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**OFFICE OF THE V. I. INSPECTOR GENERAL**

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**OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL**  
**Fiscal Year 2019 Budget Proposal**

**INTRODUCTION**

Good afternoon Senator Kurt Vialet, Chairman of the Committee on Finance, members of the Committee, other members of the 32<sup>nd</sup> Legislature, staff of the Legislature, ladies and gentlemen in the viewing and listening audience. I am Steven van Beverhoudt, the Virgin Islands Inspector General. With me this afternoon is Ms. Delia Thomas, Deputy Virgin Islands Inspector General. We are here today to provide an overview of the proposed Fiscal Year 2019 Budget for the operations of the Office of the Virgin Islands Inspector General (V. I. Inspector General's Office) and to answer any questions that you might have.

**STATE OF THE V. I. INSPECTOR GENERAL'S OFFICE**

The V. I. Inspector General's Office serves as the independent auditing arm of the Government of the Virgin Islands (Government). Established under Title 3, Chapter 40 of the Virgin Islands Code, the V. I. Inspector General's Office is task with the arduous responsibility of auditing and investigating all three branches of the Government, including the autonomous and semi-autonomous instrumentalities.

In line with our mission statement; “to promote economy, efficiency and effectiveness, and to further the prevention of fraud, waste and abuse in the administration of the programs and operations of the Government of the Virgin Islands,” we are committed to carrying out this mission in a fair and thorough manner. I want to complement my co-workers for their efforts to fulfill our mission.

The year 2017 was a very stressful and challenging time for all of us not only on a professional level, but also on a personal level. I am sure we will agree that we have all been affected in some way by the events of September 2017. The V. I. Inspector General’s Office is no exception. Functionally the storms of September 2017 set us back by at least four months, from what I consider as minor damage to our St. Thomas office; to the loss of all of our office furniture and equipment, except for our computers, in our St. Croix office; the lack of power; the delays in getting our servers up and running; and our continued challenges with the lack of phone service on St. Croix, they have all taken their toll on everyone.

As a part of this presentation I have included a picture of a



damaged room from our St. Thomas office, as well as, a picture of a moldy chair from our St. Croix office.



On a positive note, I must complement our landlord on St. Croix, the V. I. Housing Finance Authority, for their quick response in repairing the damaged structure, to include replacing moldy drywalls and doors, and painting the interior of the office. We have been authorized by FEMA to spend over \$50,000 on St. Croix for furniture and to sanitize the office and over \$127,000 to replace the roof and ceiling of our St. Thomas office. On St. Croix, we just received our third quote on furniture and will be submitting our order request to the Department of Property and Procurement shortly. On St. Thomas, we received three quotes for the work to be done and a contract is working its way through the approval process.

On a personal level, most of us were fortunate with the extent of the damages to our residences. Unfortunately, however, at least one of our colleagues lost a home and some personal items, but had been able to stay with relatives. Personally, I lost my mother in January of this year.

We are fortunate that our entire team has remained in tack after the storms. Currently there are 17 filled positions within the organization. As one of the few agencies in the Government with non-union classified employees, we are currently working to ensure that all employees are at their correct salary level. As will be discussed later, the 2019 Budget as recommended by the Administration is seeking

the authorization to hire six additional auditors in the new fiscal year. Our organization chart is shown on page 11.

There are currently eight Certified Fraud Examiners within the organization. In addition, three members hold Masters Degrees and three of our more recent staff members are working on their Masters, with one expected to be completed by December of this year. We continue to encourage the continued education and professional development of our staff.

Regarding the audit and inspection aspect of our operations, our 2018 Audit Plan can be found on page 12. Some of the planned new projects in Fiscal Year 2018 include audits of: (i) non-Executive Branch's use of credit instruments; (ii) administrative functions of the Waste Management Authority; and, (iii) selected administrative functions of the Governor Juan Luis Hospital. You will note that they have not changed from the Fiscal Year 2017 planned new starts.

In addition, we have had meetings with Federal Inspector General officials from FEMA, Education, and HUD regarding activities they plan on conducting in the Virgin Islands. We have committed to assisting and possibly working on joint projects with them.

To date, the following audits and inspections have either been completed or are progressing through various phases of the audit and inspection process:

✓ **Follow-up Review on the Disposition of Funds Collected During the Real Property Auctions Held in 2012 and 2013**

- As a result of our September 2014 inspection of real property auctions, we found the need to review the dispositions of funds collected, deposited and returned to the various bidders and original property owners.
- The objective of the inspection was to determine: (i) if the Lieutenant Governor's Office correctly paid property owners the net proceeds generated from sold properties, and (ii) if the Lieutenant Governor's Office deducted and accounted for the taxes and public sewer system user fees, penalties and costs as prescribed by the Title 33, Section 2547 (c) of the Code.
- The draft report has been sent to the Lieutenant Governor, and a response is due by June 29, 2018.

