September 30, 2019 **AR-01-GVI-19**

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

AUDIT OF EXECUTIVE BRANCH CREDIT CARDS AND LINES OF CREDIT PRACTICES AND PROCEDURES

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EXECUTIVE SUMMARY

The following summarizes the major findings from the Audit of Executive Branch Credit Cards and Lines of Credit Practices and Procedures (AR-01-GVI-19).

Finding 1: Credit Account Regulations (pages 7 to 10)

- ✓ There were no uniform regulations governing the use of credit cards and lines of credit.
- ✓ There were no internal controls to govern the use and accountability of credit transactions.
- ✓ As much as $1.1 million in credit transactions were not protected from fraud, waste and abuse.

Finding 2: Unapproved Credit Transactions (pages 11 to 13)

- ✓ Credit purchases were made without first obtaining approved purchases orders.
- ✓ Travel expenses were incurred without authorization.
- ✓ At least $199,199 in purchases was made that did not conform to procurement regulations.
- ✓ At least $17,295 in travel expenses did not conform to travel regulation.

Finding 3: Questionable Credit Charges (pages 15 to 19)

- ✓ Three agencies used credit card accounts for purchases inconsistent with applicable laws, policies and procedures, and best practices.
- ✓ Of $396,556 in charges reviewed, $31,867 was questioned.
- ✓ Credit cards charges without supporting documentation totalled $17,428.
- ✓ Personal charges totalled $10,642.
- ✓ Travel charges that were claimed more than once totalled $3,797.

Finding 4: Late Credit Payments (pages 21 to 27)

- ✓ Credit card payments were not processed timely, resulting in finance charges and late fees.
- ✓ $881,167 in credit card charges were paid late, resulting in $23,288 in finance charges and late fees.

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September 30, 2019

Honorable Albert Bryan, Jr.
Governor of the Virgin Islands
Government House
5047 (21-22) Kongens Gade
Charlotte Amalie, Virgin Islands 00802

Honorable Novelle E. Francis, Jr.
Senate President
33rd Legislature
Capital Building
Charlotte Amalie, Virgin Islands 00802

Dear Governor Bryan and Senator Francis:

This report contains the results of our audit of Executive Branch credit cards and lines of credit practices and procedures. The audit objective was to determine if standard policies and procedures, practices and financial controls, exercised by Executive Branch agencies over the use of, and payment on, Government credit instruments are sufficient and adequate to safeguard Government funds.

We found that standard policies and procedures, practices and financial controls exercised by Executive Branch agencies over the use of, and payment on, Government credit instruments were not sufficient and adequate to safeguard Government funds. Specifically: (i) Department of Finance and Department of Property and Procurement officials did not establish standard regulations to govern how Executive Branch agencies entered into and managed credit card/lines of credit agreements; (ii) Executive Branch agencies used the credit card/lines of credit to make purchases without first obtaining purchase orders, or to travel without proper authorization; (iii) agency officials (a) submitted $17,428 in credit card expenses that were not supported by documentation to identify the items purchased, or their purpose; (b) charged $10,642 in unauthorized personal expenses; and (c) submitted $3,797 in duplicate expenses when cash advances and credit card charges covered the same costs; (iv) agency officials did not process payments totaling $881,167 in the timeframe required by law; and, (v) agency officials who were responsible for directly making payments to the credit card company on behalf of the Government did not always remit the full amount the Government provided, but instead made partial payments.

We attribute these conditions to: (i) Property and Procurement and Finance officials not being aware of the extent to which credit instruments were used in the Executive Branch; (ii) agency officials not establishing effective internal controls to manage the use of the credit instruments to protect against the financial risk of fraud, waste, and abuse; (iii) agency officials not requiring supporting documents to justify cash advances and credit account expenses; (iv) agency officials not adhering to the procurement policies of the Government; (v) agencies not following the Government-wide travel regulations; and, (vi) agency officials not adhering to payment regulations, as well as not ensuring that cardholders, responsible for paying on assigned credit accounts, remit payments timely.

As a result: (i) at least $1.1 million in credit transactions were not adequately protected, and thus placed at risk for fraud, waste, and abuse; (ii) credit purchases totaling at least $199,199 were made that did not conform to the Government's procurement policies; (iii) travel and travel-related expenses totalling at least $17,295 did not conform to Government-wide travel regulations; (iv) Executive Branch agency officials could not ensure that credit account expenditures were legal, appropriate, and consistent with their operations; and, (v) $881,167 in credit account charges was paid late, causing $23,288 in finance charges and late fees.

We have made several recommendations to address the conditions and causes cited in this report. Our recommendations address the following areas: (i) management oversight; (ii) procurement; (iii) internal controls; and, (iv) payment process.

Exit conferences were held on July 11, 2019 and on July 18, 2019. There was general agreement with the findings and recommendations made in the report.

A response to the recommendations, dated September 16, 2019, is included as Appendix I beginning on page 29 of this report.

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

Sincerely,

Steven van Beverhoudt

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

TABLE OF CONTENTS

Page

INTRODUCTION

Background 1
Objective, Scope, and Methodology 3
Prior Audit Coverage 4

RESULTS

Conclusions 5

Finding 1: Credit Account Regulations 7
- Background 7
- Lack of Comprehensive Regulations 7
- Agencies' Internal Control Policies and Procedures 9
- Recommendations 9
- Department of Finance's Response 10
- V. I. Inspector General's Comments 10

Finding 2: Unapproved Credit Transactions 11
- Background 11
- Unapproved Expenses 11
- Recommendations 13
- Department of Finance's Response 13
- V. I. Inspector General's Comments 13

Finding 3: Questionable Credit Charges 15
- Background 15
- Unidentified Expenses 15
- Personal Charges 16
- Duplicate Expenses 18
- Recommendation 18
- Department of Finance's Response 19
- V. I. Inspector General's Comments 19

Finding 4: Late Credit Card Payments 21
- Background 21
- Processing Credit Payments 21
- Late Payment Request 22
- Late Request for Reimbursement 23
- Partial Payments 24
  - Official #1 24
  - Official #2 25
  - Official #3 26

TABLE OF CONTENTS

Page

Recommendations 26
Department of Finance's Response 27
V. I. Inspector General's Comments 27

APPENDICES

Appendix I Department of Finance's Response 29
Appendix II Additional Information Needed to Close Recommendations 33
Appendix III Official Report Distribution 35

INTRODUCTION

BACKGROUND

The Executive Branch of the Government of the Virgin Islands (Government) uses various types of credit cards and lines of credit (credit instruments) as a means to facilitate transactions by some governmental agencies. These credit instruments include corporate and commercial credit cards and other lines of credit granted by various local businesses. We found that these credit instruments were used in the Executive Branch as early as Fiscal Year 2002. The following list defines the types of credit instruments used by the Executive Branch.

- A credit card can be either credit or a charge card used to cover certain company expenses incurred on behalf of their company.

- A line of credit is credit extended to a government, business or individual.

The VI Code (Code) Title 14 Section 3004a, prohibits the unauthorized use of government credit cards. Also, Title 31, Section 232 of the Code established that the Department of Property and Procurement (Property and Procurement) is responsible for administering all contracts for supplies, equipment and contractual services entered into by government agencies; as well as establishing and enforcing standard regulations on the purchase of supplies and equipment for government use.

In addition, Title 3, Section 177 of the Code states that the Department of Finance (Finance) is responsible for having general control over the enforcement of the laws relating to receipt and disbursement of funds. On November 21, 2012, Finance established Standard Operating Policies and Procedures (SOPP) No. 252, titled "Government of the Virgin Islands American Express Card Authorization, Reconciliation & Payment." Finance created this regulation solely to manage the Department of Education's (Education) credit card.

