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V.I. INSPECTOR GENERAL

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL

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OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL
Fiscal Year 2021 Budget Proposal

INTRODUCTION

Good afternoon Senator Kurt Vialet, Chairman of the Committee on Finance, members of the Committee, other members of the 33rd 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 2021 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

As the independent auditing arm of the Government of the Virgin Islands (Government), the Virgin Islands Code gives the V. I. Inspector General's Office the responsibility of auditing and investigating all three branches of the Government, including the autonomous and semi-autonomous instrumentalities.

Our mission is “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.”

Where do I begin in discussing Fiscal Year 2020? Who would have dreamt of the new reality that we are all forced to deal with? After having to personally deal with medical issues for about four months earlier this year, only to return to the lock down due to COVID-19, has been very challenging.

Like various agencies throughout the Government, the V. I. Inspector General’s Office has had to deal with all of the challenges of the new reality, to include working from home. Fortunately shortly after the hurricanes in 2017, we migrated to a cloud-based system and our staff was able to access our server and related work files from home. Although we have had some delays in accessing documents and other information in doing our work, the staff has been able to keep assignments progressing. I would like to report that the staff has since been able to return to their respective offices on a full-time basis. All staff members either have their own offices or cubicles in order to maintain social distancing. Although we do not have much interaction with the public we do maintain the “No Mask, No Service” protocol.

Currently there are 18 filled positions within the organization, however; with the current economic downturn, we have fallen behind in ensuring that all employees are at their correct salary levels. We hope that in the new fiscal year this issue can be corrected. With the cut of all vacancies, we have lost funding for 6 positions; four auditors, the General Counsel and the recently vacated Chief of Audits position. Our organizational chart can be found on page 13 of this document.

Regarding the audit and inspection aspect of our operations, our 2020 Annual Audit Plan Summary can be found on page 14. There are six projects that are continuing from the previous fiscal year. They are: (i) audit of contract administration at the Virgin Islands Waste Management Authority; (ii) audit of contract administration at the Governor Juan Luis Hospital; (iii) inspection of the Agriculture Revolving Fund; (iv) inspection of the Government procedures used to notify GERS of retirees providing services to the Government; (v) inspection of the use of GERS loan proceeds to the V. I. Finest Foods/West Bay Supermarket project; and, (vi) inspection of the contract converting WAPA's fuel usage to propane gas.

We also continue to make ourselves available to provide assistance to Federal auditors regarding activities they plan on conducting in the Virgin Islands.

In Fiscal Year 2020 to date, the following audits and inspections have either been completed or are progressing through various phases of the audit and inspection process:

✓ **Audit of the Specific Administrative Functions of the Virgin Islands**

Board of Education

- The audit objective was to determine whether the Board carried out selected administrative functions related to retirement matters, financial controls, and contract administration, in accordance with established laws, policies and procedures, and rules and regulations. Our objective did not include the examination or review of the Board's administrative functions regarding its loan and scholarship, and teacher certification programs.
- The scope of the audit was from Fiscal Years 2013 through 2016. However, in the conduct of our audit work, there were instances where we deemed it necessary to include an expanded audit scope range from Fiscal Years 2007 through 2017.
- The final report was issued on March 2, 2020.

➤ Our audit found that the Board was not in compliance with various statutes of the Code and Executive Orders, in regards to retirement matters, financial controls, and contract administration. Specifically, the Board: (i) made unauthorized payments to an employee for a personal retirement account outside of the Government Employees' Retirement System; (ii) violated the Virgin Islands Code (Code) regarding the employment of a retired employee; (iii) did not clearly define the official duties for Board members to receive stipends; (iv) paid stipends in excess of the amount required by the Code; (v) paid Board members stipends while they were already being paid for regular working hours at their Government jobs; (vi) lacked effective controls over stipend payments; (vii) did not maintain sufficient meeting transcripts and committee reports; (viii) paid a higher travel per diem than what is allowed by the Government's Travel Regulations; (ix) did not properly account for travel cash advances; (x) established two checking accounts without the knowledge and authorization of the Department of Finance; (xi) did not use one of the two checking accounts in accordance with its intended purpose; (xii) entered into contractual agreements without the approval and legal

sufficiency of the Department of Property and Procurement and the Department of Justice; and, (xiii) did not effectively monitor its contracts.

- The report can be viewed on our website at viig.org.

