found that the Lt. Governor's Office management was inconsistent with their oversight responsibilities in both districts. Supervisors failed to perform onsite review or inspections of the collections operations. As a result, unauthorized policies and procedures were implemented. In addition, daily cash reconciliations were not performed consistently, and deposits were made without supervisory review or verification.

Management Oversight. In the St. Croix District, the Lt. Governor's Office supervisor did not adequately monitor collection activities for Fiscal Years 2008 and 2009. Although we noted that the supervisor communicated with the staff at the various locations by telephone, no regular onsite visits and inspections were conducted. As a result, at three of the four locations, deposits were not verified or initialed by supervisory personnel before they were deposited in the bank. The supervisor also did not ensure that cash count sheets were prepared daily by all collectors. For example, at one location, cash count sheets were never prepared. In addition, daily reconciliations/reports were not verified or initialed by supervisory personnel.

In the St. Thomas/St. John District, we found that the supervisor was monitoring collections posted to the ERP System on a daily basis. However, the supervisor failed to ensure that revenues totaling $67,082 collected when the EERP System was inoperable, on December 10, 2008, were eventually posted to the ERP System.

Policies and Procedures. Although officials at the Lt. Governor's Office stated that all new collections policies and procedures are communicated to collectors by their supervisor, we found that the St. John collectors changed policies based on information told to them by other Lt. Governor's Office employees, and without authorization from their supervisors. For example, collectors in the St. John location were not charging interest on property tax bills of less than $100, because they were told by other employees that the office was no longer doing so. However, this was not an authorized policy.

Segregation of Duties. Any effective internal control policy segregates critical functions and duties to reduce the risk of errors, fraud, and abuse. At the Lt. Governor's Office we found that collection activities performed by collectors were not segregated. Collectors were able to make adjustments to "shortage and overage," charge codes, and prepare and reconcile end of day reports without supervisory approval. In addition, as long as Finance did not "release a batch" (closed a collector's work for the day), collectors were able to void receipts without authorization by a supervisor or a higher level manager.

Collections

There were no effective administrative controls in place to streamline the collection process at the Lt. Governor's Office which lead to: (i) inconsistent use and accountability of manual receipts; (ii) insufficient verification of deposits; (iii) unauthorized collectors; and, (iv) inconsistencies in the timing, and methods used to reconcile end of day collections.

Receipts. The collectors at the Lt. Governor's Office are responsible for issuing receipts as proof of payment to customers obtaining services or remitting payments for obligations to the Government. Collectors are responsible for issuing receipts generated from the ERP System, or if not available issuing manual receipts obtained from Finance. We found that collectors at the different locations within the Lt. Governor's Office were issuing different types of manual receipts. While most collectors used the manual receipts currently issued by Finance, some collectors were using older manual receipts that were no longer being issued. For example, collectors at two locations on St. Croix were using the "Government of the Virgin Islands Official Cashier Receipt," while the other locations on St. Croix and St. John were using the old manual receipts called the "Bill for Collection." These collectors said that they used the manual receipts books they had in their office, or simply continued using the receipt books that were used when the Property Tax Division was under Finance. We also found that the manual receipt books were not being monitored by the collection supervisor. As a result, in the St. Thomas/St. John District, we found that one collector was not using receipt books in sequential order.

In the St. Croix District, collectors at two locations were not printing or issuing ERP receipts to customers. The supervisor indicated that ERP receipts were not issued because the validation machines (machines needed to print the receipts), were inoperable for several months at these two (2) locations. However, management indicated that they did not have any knowledge that these machines were inoperable. During the period of time that the validation machine was inoperable, collectors were not entering payments into the ERP System at the time customer payments were being accepted. Although the ERP System was operational, the collectors indicated that they did not enter the information because ERP receipts could not be provided. Instead, they provided manual receipts to persons obtaining tax clearance letters and stamped property tax bills as paid. At the end of each day, the collectors entered all payments collected in the ERP System using copies of the manual receipts issued and stamped paid property tax bill accumulated. There was no reason why payments could not be entered into the ERP System at the time customers provided payment. The delay in entering payments into the ERP System increased the chances of errors and omissions.

Deposits. The collectors at the Lt. Governor's Office are responsible for preparing deposits daily. Once the deposits are prepared, a private security company is responsible for the transportation of the deposits to the bank for processing. Only at one (1) of the four locations on St. Croix, were supervisory personnel signing on, or initialing bank deposits, before they were sent to the bank.