Also, as a result of the Government's 2014 Single Audit, in May of 2015, Finance sent a request to each Government agency to disclose whether they utilized "any credit cards." The request asked the agencies to provide a "list of credit card companies utilized on behalf of and/or in the name of GVI (e.g., First Bank, Banco Popular, American Express, Diner's Club, Discover, etc.)." According to Finance, only the Governor and Lieutenant Governor's Offices responded to Finance that they held credit cards. However, we found that other agencies held store credit cards, from a hardware store and an office supply store, but they did not report their existence to Finance.

Of 29 Executive Branch agencies, 14 utilized credit instruments during Fiscal Years 2013 through 2016.

As shown, in the following table, Figure 1.1 lists the 14 agencies' credit accounts, the number of credit cards/lines held, and the credit limits on each account (if available).

Figure 1.1 **Executive Branch Agencies Reporting Credit Instruments**

Agency	Credit Instrument	No.	Credit Limit
[1] Finance	Credit Card	1	No Pre-set Limit
	Warehouse Grocery Store	1	No Pre-set Limit
Office of the Governor	Credit Card-2013-2014	15	$ 97,500
	Credit Card-2015-2016	7	107,550
	Hardware Store	1	10,000
	Office Supply Store	1	20,000
	Warehouse Grocery Store	1	No Pre-set Limit
Office of the Lt. Governor	Credit Card-2013-2014	4	35,000
	Credit Card-2015-2016	1	20,000
	Hardware Store	1	5,000
Bureau of Motor Vehicles	Hardware Store	1	5,000
VI Energy Office	Hardware Store	1	20,000
	Warehouse Grocery Store	1	No Pre-set Limit
VI Fire Service	Hardware Store 1	2	2,500
	Auto Supply Store	1	No Pre-set Limit
	Hardware Store 2	1	*Unknown
	Hardware Store 3	1	*Unknown
Sports, Parks, & Recreation	Hardware Store 1	1	*Unknown
	Warehouse Grocery Store	1	No Pre-set Limit
	Paint Supply Store	1	No Pre-set Limit
	Hardware Store 2	1	*Unknown
	Hardware Store 3	1	*Unknown
Property & Procurement	Hardware Store 1	1	3,000
	Hardware Store 2	1	*Unknown
VI Territorial Emergency Management Agency	Hotel	1	1,000
Labor	Warehouse Grocery Store	2	No Pre-set Limit
Tourism	Hardware Store 1	1	5,000
	Hardware Store 2	1	1,000
	Hardware Store 3	1	No Pre-set Limit
Human Services	Warehouse Grocery Store	1	No Pre-set Limit
Education	Warehouse Grocery Store	2	No Pre-set Limit
Licensing and Consumer Affairs	Auto Supply Store	1	No Pre-set Limit
Total		**58**	**$332,550**

[1] Finance is the custodian of the credit card used by Education for travel expenses.
*Unknown – The agency did not provide documentation of the credit limit of its credit account

Figure 1.2, shows the 14 agencies' total credit card/lines of credit purchases made during the 2013-2016 period audited.

Figure 1.2 **Executive Branch Agencies Known Credit Charges**

Agency	Known Credit Charges 2013-2016
Finance (Education)	$1,125,480
Office of the Governor	769,805
VI Fire Service	157,048
Office of the Lt. Governor	152,526
VI Energy Office`	28,313
Sports, Parks and Recreation	11,905
Bureau of Motor Vehicles	11,754
Property & Procurement	3,471
VI Territorial Emergency Management Agency	*Unknown
Labor	*Unknown
Tourism	*Unknown
Human Services	*Unknown
Education	*Unknown
Licensing and Consumer Affairs	*Unknown
Total:	**$2,260,302**

The credit purchase totals above are based on our analysis of available credit card statements, invoices, and receipts submitted by agencies for payment through Finance's Enterprise Resource Planning (ERP) system.
*Unknown – We were unable to determine which purchases by the agency were made on credit.

During the fieldwork phase of our audit, we kept Finance and Property and Procurement informed of issues that could impact the development of credit card regulations. Finance collaborated with Property and Procurement to finalize SOPP No. 253 that addressed credit cards and lines of credit. As a result, on April 11, 2018, Finance issued SOPP No. 253 entitled "Government of the Virgin Islands Corporate Line of Credit Accounts and Instruments Authorization, Reconciliation & Payment." The SOPP provides controls and requirements for establishing and managing credit accounts and credit instruments.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine if standard policies and procedures, practices and financial controls, exercised by Executive Branch agencies over the use of and payment on Government credit instruments are sufficient and adequate to safeguard Government funds. The scope of the audit was Fiscal Years 2013 through 2016.

To accomplish our objective we: (i) reviewed relevant laws, rules, regulations, policies, procedures, and best practices; (ii) conducted a survey to gain knowledge of credit accounts held by the 29 Executive Branch agencies; (iii) inquired with financial institutions and local businesses about credit accounts opened by Executive Branch agencies; (iv) non-statistically selected agencies that entered into clearly established credit agreements and examined the supporting records provided, including credit card statements, vendor invoices, receipts, and

financial documents, to determine if the expenditures were appropriate, and if agencies kept proper records and complied with applicable laws; and, (v) interviewed management and other staff of agencies to gain an understanding of their internal policies, procedures, and practices for the use and management of their credit accounts. In instances where records from the agencies were not available or forthcoming, we obtained documents directly from the ERP system, the financial management system maintained by Finance.

We conducted this performance audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States in December 2011. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we conducted such tests of records and performed other auditing procedures that were considered necessary under the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We planned our audit work to assess the effectiveness of internal controls that were significant to our audit objective. Our conclusion on the usefulness of those controls, as well as specific details of our findings and recommendations, are described in the audit findings and recommendations.

PRIOR AUDIT COVERAGE

In August 2004, the US Department of Interior issued Report No. V-IN-VIS-0104-2003 titled "Use of Official Credit Cards, Government of the Virgin Islands." The report addressed the use of credit cards by semi-autonomous agencies of the Government. We are unaware of any audits conducted on the VI Government Executive Branch agencies' use of credit cards and lines of credit in the last five years.

RESULTS

CONCLUSIONS

We found that standard policies and procedures, practices and financial controls exercised by Executive Branch agencies over the use of, and payment on, Government credit instruments were not sufficient and adequate to safeguard Government funds. Specifically: (i) Finance and Property and Procurement officials did not establish standard regulations to govern how Executive Branch agencies entered into and managed credit card/lines of credit agreements; (ii) Executive Branch agencies used the credit card/lines of credit to make purchases without first obtaining purchase orders or to travel without proper authorization; (iii) agency officials (a) submitted $17,428 in credit card expenses that were not supported by documentation to identify the items purchased, or their purpose; (b) charged $10,642 in unauthorized personal expenses; and (c) submitted $3,797 in duplicate expenses when cash advances and credit card charges covered the same costs; (iv) agency officials did not process payments totaling $881,167 in the timeframe required by law; and, (v) agency officials who were responsible for directly making payments to the credit card company on behalf of the Government did not always remit the full amount the Government provided, but instead made partial payments.

We attribute these conditions to: (i) Property and Procurement and Finance officials not being aware of the extent to which credit instruments were used in the Executive Branch; (ii) agency officials not establishing effective internal controls to manage the use of the credit instruments to protect against the financial risk of fraud, waste, and abuse; (iii) agency officials not requiring supporting documents to justify cash advances and credit account expenses; (iv) agency officials not adhering to the procurement policies of the Government; (v) agencies not following the Government-wide travel regulations; and, (vi) agency officials not adhering to payment regulations, as well as not ensuring that cardholders, responsible for paying on assigned credit accounts, remit payments timely.