✓ **Audit of Contract Administration at the Virgin Islands Waste**

Management Authority

- The objective of the audit is to determine if Virgin Islands Waste Management Authority officials followed their procurement guidelines in awarding contracts and ensured that contracts were performed in accordance with contract terms and conditions.
- The scope covers fiscal years 2017 through 2019.
- We are currently in the field work stage of the audit, reviewing contracts and supporting documentation.

✓ **Audit of Contract Administration at the Governor Juan F. Luis Hospital**

- The objective of the audit is to determine whether the Governor Juan F. Luis Hospital is complying with laws, rules and regulations, and sound procurement practices in its contract administration.
- The scope covers fiscal years 2017 through 2019.

- This project is the one most affected by the current COVID-19 pandemic. We requested input from Hospital officials if they preferred that we suspend the audit; however they requested that we continue. We are currently awaiting documentation that was requested.

✓ **Inspection of Government Controls on the Re-employment of Government Employees**

- The objective of the inspection is to determine the controls in place by the Government to identify when a retiree returns to active service.
- We have completed the majority of the field work. The work papers are being reviewed and the audit team's preliminary draft report is currently being prepared.

✓ **Inspection of the Use of GERS Loan Proceeds for the VI Finest Foods/West Bay Supermarket Project**

- The objective of the inspection is to determine whether the loan proceeds were used for the intended purposes in accordance with the loan agreement.
- We have reviewed numerous documents related to the project and awaiting documentation relative to the sale of the property to the

University of the Virgin Islands. The audit team will be working on their preliminary draft report shortly.

✓ **Inspection of Revolving Fund Accounts Administered by the Department of Agriculture**

- The audit has been initiated based on a request submitted by the current Commissioner of the Department of Agriculture.
- The objective is to determine the adequacy of Agriculture's internal controls over the revolving fund and to ensure that funds were collected, deposited and disbursed in accordance with laws and rules and regulations.
- The preliminary background information is being obtained and receipt and expenditure information is being compiled for detailed analysis.

✓ **Inspection of the WAPA Vitol Fuel Contracting Process and Transactions**

- The objective of the inspection is to determine if WAPA verified the necessity of, and obtained approval for the increased project cost; performed due diligence in undertaking the LPG Conversion Project; and, followed its contract procurement and administrative guidelines.

- We are being assisted in this project by the Internal Audit Division of WAPA.
- We have completed a significant amount of field work and the audit team should begin writing the preliminary draft report shortly.

In the area of investigations, in Fiscal Year 2020, we have finally seen the conclusion of the criminal case of the three former officials of the Schneider Regional Medical Center. The three individuals were found guilty by a jury of their peers on all 44 counts.

Also, the former chairperson of the Casino Control Commission has pled guilty to two Federal charges relating to the misappropriation of Commission funds, and is awaiting sentencing.

Currently there are 11 open investigative cases that could result in referrals to the Department of Justice for consideration or administrative reports with recommendations for administrative action.

To date, in Fiscal Year 2020, we have received 17 complaints alleging wrong doing by Government officials. Of the total, there were 16 allegations of wrong doings on St. Thomas, and 1 allegation of wrong doing on St. Croix. Many of the complaints lacked sufficient information, were resolved administratively, or were matters for other departments and agencies.

Regarding training, the USDA Graduate School provided us with a five-day course in writing audit reports by objectives. Fortunately, this course was presented in December 2019, before the shutdown that resulted from the current pandemic. In addition, the professional staff recently attended the Association of Certified Fraud Examiner's 31st Annual Global Conference through virtual conferencing. Finally, we have also been invited to attend the Association of Pacific Islands Public Auditors Annual Conference in August. This too will be a virtual conference that will be presented over a two-week period. Due to the time zone difference however, it will run from 6pm to 10pm Virgin Islands time from Sunday to Thursday beginning on August 3rd.

2021 BUDGET

In this time of economic uncertainty, we support the Administration's 2021 Fiscal Year Budget recommendation of \$2,447,334. This amount is \$556,242, or about 18.5% less than the Fiscal Year 2020 appropriation. Fiscal Year 2020 actual expenditures through June 30, 2020 totaled \$1,558,827.

The following are our comments relating to each prime account of the Fiscal Year 2021 proposed spending plan. Our Fiscal Year 2021 proposal by sub-accounts is shown on page 15.

Personnel Services and Fringe Benefits. The budget proposal provides for 18 filled positions. The total proposed funding level for personnel and related services is \$1,814,085, or 74.1% of the overall budget request. This amount consists of \$1,324,598 and \$489,487 for Personnel Services and Fringe Benefits respectively.