In addition, for two (2) of the four (4) locations in the St. Croix District, we found that the log book for the security company that transports the deposits for the St. Croix Lt. Governor's Office was not being properly prepared. At these two locations, the log book was completed by the collectors before the deposits were picked up the next business day. Hence, the "pick-up" date of deposits reflected the date of collection not the date the deposits were actually retrieved by the security company. Additionally, after deposits were processed by the bank, they were returned to collectors who either filed them or forwarded them to Finance without being reviewed by the collection supervisor.

Bonding of Collectors. The Lt. Governor's Office did not ensure that all employees who handle cash were bonded and/or approved by Finance. VIC Title 3, §841(a) states that, "All officers and employees of the Government of the Virgin Islands who serve as certifying and/or disbursing officers or who handle public funds in any manner whatsoever shall be properly bonded for the faithful performance of their duties." Finance, the agency tasked with the responsibility of contracting with a bonding company to bond Government employees assigned with handling cash, selected a blanket bond coverage, which bonds positions, as opposed to individual employees. Bonded positions fall under two categories: Class "A" (certifying officers) and Class B (other employees who handle or managed cash). Any employee that falls under either of these two categories needs to be approved by Finance before being authorized to perform and/or execute their duties. Even though Finance must approve collector positions, the Department Heads are responsible for submitting a list of all positions that need to be included in the bonding coverage when it is renewed every year.

We found that the Lt. Governor Office did not ensure that all individuals who handled and/or managed cash were approved by Finance, and the positions, which handled cash, were included in the bonding coverage. Cash reconciliations for some collectors were being performed by individuals who had not been approved by Finance to handle collections and who were not bonded. Of the 14 employees collecting payments, five (5) were not approved by Finance to handle cash, and two (2) were not bonded. Of the nine (9) employees who performed cash reconciliations, eight (8) were not approved by Finance to handle cash and five (5) were not bonded.

Reconciliations. Daily reconciliations were not being performed by collectors. It is important to implement strong internal controls that support best cash management practices. Daily deposit reconciliation is an important internal control measure to ensure the integrity of all types of collections made on an entities behalf. We found that although the Lt. Governor's Office policy is to perform daily reconciliations of collections, we found inconsistencies in the timing and method in which these reconciliations were performed.

In the St. Croix District, none of the four (4) locations were consistent in performing reconciliations. For example, at one location, reconciliations were performed on only two of the five collection days that were sampled. The collector stated that there was not a need to consistently prepare reconciliations/cash count sheets as collections at that location were not as high as that of the other locations. At another location, daily reconciliations only included cash and checks, and disregarded any credit card/debit card payments.

In the St. Thomas/St. John District, although officials stated that the Lt. Governor's Office policy was to perform daily cash reconciliations, the supervisor and a collector stated that at times reconciliations were performed the following morning. Additionally, we identified one instance in which the reconciliation was performed 19 days after the collection day because the office supervisor was on leave and the employee filling in did not reconcile that day's collections.

Reporting

Finance required collectors to submit a weekly "Payment Proof Summary Report" generated from the ERP System for record keeping purposes, and to afford Finance the ability to have a level of detail reporting that officials at Finance assumed was unavailable to the department through the ERP System. Upon our inquiry as to why Finance did not have access to the collectors detail postings, Finance officials stated that the ERP System did not have the functionality to allow them to see the same level of detail as the collectors. Subsequently, Finance officials became aware that the information, initially thought not to be available to the department, was in fact accessible. As a result, Finance subsequently changed their reporting policy, and no longer requires those weekly printed reports provided by collectors. Instead, Finance accesses the information directly from the ERP System.

Recommendations

We recommend that the Commissioner of Finance:

1. Perform regular monitoring of the collection process and inspections of Government collectors.

2. Write and distribute applicable comprehensive policies and procedures for the collections process.

3. Use the full capability of the ERP System collection module and take proactive steps to ensure that the information in ERP System is reviewed for accuracy to increase the reliability, integrity and confidence in collection reports.

We recommend that the Lieutenant Governor:

1. Ensure that collection procedures are consistent at all locations.

2. Establish procedures to ensure the use of Finance approved manual receipts that are uniform, pre-numbered and properly accounted for.

3. Establish procedures for verifying deposits.

4. Implement internal control procedures to include proper segregation of duties to ensure that critical functions are not done by the same individual and to create checks and balances to minimize the possibility of fraud, error, waste and abuse.

5. Ensure that all four locations in the St. Croix District are equipped with the necessary tools to process and issue receipts from the ERP System.