As a result: (i) at least $1.1 million in credit transactions were not adequately protected, and thus placed at risk for fraud, waste, and abuse; (ii) credit purchases totaling at least $199,199 were made that did not conform to the Government's procurement policies; (iii) travel and travel-related expenses totalling at least $17,295 did not conform to Government-wide travel regulations; (iv) Executive Branch agency officials could not ensure that credit account expenditures were legal, appropriate, and consistent with their operations; and, (v) $881,167 in credit account charges was paid late, causing $23,288 in finance charges and late fees.

We have made several recommendations to address the conditions and causes cited in this report. Our recommendations address the following areas: (i) management oversight; (ii) procurement; (iii) internal controls; and, (iv) payment process.

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FINDING 1: CREDIT ACCOUNT REGULATIONS

We found that the Executive Branch did not have uniform regulations to procure and govern the use of credit cards and lines of credit. Specifically, there were no regulations to govern, at a minimum: (i) how agencies entered into credit agreements/ lines of credit, (ii) the number of credit cards; (iii) the credit limits; and (iv) the approval process of employees/officials authorized to use credit cards and/or have access to the agencies' line of credit. In addition, some Executive Branch agencies that entered into credit agreements did not establish internal controls to ensure, at a minimum, that the expenditures were authorized, valid, and business related, or that corrective action was taken when officials misused the credit card accounts.

We attribute these conditions to: (1) Property and Procurement and Finance officials not establishing regulations on how Executive Branch agencies obtained and controlled the credit cards and lines of credit; and, (2) Executive Branch agency officials not creating internal controls to govern the use and accountability for the credit accounts.

As a result, the Executive Branch did not adequately protect at least $1.1 million in credit transactions and placed those funds at risk for fraud, waste, and abuse.

Background

Title 31, Section 232 of the Code established that Property and Procurement is responsible for administering all contracts for supplies, equipment and contractual services entered into by government agencies, as well as establishing and enforcing standard regulations on the purchase of supplies and equipment for Government use. Also, Title 3, Section 177 of the Code states that Finance is responsible for having general control over the enforcement of the laws relating to receipt and disbursement of funds.

Finance, on November 21, 2012, established SOPP No. 252 titled "Government of the Virgin Islands American Express Card Authorization, Reconciliation & Payment." The purpose of the policies and procedures was to ensure timely reconciliation of monthly statements of the American Express card utilized by the Education Department.

Also, after we completed the fieldwork phase of our audit, Finance, on April 11, 2018, issued SOPP No. 253 that addressed the credit cards and lines of credit titled "Government of the Virgin Islands Corporate Line of Credit Accounts and Instruments Authorization, Reconciliation & Payment."

Lack of Comprehensive Regulations

We found that Finance and Property and Procurement's lack of established uniform regulations to govern Executive Branch agencies' credit cards and lines of credit led to some agencies seeking advice from these agencies, while other agencies entered into credit agreements on their own. We judgmentally selected eight agencies for review of their credit cards/lines of credit activities. The following lists the eight agencies reviewed:

1. Education
2. Office of the Governor
3. Office of the Lt. Governor
4. Bureau of Motor Vehicles
5. VI Energy Office
6. VI Fire Service
7. Sports, Parks, and Recreation
8. Property and Procurement

Two of the eight agencies contacted Property and Procurement or Finance on how to proceed in establishing their credit accounts. Namely, Education coordinated with Finance, and in 2010 a credit card account was established for travel purposes. Also, Sports, Parks, and Recreation conferred with the Commissioners of Property and Procurement and Finance in 2016 about creating an account with a local hardware store. While the two agencies sought and received advice and guidance from Finance and Property and Procurement, other agencies independently opened credit cards and lines of credit accounts with commercial merchants and local vendors.

We found that, except for the Education and the Governor's Office's credit cards, other Executive Branch agencies did not have formal internal policies and procedures for the management of their credit accounts. Agencies that did not establish internal policies and procedures increased their risk of unauthorized expenditures.

We found that Education officials enforced the policies and procedures established for their credit card. We did not find any material exception with the expenditures on the card. However, although the Governor's Office created policies for their credit card, we found that they did not enforce these policies.

According to the Governor's Office credit card policy, Business Office personnel were required to monitor cardholders' expenditures and payment history monthly. This allowed the Governor's Office to determine if expenditures were business related and if cardholders made timely payments to the credit card company. Also, the policy states that "any violations of the prescribed procedures regulating the use of the referenced credit card will result in your payment of the entire balance due on the credit card and cancellation of same." Although cardholders violated the credit card policies, we saw no evidence that they were held accountable.

As detailed in Finding 3, we found that two officials in the Governor's Office routinely used their Government-issued credit cards to either obtain cash advances, or make personal purchases. However, Governor's Office officials took no disciplinary action against the cardholders. Business Office personnel stated that they consistently informed these cardholders that they could not use the credit card for personal purposes. Although, these individuals paid for their own charges, at no time did the Governor's Office interrupt their spending activity by demanding full payment of the credit card statement balance and cancelling their credit accounts.

The Lt. Governor's Office did not have a written policy for the use of their credit cards. We found that the Lt. Governor's Office paid credit card charges without reconciling those charges to previously issued cash advances. We noted that in only 1 of 10 instances where a cash

advance was granted, the Business Office refused to pay costs found on the credit card because the cardholder's previously issued cash advance covered the same expenses. Moreover, we saw no evidence that the Business Office ensured that the official accounted for the cash advance. This matter is discussed in greater detail in Finding 3.

Agencies' Internal Control Policies and Procedures

Good credit card internal controls specify that the reconciliation of credit accounts is essential to ensure that the entity only incurs bona fide and business-related expenses. Although agency officials indicated that they had a practice of reconciling monthly statements, we found that at least four of the eight audited agencies did not provide sufficient evidence to show that the agency regularly reconciled their hardware store credit cards.

For example:

- The V.I. Energy Office (Energy Office) did not maintain their credit card monthly statements. When we inquired about the statements, an official informed us that the agency might not have received the statements from the vendor.

- Sports, Parks & Recreation did not have, on file, any of their Fiscal Year 2016 credit card monthly statements. Sports, Parks & Recreation administrative staffers expressed confusion as to who was responsible for maintaining the monthly statements. One administrative staff member stated that the records might have been lost or misplaced. Because the hardware store statements were unavailable, we could not verify if the agency reconciled its monthly statements to ensure that the agency only paid valid expenses.

- The Lt. Governor's Office did not provide their credit card statements for Fiscal years 2013 and 2014 and most of 2016.

- Officials with the VI Fire Service, St. Croix Office stated that they were unable to conduct reconciliations of their credit card statements because at times they did not receive the statements. Whereas, the St. Thomas officials could not adequately reconcile their hardware store credit card statements, because the purchasers did not always provide detailed receipts of the items purchased.

Title 14 Section 3004a of the Code, prohibits the unauthorized use of government credit cards. Therefore agency officials had a fiduciary responsibility to reconcile the credit card statements to ensure that all expenses were allowable and conformed to the operations of the agencies.

Recommendations

We recommend that the Commissioner of Property and Procurement:

1. Ensure that all Executive Branch agencies obtain credit instruments according to established laws, policies and procedures.

2. Ensure that all Executive Branch agencies are made aware of how to use the credit instruments according to procurement laws.

We recommend that the Commissioner of Finance:

1. Ensure that all Executive Branch agencies are made aware of Finance SOPP No. 253 "Government of the Virgin Islands Corporate Line of Credit Accounts and Instruments Authorization, Reconciliation & Payment."

2. Provide guidance, through training opportunities**,** to Executive Branch agencies on establishing written internal controls to address, at a minimum:

    a. Establishing authorized users;
    b. Types of purchases allowed;
    c. Procedures for documenting expenses and their purpose;
    d. Consequences for inappropriate credit instrument use; and
    e. The reconciliation of credit card statements and supporting receipts.