✓ **Audit of the Administrative Functions of the Virgin Islands Board of Education**

- The objective was to determine whether the V. I. Board of Education effectively utilized its resources and carried out its administrative functions in accordance with established laws, rules and regulations.

- The initial scope of the audit covered fiscal years 2013 through 2016.
  - A draft report is being finalized by the auditors, and it is expected to be delivered to the supervisory level for review by the end of the month. We hope to have the report issued by the end of October.
- ✓ **Audit of the Administrative Functions of the Virgin Islands Casino Control Commission**
- The objective was to determine whether the V. I. Casino Control Commission effectively utilized its resources and carried out its administrative functions in accordance with established laws, and rules and regulations.
  - The draft report is now undergoing my final edits. We hope to have an exit by early July, with a final report issued by late August.
- ✓ **Audit of Executive Branch Credit Cards and Lines of Credit Practices and Procedures**
- The objective was to review the policies and procedures, and evaluate the internal controls relative to credit instruments utilized by the Executive Branch.

- The draft report is being review by our Writer/Editor and we expect the supervisory review process to begin in early July. We have targeted a September final issuance date.

In keeping with the age of paperless documents, we will be significantly reducing the number of hard copies of issued reports; instead we will be providing electronic “pdf” versions. In addition, reports can be accessed from our website at [viig.org](http://viig.org).

The required Quality Control Peer Review, which is an assessment of our compliance with the required General Accountability Office standards that was planned for late 2018, is another casualty of the September storms. We are now planning to have the Review done in Fiscal Year 2019.

In the area of investigations, our recent investigative report confirmed the allegation that a generator from the Ivanna Eudora Kean High School was used by the Commissioner of Education to energize her personal residence. In addition, there are several ongoing investigations that are at various levels of completion.

In sounding like a stuck record, the on again, off again, on again, off again local prosecution of the former executives of the Schneider Regional Medical Center is once again on, with a trial date now set for October 2018.

In Fiscal Year 2017 and through June of Fiscal Year 2018, we have received 50 complaints alleging wrong doing by Government officials. Of the total, there were 40 allegations of wrong doings on St. Thomas and 10 allegations of wrong doing on St. Croix. As I have indicated in the past, the majority of the complaints lacked sufficient information; were resolved administratively, or were matters for other departments and agencies.

Regarding training, the USDA Graduate School is planning to provide us with a week of auditor training in December of this year. The topics include courses on procurement/contract fraud and professional ethics for auditors. We hope to once again provide our staff with out of the territory professional training, accordingly we have included in the 2019 Budget request funding for this training.

### **2019 BUDGET**

We are in full support of the Administration's 2019 Fiscal Year Budget recommendation of \$2,468,145. This amount is \$219,695 more than the Fiscal Year 2018 appropriation. The increased in funding is a result of the proposed addition of six auditors, four for the St. Croix District and two for the St. Thomas/St. John District; in addition to the associated fringe benefits and the need to acquire computers for the additional staff. We have included, as an exhibit to this presentation on page 13, the proposed distribution of the 2019 funds.

The following are our comments relating to each prime account of the Fiscal Year 2019 proposed spending plan.

**Personal Services and Fringe Benefits.** The budget proposal provides for 17 filled positions and 6 new auditor positions. Not included in the fringe benefits are the proposed 3% increase in the Government’s retirement contributions and the proposed change in retirement contributions for employees earning over \$65,000. The total proposed funding level for personnel and related services is \$2,146,252, or 87% of the overall budget request. This amount consists of \$1,574,985 and \$571,267 for Personal Services and Fringe Benefits respectively.

<b>Personal Services</b>	<b>\$1,574,985</b>
<b>Fringe Benefits</b>	<b><u>571,267</u></b>
	<b><u>\$2,146,252</u></b>

**Capital Outlays.** The budget requests \$27,000 in capital outlays for computers for the new auditors that we hope to hire. This amounts to 1.2% of the budget request.

<b>Capital Outlay</b>	<b><u>\$27,000</u></b>
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**Supplies.** Budgeted supplies costs for Fiscal Year 2019 are estimated at \$55,000 or 2.2% of the overall request.