6. Ensure that all positions with duties that include the management and collection of cash are included in the Virgin Islands Government Blanket Bonding Coverage.

7. Ensure that all employees that manage or handle cash are properly approved by Finance.

8. Ensure that collections are reconciled daily.

Governor of the Virgin Islands' Response

The Governor of the Virgin Islands in his October 4, 2010 response indicated agreement with all of the recommendations made in the report.

Regarding the recommendations to the Commissioner of Finance, the response indicated that Director of Treasury will initiate a monitoring and inspection process of Government collectors. This process will ensure that all collection activities are standardized, policies and procedures are updated, collectors are properly bonded, and the capabilities of the ERP System are fully utilized. The expected completion date is March 31, 2011.

Regarding the recommendations to the Lieutenant Governor, the response indicated that controls have been implemented to ensure that collection procedures are consistent at all locations, manual receipts are standardized, and controls have been implemented to ensure the integrity of the collection process.

V. I. Inspector General's Comments

We consider all of the recommendations fully resolved; however, the recommendations made to the Commissioner of Finance are considered not implemented until the completion of the assessment and update process.

We have included a copy of the response to the report as Appendix I beginning on page 11. We have also included, as Appendix II beginning on page 21, the additional information need before the recommendations can be closed.

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

Sincerely,

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

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

October 4, 2010

Mr. Steven van Beverhoudt
Inspector General
Office of the Inspector General
2315 Kronprindsens Gade # 75
St. Thomas, Virgin Islands 00802

Re: Response by the Government of the Virgin Islands to Draft Letter Audit Report, Audit of Collection Activities at the Office of the Lieutenant Governor for the Fiscal Years 2008-2009 (Report No. LR-02-30-10)

Dear Inspector General:

This letter acknowledges receipt of the above-referenced draft audit report, which was transmitted with correspondence dated August 12, 2010, to the Office of the Lieutenant (Lt.) Governor. The Government of the Virgin Islands (GVI) is appreciative of the audit work and procedures conducted by the Office of the Inspector General (OIG) which continue to foster strengthening existing internal controls coupled with standardization across government entities.

The audit addressed the collection activities for various divisions within the Lt. Governor's Office, and is inclusive of the role of the Department of Finance (DOF) in this regard. The Lt. Governor's Office agreed with the recommendations proffered by the Inspector General, and is committed to working closely with DOF to align its standards and ensure full compliance with updated government–wide policies and procedures articulated by DOF.

As indicated in my response (Exhibit I) to the draft report, during the 4th quarter of Fiscal Year (FY) 2010 and/or the 1st quarter of FY 2011, both the Department of Finance and the Lt. Governor's Office will be and/or have already taken measures to solidify their internal controls relative to revenue collections and systematically reporting. Further, my commitment in supporting greater efficiency for revenue-generating departments and agencies of the Government of the Virgin Islands is unwavering.

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

Thank you for the opportunity afforded to the Office of the Governor to provide comments to the OIG's draft report.

Sincerely,

John P. de Jongh, Jr.
Governor

Attachments

INSPECTOR GENERAL'S NOTE: NUMEROUS SUPPORTING DOCUMENTS WERE PROVIDED WITH THE RESPONSE; HOWEVER, THEY ARE NOT INCLUDED IN THIS DOCUMENT.

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

Exhibit I

GOVERNMENT OF THE VIRGIN ISLANDS

Response to Office of the Virgin Islands Inspector General's Draft Letter Audit Report, Audit of Collection Activities at the Office of the Lieutenant Governor (LR-02-30-10, August 17, 2010)

RECOMMENDATIONS – DEPARTMENT OF FINANCE

1. Perform regular monitoring of the collection process and inspections of Government collectors.

2. Write and distribute applicable comprehensive policies and procedures for the collection's process.

3. Use the full capability of the Enterprise Resource Planning (ERP) system collection module and take proactive steps to ensure that the information in ERP is reviewed for accuracy to increase the reliability, integrity and confidence in collection reports.

Government's Response – Department of Finance

The Department of Finance (DOF) concurs with Recommendation # 1.