Department of Finance's Response

The Commissioner of Finance submitted a September 16, 2019 response addressing the recommendations made to Finance. Correspondence from the Commissioner of Property and Procurement indicated that the response from Finance was representative of both departments. However, the responses to the two recommendations to Property and Procurement were not addressed in the response submitted by Finance.

Regarding the two recommendations made to Finance, the Commissioner indicated that SOPP#253 will be updated and guidance will be disseminated to all agencies. The expected completion dates were given as March 31, 2020 and July 31, 2020.

V. I. Inspector General's Comments

Although it was indicated that Finance's response was representative of both agencies, the recommendations to Property and Procurement were not addressed. We strongly recommend that Property and Procurement officials take the appropriate steps to control the use of credit cards and lines of credit to prevent agencies from circumventing the procurement process. These recommendations will be classified as unresolved.

Regarding the response from Finance, at the exit conference the Commissioner indicated a plan to revise the method for issuing and using credit cards. If the revisions and the guidance mentioned in the response refers to the plan suggested by the Commissioner at the exit conference, a July 31, 2020 implementation date is a long time away without any action to correct the weaknesses noted in the report. We suggest that, in cooperation with Property and Procurement, some steps be taken in the interim to address the abuse of credit cards and lines of credit. The recommendations will be considered resolved, but not implemented.

FINDING 2: UNAPPROVED CREDIT TRANSACTIONS

Executive Branch agencies with credit accounts: (i) made purchases without first obtaining an approved purchase order from Property and Procurement and traveled without proper authorization.

We attribute this condition to agencies not complying with established Government procurement and travel regulations.

As a result, purchases totaling at least $199,199 were made that did not conform to the Government's procurement regulations**,** and $17,295 did not conform to travel regulations.

Background

According to Title 31, Section 232 of the Code, the Commissioner of Property and Procurement is the procurement officer for the Executive Branch and administers the purchases and controls of all supplies, materials, and equipment by all agencies of the Government.

Title 31, Section 234(a) of the Code prohibits agencies from making purchases without a purchase order approved by the Commissioner of Property and Procurement.

In addition, Property and Procurement's Policy No. 012016 states that for the procurement of goods and services exceeding $5,000 three vendor quotes are required. In lieu of quotes, a justification letter must be submitted to, and approved by**,** the Commissioner of Property and Procurement, prior to the agency's submission of a requisition.

Also, Executive Order No. 439-2008, Section 3, requires an approved travel authorization for all Government travel within and outside of the territory of the Virgin Islands before expenses are incurred.

Unapproved Expenses

We found that the audited agencies used their credit accounts to expend at least $216,494 in credit purchases without first obtaining a purchase order, or traveling without proper travel authorization. Access to a credit card, or line of credit, does not exempt an agency from following the procurement laws of the Government. It is our opinion that in the absence of an emergency, pre-approval of credit purchases is essential in controlling Government expenditures and keeping the departments in line with their budget. We found that agencies did not document the nature of an emergency when they used their credit account to buy items without first obtaining a purchase order. Seven of eight agencies audited consistently made purchases on their credit accounts before they received the necessary approval from Property and Procurement. Instead, officials from the seven agencies stated that credit approval for purchases was given verbally from within the agency.

The following schedule, Figure 1.3, shows the seven agencies, their credit accounts, the audited dollar amount of purchases, and the dollar value of the purchases made using credit accounts without a pre-approved purchase order or travel request.

Figure 1.3

Unapproved Credit Purchases
FY 2013 – 2016

Agencies	Credit Account	Purchases Reviewed	Purchases w/o Purchase Order or Travel Authorization
Governor's Office	Credit card-PO	$112,363	$ 61,559
	Credit Card-GTR	210,661	13,605
	Hardware Store	26,641	20,553
	Office Supply store	9,165	9,165
Lt. Governor's Office	Credit card-PO	5,178	3,402
	Credit card-GTR	42,258	3,690
	Hardware Store	2,367	2,367
Bureau of Motor Vehicles	Hardware Store	7,931	7,555
VI Energy Office	Hardware Store	22,327	14,771
VI Fire Service	Hardware Store	4,670	4,670
	Auto Supply store	73,778	62,609
Sports, Parks, & Recreation	Hardware Store	10,381	10,381
Property & Procurement	Hardware Store	2,301	2,167
Total		**$530,021**	**$216,494**

Purchases listed in the table are based on data obtained from the ERP and monthly credit account statements provided by the agencies.

Governor's Office officials spent $61,559 using their credit card without pre-approved purchase orders. For example, on May 20, 2016 the Governor's Office purchased dinnerware costing $8,306. As would be done in normal circumstances and in conformance with requirement for purchases that exceeds $5,000, we did not find evidence that three quotes were obtained nor was there a justification letter. In addition, we were not provided with an approved purchase order. Instead, we found that two purchase orders were created, one on June 28, 2016 and another on July 5, 2016, to cover the cost found on the credit card accounts. Governor's Office personnel indicated that there was a justification letter; however, none was provided.

We found that although the dinnerware cost was $8,306, the amount charged and paid by two officials totaled $8,788. The combined charges and payments exceeded the cost of the dinnerware by $482. Inquiry with officials at the Governor's Office revealed that this discrepancy went unnoticed.

The Energy Office officials purchased $14,771 in merchandise using their hardware store card before obtaining a purchase order. For example, the agency purchased water heaters and other items totaling $8,099. Specifically, on March 15, 2013, the Energy Office bought 15 water heaters at a total cost of $4,035. The Energy Office obtained a purchase order two and a half months later, on May 29, 2013. Again on April 16, 2015, the Energy Office purchased ten water heaters and six air conditioners for $4,064. The Energy Office did not obtain the purchase order for these items until May 12, 2015.

Sports, Parks and Recreation spent $10,381 on merchandise without first obtaining a purchase order. For example, the agency made a series of purchases on June 3, 14, and 17, 2016, and spent a combined $8,377 on merchandise using the agency's hardware store card. The department did not obtain the purchase order for these purchases until September 1, 2016, three months after the initial transaction.

Recommendations

We recommend that the Commissioners of Finance and Property and Procurement implement training for the procurement officers of the Executive Branch agencies who hold credit accounts, on:

1. The laws and Standard Operating Policies and Procedures (SOPP) as they relate to the procurement process and credit instruments.

2. How agencies should document emergency purchases when they depart from the standard procurement laws of the Government.

Department of Finance's Response

The response indicated agreement with both recommendations. Regarding the first recommendation, it was stated that in collaboration with Property and Procurement, training for procurement officers will be conducted. The expected completion date is March 31, 2020.

For the second recommendation, it was indicated that training will also be conducted. In addition, Finance is working towards soliciting a vendor to assist in the management of credit card transactions. The expected completion date is December 31, 2020.

V. I. Inspector General's Comments

We again suggest that Finance and Property and Procurement take steps to correct the weaknesses discussed in the report. A December 31, 2020 implementation date of a new management system is more than a year away. Controls, even if they are temporary, need to be implemented now to avoid the abuse of credit cards and lines of credit privileges.

We will consider these recommendations as resolved, but not implemented.

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FINDING 3: QUESTIONABLE CREDIT CHARGES

Officials at three Executive Branch agencies used their Government credit card accounts to make purchases inconsistent with applicable laws, policies and procedures, and best practices. For the Governor and Lt. Governor Offices, and the Bureau of Motor Vehicles, we audited a total of $396,556 in credit card charges and questioned $31,867.