<b>Supplies</b>	<b><u>\$55,000</u></b>
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**Other Services.** Budgeted other services costs for Fiscal Year 2019 are estimated at \$189,893, or 7.7% of the budget request.

**Other Services** **\$189,893**

**Utility Services.** Finally, our utilities costs for Fiscal Year 2019 are estimated at \$50,000, or 2.1% of the Fiscal Year 2019 budget request.

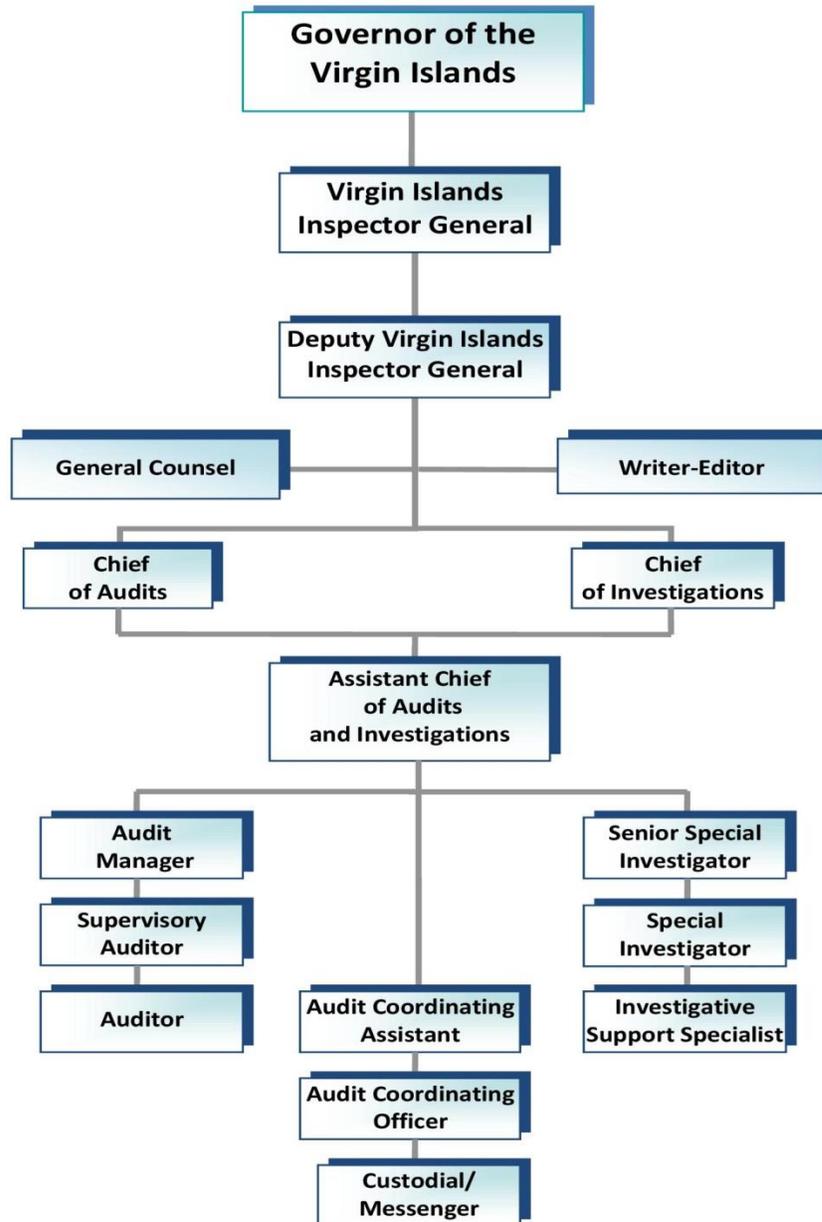
**Utility Services** **\$50,000**

**SUMMARY**

In summary, with the significant amount of resources entering the territory, there will be a need for more oversight and accountability in how these funds are spent. Accordingly, there will be more requests for audit reviews, thus the need for more auditors. We therefore ask for your full support of the recommended Fiscal Year 2019 Budget of \$2,468,145.

We thank you for the opportunity to be here today, and we are available to answer any questions that you might have.