Corrective Action Plan

With oversight from the Commissioner of Finance, the Director of Treasury will spearhead the monitoring of the collection process and inspections of Government collectors. The steps required are as follows:

Monitoring the Collection Process

For purposes of understanding the disparate collection processes across the Government, DOF will:

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

1. initially meet with those departments/agencies that account for 80% of revenue collections (*i.e.*, Lt. Governor's Office, Bureau of Internal Revenue, Department of Licensing and Consumer Affairs, Department of Planning and Natural Resources and Bureau of Motor Vehicles) in order to document their existing understanding of the collection process, then later meet with other departments/agencies regarding the policies and procedures,

2. perform a gap analysis via comparison of the practices used by these departments/agencies,

3. streamline, test, standardize and develop up-to-date written policies and procedures surrounding the collection process, with strong consideration and integration of the embedded functionality of the Enterprise Resource Planning (ERP) System,

4. improve the review and control procedures used by supervisors and the Division of Treasury to monitor the collection process on a weekly basis, and

5. dispatch written correspondence encompassing updated policies and procedures surrounding the collection process to all Central Government departments and agencies.

Inspections of Government Collectors

In order to make certain that Government collectors are properly approved and bonded, DOF will change its policy of verification (i.e., Type A and B bonded employees for each department) from an annual basis to, at least, a semi-annual basis. To bring DOF approval records up-to-date, all agencies must re-certify collectors as of the second and fourth quarter of each fiscal year, which will serve as a master listing for DOF. On a periodic basis, DOF will perform random collection site visits and compare these individuals to the master listing. DOF, through communication with the Office of the Governor, will determine the penalties for undocumented (or unapproved) collectors and include this information in DOF's updated policies and procedures.

Due Date: March 31, 2011

Responsible Party: Director of Treasury and Director of Audit Assurance, **DOF**

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

The Department of Finance concurs with Recommendation # 2.

Corrective Action Plan

With oversight from the Commissioner of Finance, the Director of Treasury will spearhead the development of comprehensive policies and procedures for the collection process for Government collectors. The steps required are as follows:

Distribute Comprehensive Policies and Procedures of the Collection Process

For purposes of understanding the disparate collection processes across the Government, DOF will:

1. initially meet with those departments/agencies that account for 80% of revenue collections (*i.e.*, LGO, IRB, DLCA, DPNR and BMV) in order to document their existing understanding of the collection process, then later meet with other departments/agencies regarding the policies and procedures,

2. perform a gap analysis via comparison of the practices used by these departments/agencies,

3. streamline, test, standardize and develop up-to-date written policies and procedures surrounding the collection process, with strong consideration and integration of the embedded functionality of the Enterprise Resource Planning System,

4. improve the review and control procedures used by supervisors and the Division of Treasury to monitor the collection process on a weekly basis,

5. dispatch written correspondence encompassing updated policies and procedures surrounding the collection process to all Central Government departments and agencies, and

6. direct that a copy of the policies be given to each collector, who must be trained regarding the existing procedure, in addition to new procedures involving telecheck, for example.

Due Date: March 31, 2011

Responsible Party: Director of Treasury and Director of Audit Assurance, **DOF**

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GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

The Department of Finance concurs with Recommendation # 3.

Corrective Action Plan

With oversight from the Commissioner of Finance, the Director of Treasury will maximize the full capability of the ERP System collection module. The steps required are as follows:

Maximize Full Capabilities of ERP System for the Collection Process

For purposes of maximizing the capability of the ERP system, DOF will:

1. meet with those departments/agencies that account for 80% of revenue collections (*i.e.*, LGO, IRB, DLCA, DPNR and BMV) in order to document their existing understanding of the collection process,

2. perform a gap analysis via comparison of the practices used by these departments/agencies,

3. invite the ERP system vendor to review our documentation of the existing processes and make recommendations,

4. streamline, test, standardize and develop up-to-date written policies and procedures surrounding the collection process, with strong consideration and integration of the embedded functionality of the Enterprise Resource Planning system, and

5. train employees periodically and/or via an established training schedule.

Due Date: March 31, 2011

Responsible Party: Director of Treasury and Director of MIS Division, **DOF**

RECOMMENDATIONS – OFFICE OF THE LIEUTENANT (LT.) GOVERNOR

1. Ensure that collection procedures are consistent at all locations.

2. Establish procedures to ensure the use of Finance approved manual receipts that are uniform, pre-numbered and properly accounted for.

3. Establish procedures for verifying deposits.

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GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

4. Implement internal control procedures to include proper segregation of duties to ensure that critical functions are not done by the same individual and to create checks and balances to minimize the possibility of fraud, error, waste and abuse.

5. Ensure that all four locations in the St. Croix District are equipped with the necessary tools to process and issue receipts from the ERP system.