Specifically, we found that officials submitted $17,428 in credit card expenses without providing sufficient documentation to identify the items purchased and their purpose. Also, officials charged $10,642 in personal expenses, and one official submitted $3,797 in duplicate travel costs.

We attribute these conditions to: (i) Finance not establishing and implementing policies and procedures addressing the acquisition, use, reporting, and reconciliation of Government credit accounts; and, (ii) Executive Branch agencies not having adequate internal controls to manage credit accounts to reduce the financial risk of fraud, waste, and abuse.

As a result, the Government officials could not ensure that credit card expenditures were legal, appropriate, and consistent with its operations.

Background

Finance's SOPP No. 130, requires agencies to submit, among other documents, the vendor's original invoice with a description of the items purchased.

Executive Order No. 439-2008, Section 3(b) states that upon completion of authorized travel, the traveler shall submit his claim for reimbursement of travel expenses and accounting of a cash advance (if applicable), on a "Claim for Travel Expenses."

Also, the Governor's Office credit card policy states that the credit card cannot be utilized for personal purposes.

Unidentified Expenses

We found $17,428 in credit card charges that were not supported by sufficient detail to show what officials purchased and to determine if the expenses were business related. There were instances where the only supporting documentation provided was credit card receipts. Credit card receipts only show the vendor, transaction date and the amount charged, while a detailed vendor receipt identifies the items purchased. Because there were no detailed receipts, or other description provided to support the purchases, we were unable to determine whether the charges were business related, and therefore allowable.

Specifically, during Fiscal Years 2013 through 2016, the Government paid $13,124 in credit card charges for the Governor's Office, and $4,304 for the Lt. Governor's Office, for which the cardholders did not provide supporting receipts or description of the items purchased. We question the basis for which Government funds were used to pay these charges.

Also, in September 2014, one official with the Governor's Office, incurred $2,704 in credit card charges while on official government travel. We found no receipts to cover $2,149 of the travel charges. Instead, we found a written notation on the credit card statement: "Purchases during authorized travel. No receipts necessary." The Government paid the charges. Some of the most questionable expenses included among the cost were charges at department stores, grocery stores, and local restaurants.

Similarly, another official with the Governor's Office credit card statement for June 2016 included unsupported charges of $1,784. These expenses were for purchases made at local grocery stores, a deli and a restaurant. Again, the cardholder submitted only credit card receipts as proof of purchase. The Governor's Office did not provide any further documentation to describe the purpose of these charges.

We also found that one official within the Lt. Governor's Office credit card statements for December 2012 and April 2013 included a total of $1,081 in unsupported charges. These charges related to purchases made at local grocery stores and restaurants. The only receipts provided were credit card receipts. The Lt. Governor's Office provided no documentation to describe the purpose of these expenses. Therefore, we were unable to determine if these purchases were business related.

We inquired with personnel within the Business Offices of the Governor and Lt. Governor about the lack of detailed support on charges found on the credit cards, mostly, local restaurants and grocery stores charges. The Governor's Business Office staff noted that sometimes the cardholder would indicate what was business related or personal. The Lt. Governor's Business Office personnel stated that some credit card users were allowed to charge meals, after meetings on the island that they reside, and "it is one of the perks of the position."

Personal Charges

We found that some officials of the Governor's Office used the government's credit cards to charge $10,430 in personal expenses. Although the officials paid these charges, the Governor's Office credit card policies restricted the use of the credit card to official travel and office-related expenses. Specifically, during Fiscal Year 2013 through 2014, one cardholder used the credit card to obtain $5,173 in cash advances through sixteen ATM withdrawals, while two other officials spent at least $5,257 in personal travel-related costs. The following schedule (Figure 1.4) details the sixteen ATM withdrawals.

Figure 1.4 **ATM Withdrawals**

Date	Location	Questioned Amount
09/18/2012	Banco Popular - Main Branch	$ 400.00
10/17/2012	Banco Popular - Hibiscus Alley	400.00
10/30/2012	First Bank – Waterfront	302.50
11/09/2012	First Bank - Crown Bay	102.50
11/21/2012	Banco Popular - Main Branch	500.00
12/10/2012	First Bank - Yacht Haven	502.50
01/25/2013	University of the Virgin Islands	300.00
02/01/2013	First Bank - CE King Airport	202.50
02/05/2013	First Bank – Waterfront	202.50
02/21/2013	Sugar Estate	100.00
11/12/2013	First Bank – Waterfront	702.50
01/21/2014	Banco Popular - Hibiscus Alley	300.00
01/22/2014	First Bank - Crown Bay	352.50
05/30/2014	First Bank – Waterfront	202.50
06/15/2014	First Bank – Waterfront	302.50
06/24/2014	Banco Popular - Fort Mylner	300.00
Total		**$5,172.50**

We found that the official did not ask the Government to pay the $5,173 in ATM charges. The cardholder paid the applicable fiscal year charges by August 13, 2013, and by November 20, 2014. When we inquired with Business Office officials about the ATM withdrawals they indicated that cardholders were not supposed to have pin numbers that would allow them to withdraw cash. They were unaware how the cardholder was able to obtain a pin number.

We also found that during Fiscal Years 2013 and 2014, another official incurred personal charges of $9,155.64 and $5,198.68 respectively. For example, the credit card was used to pay for $3,994 in car rental expenses not related to official Government business. The official eventually settled the charges on April 2, 2015. Specifically, the official charged $2,678 for car rental charges while on travel to New York, Arizona, and Washington, D.C. in November 2012 and January 2013. Similarly, in November and December of 2013, the official charged $1,316 in car rental charges while on non-business related travel to New York, Puerto Rico, and Arizona.

A third Governor's Office official charged $1,263 in personal charges for airfare and meals while on travel to California on May 18, and June 7-8, of 2013. Again, although the official paid the costs on September 10, 2013, the credit card policy prohibited the use of the card for personal expenses.

During Fiscal Years 2013 through 2016, we found that employees of the Bureau of Motor Vehicles (BMV) used the agency's hardware store credit account to purchase $212 in snacks while buying supplies for the agency. When asked, agency officials stated that the snacks were purchased for "customer appreciation" days held throughout the year. However, we question this explanation based on the cost charged, the quantity and individualized size of the snack items purchased during each trip. For example, while buying supplies, the purchaser obtained as little as one 20 oz Coke for $1.87, one candy for $0.98, and one bag of chips for $1.09.

Although the value of each item was not significant, we found that the purchasers spent at least $212 over the audited period. We question how these purchases were allowed to continue without management's scrutiny. The Bureau's management stated that the hardware store card was to buy cleaning, operating, and maintenance supplies. We found no evidence that these snack purchases were business related.

Duplicate Expenses

A Lt. Governor's Office official charged travel-related expenses on the Government issued credit card, although cash advances had already been issued. During Fiscal Years 2013 through 2014, the official received $3,797 in cash advances to cover specific travel expenses. Although the Government provided the official with cash advances, the official did not use the cash for its issued purpose. Instead, the official charged, and the Government paid, the travel expenses charged on the credit card. We saw no evidence that the official accounted for, or returned, the cash advances issued for the same purpose. As a result, the payments were duplicated when the Government paid the credit card balances and provided the official the cash advances.

Below, Figure 1.6 shows the cash advances provided to the official during Fiscal Years 2013 and 2014. It also shows the charges and payments to the credit card account, and the amount of the duplicate claim.