Personnel Services	\$1,324,598
Fringe Benefits	<u>489,487</u>
	<u>\$1,814,085</u>

Supplies. Budgeted supplies costs for Fiscal Year 2021 are estimated at \$55,000 or 2.2% of the overall request.

Supplies	<u>\$55,000</u>
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Other Services. Budgeted other services costs for Fiscal Year 2021 are estimated at \$400,249, or 16.4% of the budget request.

Other Services	<u>\$400,249</u>
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Utility Services. Our utilities costs are estimated at \$50,000, or 2% of the Fiscal Year 2021 budget request.

Utility Services	<u>\$50,000</u>
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Capital Outlays. Finally, the budget requests \$128,000 in capital outlays. The requested capital outlays include the replacement of our vehicle on St. Croix, replacement of investigative equipment and the replacement of computers for the staff. This amounts to 5.2% of the budget request.

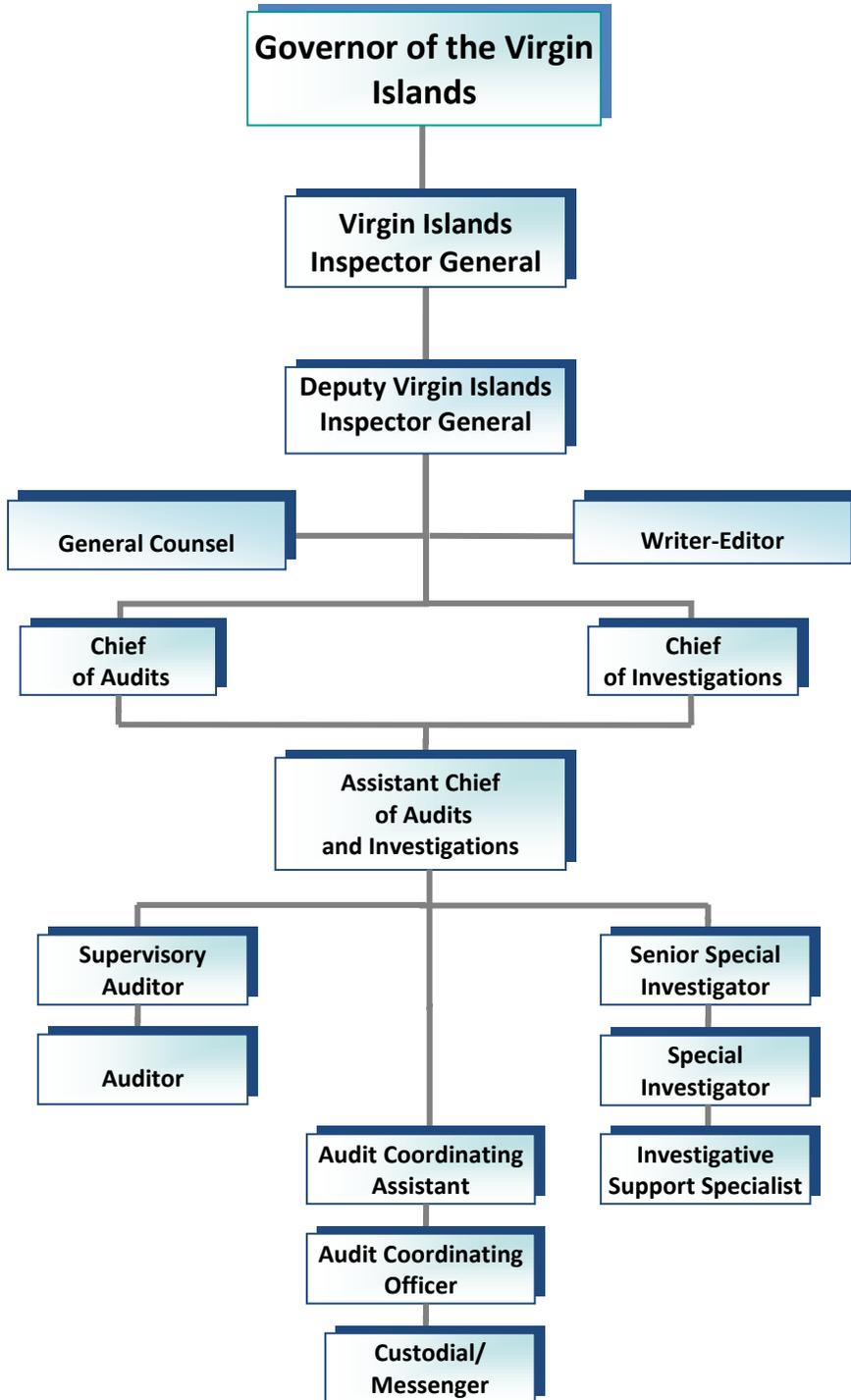
Capital Outlay **\$128,000**

SUMMARY

In summary, with the down turn of the economy and the uncertainty of the near future we are willing to do our part in sacrificing and waiting for a brighter tomorrow. We therefore ask for your support of the recommended Fiscal Year 2021 Budget of \$2,447,334.