6. Ensure that all positions with duties that include the management and collection of cash are included in the Government of the Virgin Islands Blanket Bonding Coverage.

7. Ensure that all employees that manage or handle cash are properly approved by Finance.

8. Ensure that collections are reconciled daily.

Government's Response - Office of the Lt. Governor

The Office of the Lieutenant Governor concurs with Recommendation #1.

Corrective Action Plan

Supervisors have met with all cashiers and tellers to ensure that collection procedures are consistent with DOF's collection procedures and strictly adhered to. All receipts, deposit slips, and reports have been standardized. All documents not in accordance with established standards have been removed or destroyed. (see attached memo dated August 2, 2010).

Implementation Date: August 2, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

The Office of the Lieutenant Governor concurs with Recommendation #2.

Corrective Action Plan

The Supervisors of Cashiers have reviewed all Finance approved manual receipts. All non-approved receipts were discarded. Procedures are now in place where only supervisors can contact the Department of Finance to request manual receipts. Cashiers and collectors will

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

request receipts from their respective supervisors (see attached memo dated August 2, 2010). All receipts are accounted for by the Supervisors.

Implementation Date: August 2, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

The Office of the Lieutenant Governor concurs with Recommendation #3.

Corrective Action Plan

Supervisors were informed and procedures are already established and in place where only supervisors can initial bank deposits before they are sent to the bank. Additionally, only supervisors prepare and date the log book when the deposits are picked up by the security company that transports the deposits to the bank. After deposits are processed by the bank, the stamp receipts are reviewed by the supervisors who then forward them to the Department of Finance. (see attached memo dated August 2, 2010).

Implementation Date: August 2, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

The Office of the Lieutenant Governor concurs with Recommendation #4.

Corrective Action Plan

Procedures are in place where only supervisors can verify and check functions completed by the cashiers. Supervisors are responsible for the distribution of receipt books, approving bank deposit documents, and the daily balancing of cash. Procedures are also in place to ensure that cashiers immediately request and receive supervisory approval for report changes necessary in the ERP. (see attached memo dated August 2, 2010).

Implementation Date: August 2, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

The Office of the Lieutenant Governor concurs with Recommendation #5.

All cashier locations in both the districts of St. Thomas/St. John and St. Croix have the tools and validating machines necessary to perform their duties. Spare machines are also available in each district.

Implementation Date: July, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

The Office of the Lieutenant Governor concurs with Recommendation #6.

Corrective Action Plan

Employees involved in the management and collection of cash at the Office of the Lt. Governor were bonded as of April 2010. The Director of Business and Financial Management (Office of the Lt. Governor) has requested an update to the Government of the Virgin Islands Blanket Bonding Coverage from the Department of Finance.

Due Date: September, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

The Office of the Lieutenant Governor concurs with Recommendation #7.

Corrective Action Plan

All employees that manage or handle cash are properly approved by the Department of Finance. The applicable information was previously submitted to Finance. It is anticipated that those employees will be properly vested by October, 2010. Similar approval will be obtained for any new employees who will be handling cash.

Due Date: October, 2010

Responsible Party: Supervisor of Cashiers- STT/STJ, **Office of the Lt. Governor**
Supervisor of Cashiers- STX, **Office of the Lt. Governor**

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GOVERNOR OF THE VIRGIN ISLANDS' RESPONSE

The Office of the Lieutenant Governor concurs with Recommendation #8.

Corrective Action Plan

Supervisors and/or management reconcile collections daily. It is the responsibility of the Director of Business and Financial Management to conduct quality checks to make sure that this function and all other supervisory functions with respect to collections are being adhered to (see attached memo dated August 2, 2010).

Implementation Date: July, 2010

Responsible Party: Director of Business & Financial Services, **Office of the Lt. Governor**

ADDITIONAL INFORMATION NEEDED TO CLOSE RECOMMENDATIONS

Recommendation Number and Status	Additional Information Needed
To the Commissioner of Finance:	
1. Resolved	Please provide documentation to show that a monitoring program has been established to ensure uniformity in the collection process.
2. Resolved	Please provide a copy of the revised collection policies and procedures.
3. Resolved	Same as Recommendations 1 and 2 above.
To the Lieutenant Governor:	
1. Resolved	No additional information needed.
2. Resolved	No additional information needed.
3. Resolved	No additional information needed.
4. Resolved	No additional information needed.
4. Resolved	No additional information needed.
6. Resolved	No additional information needed.
7. Resolved	No additional information needed.
8. Resolved	No additional information needed.