Figure 1.6 **Duplicate Travel Expenses**

Travel Date	Cash Advance Purpose	Cash Advanced	Credit Card Charged/Paid	Duplicate Expense
3/19-24/2013	Transportation	$ 215	$ 278	$ 215
	Hotel	1,835	1,394	1,394
6/5-8/2013	Hotel	718	731	718
7/16-20/2013	Transportation	281	281	281
1/23-25/14	Transportation	215	215	215
	Hotel	181	181	181
3/18-22/14	Transportation	233	215	215
5/19-24/14	Transportation	289	289	289
6/7-10/14	Transportation	289	289	289
	Total Duplicate Claim			**$3,797**

As an example, the official received a cash advance totaling $2,425 to attend a meeting in Washington, D.C. The cash advance covered transportation, hotel, and meals. The official charged the same costs to the credit card for a total of $2,149. Further analysis revealed that the credit card expenses were paid in full. We found no evidence that the official accounted for the use of the cash advance.

Recommendation

We recommend that the Commissioners of Finance and Property and Procurement ensure that uniform policies be drafted that clarify what are allowable and unallowable business and travel expenses and to ensure that the expenses are properly accounted for, in accordance with the law.

Department of Finance's Response

The response indicated agreement with the recommendation. It stated that formal policies and procedures will be drafted. The expected completion date is December 31, 2020.

V. I. Inspector General's Comments

We have revised this recommendation to ensure that uniform policies be drafted, rather than having each agency draft their own. Although agreement was indicated, we find a December 31, 2020 implementation date to be very long. As was stated in our previous comments, every effort should be made to quickly eliminate the weaknesses in the use of credit by Government agencies identified in this report. With a new administration and new agency heads, standard operating procedures on Government credit purchases need to be reinforced.

We will consider the recommendation resolved, but not yet implemented.

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FINDING 4: LATE CREDIT CARD PAYMENTS

Executive Branch agencies with credit accounts did not process and pay credit card bills in the required time as stipulated by the law and creditor's terms. Specifically, Executive Branch agencies collectively paid $881,167 of credit card bills late.

We attribute these conditions to agencies not: (i) adhering to the Government rules and regulations regarding the timely processing of Government expenditures, to include travel costs; (ii) ensuring that cardholders responsible for paying an assigned credit account, remit payments timely; and, (iii) obtaining purchase orders before incurring expenses.

As a result, (i) Executive Branch agencies incurred finance charges and late fees totaling $23,288; (ii) in some instances cardholders exceeded their credit limits; and (iii) the Government's credit worthiness was compromised.

Background

Title 33, Section 3281 of the Code requires agencies to enter payment request documents within 30 days of the receipt of the invoice or goods purchased.

Executive Order No. 439-2008, Section 3 stipulates that a Travel Expense Claim and Travel Voucher must be submitted to Finance not later than ten (10) working days after the termination of official travel status.

Also, according to Finance's SOPP No. 130, departments and agencies are responsible for approving invoices promptly to expedite payment.

In addition, Title 31, Section 234(a) of the Code prohibits agencies from making purchases without a purchase order approved by the Commissioner of Property and Procurement.

Processing Credit Payments

We found that agencies processed requests to pay credit accounts too late to render on-time payment to the credit companies. Officials claimed that they received the creditor's bill too late, which did not allow the agency time to process and ensure timely payment. In addition, officials responsible for directly paying credit cards, through a reimbursement process, did not always request a reimbursement in time to meet the creditor's payment deadline.

We found that the eight audited agencies paid late at least $881,167 in credit expenses. Four of those agencies caused $23,288 in finance charges and late fees. We found that agencies often requested payment for the credit card statements too late to ensure timely payments.

The following schedule (Figure 1.7) shows the four agencies that caused finance charges due to late payments, the credit accounts, the dollar value of the expenses paid late, the total amount of finance charges incurred, and the highest number of months payments remained outstanding.

Figure 1.7 **FY 2013 -2016 Untimely Payments and Finance Charges Paid**

Agency	Credit Account	Charges Paid Late	Finance Charges	Highest No. of Months of Outstanding Payments
Governor's Office	Credit card	$457,322	$14,009	9
	Office supply	13,170	963	3
Lt. Governor's Office	Credit card	138,790	7,109	6
Bureau of Motor Vehicles	Hardware	9,985	350	4
V.I. Fire Service	Hardware	2,262	857	1
Total		**$621,529**	**$23,288**	

Late Payment Request

We found that although Executive Branch officials stated that they received the credit account statements too late to make timely payments, we did not find substantial evidence to support this position. For example, the Governor's Office's office supply store credit card statement from May 2016 showed a balance of $3,206.70. The statement balance comprised new charges of $1,767.69, and a past due balance of $1,439.01. The statement due date was June 18, 2016. We found that although the Governor's Office received the statement on June 8, 2016, the agency did not request payment until July 13, 2016 for $1,381.94 and on July 26, 2016 for $85.77 and $299.98. Payment was requested 25 to 38 days past the statement's due date. Subsequently, Finance issued checks on July 26th ($1,381.94), August 2nd ($85.77) and August 9th ($299.98). We noted that finance charges compounded and resulted in $65.60 in late fees.

In addition, the VI Fire Service (St. Croix) hardware store credit statement for October 2015 revealed a balance of $556.04. The balance included past due charges of $514.13, finance charges of $11.91 and late fees of $30. The due date for payment was November 16, 2015. The agency requested payment a day after the due date, on November 17, 2015. A check was issued for $556.04 on December 3, 2015, causing the agency to incur additional finance charges and late fees.

Similarly, the VI Fire Service (St. Croix) hardware store credit monthly statement for December 2015 showed a balance of $1,114.42. This balance was made up of a past-due balance of $1,054.97, finance charges of $24.45 and late fees of $35. Payment on the statement was due on January 16, 2016. The agency did not request payment until January 27, 2016. A check was issued for $1,291.95 on February 9, 2016, again causing the agency to incur finance charges.

The Bureau of Motor Vehicles' February 2014 hardware store credit statement showed a balance of $928. The balance included unpaid charges of $850, purchases of $43 and finance charges of $35. The agency made no payments over the next three months and incurred new costs of $700 over the same period. Consequently, the agency incurred late fees of $105. The Bureau did not provide us with the hardware store credit statements for June through August 2014. Therefore, we could not determine when the agency paid the accumulated charges of $1,733 and if there were additional accrued fees.

Another contributing factor to late payments is when the agencies made purchases before obtaining a purchase order. The payment for the item often became due and payable while the agencies' personnel, after the fact, prepared the necessary paperwork to get the item approved for purchase and paid. For example, an official with the Governor's Office used the credit card account on May 22, 2013 to acquire a television for $1,586. The television charge was included on the June 2013 credit card statement, and the payment was due on July 5, 2013. The Governor's Office did not pay the full cost of the television until August 9, 2013, one month after the payment's due date. We found that the agency's personnel used ten different purchase orders to pay for the television; some of those purchase orders Property and Procurement explicitly approved for other purposes. At least four of the purchase orders valued at $1,051 were for services unrelated to the purchase of the television. Because of the late payment, finance charges on the credit card account accumulated to $207.

Late Request for Reimbursement

We found that another reason agencies did not process and pay credit card bills on time was that some cardholders did not timely submit, or request, reimbursement for the expenses charged to their issued credit cards.

For example, one official with the Governor's Office incurred $1,940 in travel-related charges included on the October 2013 credit card statement. However, records show that the cardholder did not submit a request for reimbursement until August 29, 2014. The Business Director approved the travel voucher on December 11, 2014. Finance did not issue a check to pay these charges until January 21, 2015.

Another official with the Governor's Office charged $2,086.80 in travel expenses that appeared on the March 10, 2013 credit card statement. However, the official did not request reimbursement to pay the charges until June 4, 2013, three months after the trip. The Government issued the cardholder a check on June 20, 2013. During the three months, finance charges of $115 had accumulated on the credit card account. If the cardholders had submitted the travel vouchers in the required time, and paid the statement balance, the agency would have avoided finance charges.