**OFFICE OF THE  
VIRGIN ISLANDS INSPECTOR GENERAL  
ORGANIZATIONAL STRUCTURE**



**ANNUAL AUDIT PLAN SUMMARY**  
**OFFICE OF THE VIRGIN ISLAND INSPECTOR GENERAL**  
**FISCAL YEAR 2018**

	<u>Staff Days</u>
<b>RESOURCED AUDITS</b>	
<b><u>Fiscal Year 2017 Carryover</u></b>	
Follow-up on the Handling of Funds Received During the Property Tax Auctions	90
Audit of the Administrative Functions of the Casino Control Commission	360
Audit of the Administrative Functions of the Board of Education	360
Audit of the Executive Branch's Use of Credit Instruments	<u>360</u>
	<u>1,170</u>
<b><u>Fiscal Year 2018 New Starts</u></b>	
Audit of non-Executive Branch's Use of Credit Instruments	360
Audit of the Administrative Functions of the Waste Management Authority	360
Audit of the Selected Administrative Functions of the Governor Juan Luis Hospital	<u>360</u>
	<u>1,080</u>
<b><u>Other</u></b>	
Special Assignments and Technical Assistance	60
Assistance to Investigations	180
Audit Recommendations Follow-up	30
Audit Work Plans	<u>30</u>
	<u>300</u>
 Total Resourced Man-days	 <u>2,550</u>
<b>UNRESOURCED AUDITS</b>	
Audit of the Administrative Functions of the Government Employees Retirement System	420
Contracting Practices of the UVI Research and Technology Park	250
Audit of Government-wide Travel Practices	420
Audit of the Construction of the Charles W. Turnbull Library	340
Government-wide Use of Professional Service Contracts	360
Administrative Functions of the Licensing Division of Licensing and Consumer Affairs	300
Government-wide Contracting Practices	300
Administrative Functions of the Tax Assessor's Office of the Office of the Lt. Governor	300
Administrative Functions of the Corporate Division, Office of the Lt. Governor	300
Administrative Functions of the Permits Division of Planning and Natural Resources	300
Government-wide Vehicle Purchase and Control Program	325
Government-wide Petty Cash and Imprest Accounts	300
Government-wide Grant Administration	<u>350</u>
 Total Un-resourced Man-days	 <u>4,265</u>

## OFFICE OF THE V. I. INSPECTOR GENERAL

DEPT CODE DEPT NAME

350 OFFICE OF THE INSPECTOR GENERAL

### 1 PERSONAL SERVICES

00350001	511000 REG EMPLOYEE SALARIES CLAS	\$457,000
00350001	511010 REG EMPLOYEE SALARIES UNCL	\$1,022,609
00350001	514030 LUMP SUM PAYMENTS	\$95,376
<b>TOTAL PERSONAL SERVICES</b>		<b>\$1,574,985</b>

### 2 FRINGE BENEFITS

00350002	520010 EMPLOYER CONTRIBUTION RETI	\$268,307
00350002	521000 F.I.C.A.	\$97,649
00350002	521100 MEDICARE	\$22,837
00350002	522000 HEALTH INSURANCE PREMIUM	\$181,758
00350002	522200 WORKERS COMP PREMIUMS	\$716
<b>TOTAL FRINGE BENEFITS</b>		<b>\$571,267</b>

### 3 SUPPLIES

00350003	541000 OFFICE SUPPLIES	\$10,000
00350003	541100 OPERATING SUPPLIES	\$10,000
00350003	542000 REPAIR & MAINTENANCE SUP.	\$5,000
00350003	546000 DATA PROCESSING SOFTWARE	\$25,000
00350003	546100 REFERENCE BOOKS	\$5,000
<b>TOTAL SUPPLIES</b>		<b>\$55,000</b>

### 4 OTHER SERVICES

00350004	532000 REPAIRS AND MAINTENANCE	\$30,000
00350004	532100 AUTOMOTIVE REPAIR & MAINTENANCE	\$10,000
00350004	533000 RENTAL OF LAND/BUILDINGS	\$20,000
00350004	533020 RENTAL OF MACHINES/EQUIPMENT	\$5,000
00350004	534000 PROFESSIONAL SERVICES	\$25,000
00350004	534110 TRAINING	\$45,000
00350004	535000 COMMUNICATION	\$30,000
00350004	536000 TRANSPORTATION - NOT TRAVEL	\$608
00350004	560000 TRAVEL	\$24,285
<b>TOTAL OTHER SERVICES</b>		<b>\$189,893</b>

### 5 UTILITIES

00350005	530000 ELECTRICITY	\$40,000
00350005	531010 WATER	\$10,000
<b>TOTAL UTILITIES</b>		<b>\$50,000</b>

### 7 CAPITAL OUTLAYS

00350007	575400 CAP COMPTUER & HARDWARE	\$27,000
<b>TOTAL CAPITAL OUTLAYS</b>		<b>\$27,000</b>

<b>TOTAL BUDGET</b>		<b>\$2,468,145</b>
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