A Lt. Governor's Office official's credit card statement for April 2013 showed charges of $4,665. The statement's payment due date was May 6, 2013. The Lt. Governor's Office requested payment for $4,346 of the expenses on August 2, 2013, three months after the due date. Finance issued a check on August 7, 2013. The delay in payment contributed to finance charges of $513 on the account. The same official's March 2014 credit card statement showed a balance of $6,181, and a statement payment due date of April 3, 2014. The balance included $2,859 in new charges, an unpaid balance of $3,191, along with $131 in finance charges. The Lt. Governor's Office requested payment for the new charges of $2,859 on May 30, 2014, almost two months after the statement's due date. Finance issued a check on June 3, 2014. During the two months that the agency did not pay the account, the official continued to use the card and incurred new charges of $3,734, while the card accumulated finance charges of $447.

Partial Payments

We found that during Fiscal Years 2013 and 2014, the Governor's Office entrusted some officials to pay their credit card account balances through a reimbursement process**.** Finance issued checks to the officials, who were expected to pay the credit card company. We found that some cardholders, when reimbursed, did not always remit the full payment to the credit card company. Specifically, three cardholders, after being compensated, used the funds to make partial payments over a period of time that ultimately resulted in unnecessary finance charges.

Official #1. An official of the Governor's Office received $2,250.68 on December 18, 2012 to pay $2,054.69 in travel-related charges incurred on the November and December 2012 statements. The difference of $195.99 was a travel-related reimbursement for per diem that the Government owed the cardholder. The December statement's due date was on January 3, 2013. The cardholder only paid $750. Had the cardholder used the entire $2,054.69 to pay the credit card, added finance charges that accumulated to $62 could have been avoided.

As shown below in Figure 1.8, the cardholder continued to make partial payments over three additional months, at which point only $1,750 of the $2,054.69 given to the official was paid, leaving $304.69 unpaid.

Figure 1.8 **December 18, 2012 Incremental Payments of Reimbursed Funds**

Date of Available Funds	Check Amount	Government Expenses	Visa Statement	Visa Due Date	Amount Paid
December 18, 2012	$2,250.68	$2,054.69	December	1/3/2013	$750.00
			January	2/4/2013	500.00
			February	3/4/ 2013	300.00
			March	4/1/ 2013	200.00
Total Paid					**$1,750.00**
Reimbursed Funds Not Utilized for Payment					**$304.69**

Additonally, the official received $2,565 on April 16, 2013 to pay $2,456.12 in travel-related expenses found on the February, March, and April 2013 credit card statements. Instead of the cardholder transmitting the entire $2,456.12 payment toward April's bill, which was due on May 6, 2013, the cardholder continued to make partial payments.

When the official received $2,456.12 on April 16, 2013 to pay a bill that was due on May 6, 2013, the cardholder only paid $1,200. The cardholder made an additional payment of $375 toward the June credit card bill. At this point only $1,575 of the $2,456.12 given was paid, leaving $881.12 of the Government's bill unpaid. The schedule below, Figure 1.9, details the partial payments.

Figure 1.9 **April 16, 2013 Incremental Payments of Reimbursed Funds**

Date of Available Funds	Check(s) Amount	Government Expenses	Visa Statement	Visa Due Date	Amount Paid
April 16, 2013	$2,565.00	$2,456.12	April	5/6/2013	$1,200.00
			May	6/3/ 2013	-
			June	7/5/ 2013	375.00
Total Paid					**$1,575.00**
Reimbursed Funds Not Utilized for Payment					**$881.12**

The pattern of making partial payments continued; however, by the end of the Fiscal Year, the credit card balance was paid in full. The final payment on October 4, 2013 for $4,600 included all the previously issued Government's funds and personal expenses of the cardholder.

We noted that the official continued the same pattern of partial payments into Fiscal Year 2014. For example, the official accepted checks on April 8th and April 15th, totaling $3,382.92 to pay $3,048.24 in Government expenses appearing on the February and March 2014 statements. The additional $344.68 was for other travel-related expenses owed to the cardholder. These payments were given in time to meet the April statement's payment due date of May 5, 2014. However, the cardholder only paid $500.

Throughout Fiscal Year 2014, the official continuously carried an outstanding balance on the credit card as a result of partial payments made towards incurred Government and personal charges. By the end of the 2014 Fiscal Year, the September 2014 credit card had a balance of $3,351.62. The cardholder eventually paid the balance in full on October 17, 2014, and the outgoing administration closed the account.

Official #2. Another Office of the Governor's official had a similar pattern of making partial payments on the credit card. For example, the official's November 2012 credit card statement showed charges of $737.98; however, the cardholder did not request a reimbursement until March 2013. The late request was the primary factor why the Government reimbursed the November 2012 charges in April 2013. The Government issued two reimbursement checks, one on April 3rd, and another on the 10th that totaled $773.97. The amount included an additional $35.99 in expenses incurred after the November 2012 credit card statement. The official accepted the checks, but paid only $300 to the credit card company, thereby, leaving $473.97 unpaid.

Again, on May 8, 2013, the same official received $1,592.98 to pay for charges found on the April 2013 credit card statement. These funds were given in time to meet the May 2013 statement due date of June 3, 2013. However, the cardholder paid only $100 on June 4, 2013, one day after the payment's due date, and $1,492.98 less than the amount the Government entrusted the official to pay. We did not find any payments toward the outstanding balances on the June and July credit card statements, as required by the credit card's agreement. The official later made a $4,660 payment toward the August 2013 credit card statement outstanding balance. This payment covered past Government issued monies entrusted to the cardholder, along with $3,405.37 in personal charges carried on the Government's credit card. Although the

outstanding balances were paid off at the end of the 2013 Fiscal Year, the cardholder continued the same improper payment method into Fiscal Year 2014.

For example, we noted that in Fiscal Year 2014, the official continued charging personal expenses on the credit card, without any ramification from the Governor's Office. Also, payments entrusted to the official to pay the credit card were not always remitted to the credit card company in its entirety, or on a timely basis. The official eventually settled the balance in full on November 20, 2014, and the outgoing administration closed the account.

Official #3. Another official from the Governor's Office who used the Government's credit card primarily for personal charges, also made partial payments towards the credit card balance. For Fiscal Year 2013, the official charged $791.86 for government-related expenses, compared to over $9,000 in personal charges discussed in Finding 3. Of the $791.86 in government charges, $771.86 was travel-related expenses that the Government covered by issuing a cash advance of $850 to the cardholder. The difference of $20 was the annual credit card fee. We found that although there were high outstanding balances, the official made only minimum monthly payments. For example, the April 2013 statement had an outstanding balance of $3,416.71. The official paid only $70 towards the balance. Similarly, the August 2013 statement's balance was $4,459.38, to which the official paid $150 to reduce the balance.

Again, in Fiscal Year 2014, the same official continued using the credit card for mostly personal charges. The only government-related cost in 2014 was the $20 annual credit card fee. The minimal payments on high outstanding balances continued in Fiscal Year 2014, and the cardholder's $5,000 credit limit at one point was exceeded by $316.38.

We found that the official incurred $411.70 and $687.07 in finance charges during Fiscal Years 2013 and 2014, respectively. The official eventually paid the balance in full on April 2, 2015, four months after the account was closed. Based on the minimal business-related charges found on the credit card, we question how the agency determined that this official needed a Government credit card.

The practice of using reimbursed funds to make partial payments affected the Government's credit record and resulted in unnecessary additional finance charges. These officials abused their privilege of having the use of a Government-issued credit card. Also, the fact that the cardholders used the reimbursed funds to make partial payments allowed them to avoid making payments toward personal charges. In addition, the cardholders exposed themselves to the possible liability of the misappropriation of Government funds.

Recommendations

We recommend that the Commissioner of Finance:

1. Ensure that Executive Branch agencies monitor their credit accounts to ensure timely payments.

2. Ensure that Executive Branch agencies do not transfer their responsibility to pay credit card accounts to cardholders.

3. Ensure that Executive Branch agencies demonstrate a need for a credit account.

4. Ensure that Executive Branch agencies only issue cards to designated persons.

5. Ensure that Executive Branch agencies follow SOPP No. 253 requirement that all credit cards not be used beyond November 30, and payment should be made in full by December 31st of each election year.

Department of Finance's Response

Agreement was indicated for the recommendations made in this section of the report. The Commissioner of Finance stated that assistance will be requested from the Governor's Office in addressing the recommendations. It was again indicated that the services of a credit card vendor was being solicited to manage credit card transactions for the Government. A December 31, 2020 implementation date was indicated.

V. I. Inspector General's Comments

Again in the interim of an agreement with a credit card vendor to manage Government credit card transactions, steps should be taken to control the use of credit cards and lines of credit. A December 31, 2020 implementation date is too long to wait.

We will consider the recommendations resolved, but not implemented.

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DEPARTMENT OF FINANCE'S RESPONSE

OFFICE OF
THE COMMISSIONER

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GOVERNMENT OF
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DEPARTMENT OF FINANCE

September 16, 2019

Mr. Steven vanBeverhoudt
Inspector General
Office of the Inspector General
2315 Kronprindsens Gade #75
St. Thomas, V.I. 00802-6468

Dear Mr. vanBeverhoudt:

Audit of Executive Branch Credit Cards and Lines of Credit Practices and Procedures

Finding 1: Credit Account Regulations

We recommend the Commissioner of Finance:

1. Ensure that all executive branch agencies are made aware of Finance SOPP No. 253 "Government of the Virgin Islands Corporate Line of Credit Accounts and Instruments Authorization, Reconciliation & Payment."

   Department of Finance (DOF) is in agreement with the IG's findings and recommendations.
   DOF will update SOPP#253, disseminate a memo to all departments and agencies with the SOPP attached, which will include guidance for authorization, Reconciliation and Payment.
   Responsible Party: Executive Assistant Commissioner and Director of Accounting
   Date for Completion: 03/31/2020

2. Provide guidance, through training opportunities, to Executive Branch agencies on establishing written internal controls to address, at a minimum:
   a. Establishing authorized users;
   b. Types of purchases allowed;
   c. Procedures for documenting expenses and their purpose;
   d. Consequences for inappropriate credit instrument use; and
   e. The reconciliation of credit card statements and supporting receipts.

DEPARTMENT OF FINANCE'S RESPONSE

DOF is in agreement with the IG's findings and recommendations.
DOF will update SOPP#253, disseminate a memo to all agencies with the SOPP attached, which will include guidance for establishing written internal controls to address, the findings and recommendations:
Responsible Party: Executive Assistant Commissioner and Director of Accounting
Date for Completion: 07/31/2020

Finding 2: Unapproved Credit Transactions

We recommend that the Commissioners of Finance and Property and Procurement implement training for the procurement officers of the Executive Branch agencies who hold credit accounts, on:

1. The laws and Standard Operating Policies and Procedures (SOPP) as they relate to the procurement process and credit instruments.
   DOF is in agreement with the IG's findings and recommendations.
   DOF will collaborate with DPP to conduct training for the procurement officers of the Executive Branch agencies who hold credit accounts, on the laws and Standard Operating Policies and Procedures (SOPP) as they relate to the procurement process and credit instruments.
   Responsible Party: Commissioner of Property and Procurement, DOF Executive Assistant Commissioner and DOF Director of Accounting
   Date for Completion: 03/31/2020

2. How agencies should document emergency purchases when they depart from the standard procurement laws of the Government.

   DOF is in agreement with the IG's findings and recommendations.

   DOF will collaborate with DPP to conduct training for the procurement officers of the Executive Branch agencies who hold credit accounts, on how agencies should document emergency purchases when they depart from the standard procurement laws of the Government. DOF is also working towards soliciting a vendor that will help manage credit card transactions.

   Responsible Party: Commissioner of Property and Procurement, DOF Executive Assistant Commissioner and DOF Director of Accounting

   Date for Completion: 12/31/2020

Finding 3: Questionable Credit Charges

We recommend that the Commissioners of Finance and Property and Procurement ensure that all Executive Branch agencies draft formal policies that clarify what are allowable and unallowable business and travel expenses and to ensure that the expenses are properly accounted for, in accordance with the law.

DEPARTMENT OF FINANCE'S RESPONSE

DOF is in agreement with the IG's findings and recommendations.
DOF will collaborate with DPP to ensure that all Executive Branch agencies draft formal policies that clarify what are allowable and unallowable business and travel expenses and to ensure that the expenses are properly accounted for, in accordance with the law and have those policies posted on their websites.

Responsible Party: Commissioner of Property and Procurement, DOF Executive Assistant Commissioner and DOF Director of Accounting

Date for Completion: 12/31/2020

Finding 4: Late Credit Card Payments

We recommend that the Commissioner of Finance:

1. Ensure that Executive Branch agencies monitor their credit accounts to ensure timely payments.
2. Ensure that Executive Branch agencies do not transfer their responsibility to pay credit card accounts to cardholders.
3. Ensure that Executive Branch agencies demonstrate a need for a credit account.
4. Ensure that Executive Branch agencies follow SOPP No. 253 requirement that all credit cards not be used beyond November 30, and payment should be made in full by December 31st of each election year.

DOF is in agreement with the IG's findings and recommendations.

DOF will request intervention from the Governor's Office in addition to collaboration with all the departments and agencies. DOF is soliciting credit card vendors that may assist with making the credit card payment process more timely and efficient.

Responsible Party: Executive Assistant Commissioner and Director of Accounting

Date for Completion: 12/31/2020

Sincerely,

Kirk Callwood, Sr.
Commissioner

Cc: Clarina Modeste Elliott, Executive Assistant Commissioner
Calvert Birmingham, Director of Treasury
Ebony Serrano, Director of Accounting and Financial Reporting

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APPENDIX II

ADDITIONAL INFORMATION NEEDED TO CLOSE RECOMMENDATIONS

Recommendation Number and Status		Additional Information Needed
Finding 1:		
Property and Procurement:		
1.1	Unresolved.	Provide documents to show that agencies have been required to follow procedures.
1.2	Unresolved	Same as 1.1 above.
Finance:		
1.1	Resolved, not implemented.	Provide a copy of the final policies and procedures.
1.2	Resolved, not implemented.	Same as 1.1 above.
Finding 2:		
2.1	Resolved, not implemented.	Provide documents to show guidance provided to agencies.
2.2	Resolved, not implemented.	Same as 2.1 above.
Finding 3:		
-	Resolved, not implemented.	Provide a copy of the uniform policies.
Finding 4:		
4.1	Resolved, not implemented.	Provide a copy of the policies accepted for managing credit card transactions.
4.2	Resolved, not implemented.	Same as 4.1 above.
4.3	Resolved, not implemented.	Same as 4.1 above.
4.4	Resolved, not implemented.	Same as 4.1 above.
4.5	Resolved, not implemented.	Same as 4.1 above.

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APPENDIX III

OFFICIAL REPORT DISTRIBUTION

Government of the Virgin Islands	
Department of Finance	1
Department of Property and Procurement	1
Office of the Governor	2
Office of the Lieutenant Governor	1
Office of Management and Budget	1
Virgin Islands Department of Justice	1
33nd Legislature	15
Office of the Legislative Post Auditor	1
Virgin Islands Delegate to Congress	1
Government of the United States	
United States Department of Justice, Office of the United States Attorney	1
United States Department of Justice, Federal Bureau of Investigation	1

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