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 2020

	<u>Staff Days</u>
RESOURCED AUDITS	
<u>Fiscal Year 2019 Carryover</u>	
Audit of the Administrative Functions of the Board of Education	240
Audit of Contract Administration at the VI Waste Management Authority	540
Audit of Contract Administration at the Governor Juan F. Luis Hospital	540
Audit of Specific Accounts for the Department of Agriculture	300
Inspection of Procedures to Control Reemployment of Retired Government Employees	240
Inspection of the Use of Loan Proceeds from the Government Employees Retirement System	240
Audit of the Contract Converting WAPA's Fuel Usage to Propane Gas	<u>420</u>
	<u>2,520</u>
<u>Fiscal Year 2020 New Starts</u>	
Audit of the Cost/Benefits of the Third Party Fiduciary for the Department of Education	<u>420</u>
	<u>420</u>
<u>Other</u>	
Special Assignments and Technical Assistance	60
Assistance to Investigations	90
Audit Recommendations Follow-up	30
Audit Work Plans	<u>30</u>
	<u>210</u>
Total Resourced Man-days	<u>3,150</u>
UNRESOURCED AUDITS	
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
Non- Executive Branch Use of Credit Instruments	300
Government-wide Grant Administration	<u>350</u>
Total Un-resourced Man-days	<u>4,265</u>

OFFICE OF THE VI INSPECTOR GENERAL

1 PERSONNEL SERVICES

0035-0001	511000 REG EMPLOYEE SALARIES CLAS	\$867,158
0035-0001	511010 REG EMPLOYEE SALARIES UNCL	\$387,440
0035-0001	514030 LUMP SUM PAYMENTS	\$70,000
TOTAL PERSONNEL SERVICES		\$1,324,598

2 FRINGE BENEFITS

0035-0002	520010 EMPLOYER CONTRIBUTION RETI	\$244,084
0035-0002	521000 F.I.C.A.	\$82,125
0035-0002	521100 MEDICARE	\$19,205
0035-0002	522000 HEALTH INSURANCE PREMIUM	\$143,042
0035-0002	522200 WORKERS COMP PREMIUMS	\$1,031
TOTAL FRINGE BENEFITS		\$489,487

3 SUPPLIES

0035-0003	541000 OFFICE SUPPLIES	\$10,000
0035-0003	541100 OPERATING SUPPLIES	\$10,000
0035-0003	542000 REPAIR & MAINTENANCE SUPPLIES	\$5,000
0035-0003	546000 DATA PROCESSING SOFTWARE	\$20,000
0035-0003	566100 REFERENCE BOOKS	\$10,000
TOTAL SUPPLIES		\$55,000

4 OTHER SERVICES

0035-0004	532000 REPAIRS AND MAINTENANCE	\$50,000
0035-0004	532100 AUTOMOTIVE REPAIR & MAINTENANCE	\$14,000
0035-0004	533000 RENTAL OF LAND/BUILDINGS	\$20,000
0035-0004	533020 RENTAL OF MACHINES/EQUIPMENT	\$5,000
0035-0004	534000 PROFESSIONAL SERVICES	\$130,000
0035-0004	534100 SECURITY SERVICES	\$10,000
0035-0004	534110 TRAINING	\$60,000
0035-0004	535000 COMMUNICATION	\$50,000
0035-0004	536000 TRANSPORTATION - NOT TRAVEL	\$1,249
0035-0004	560000 TRAVEL	\$35,000
0035-0004	560100 PURCHASE BULK AIRLINE TICKET	\$25,000
TOTAL OTHER SERVICES		\$400,249

5 UTILITIES

0035-0005	530000 ELECTRICITY	\$40,000
0035-0005	531010 WATER	\$10,000
TOTAL UTILITIES		\$50,000

7 CAPITAL OUTLAYS

0035-0007	575000 MACH EQUIP & MISC.	\$42,000
0035-0007	575400 CAP COMPTUER & HARDWARE	\$86,000
TOTAL CAPITAL OUTLAYS		\$128,000

TOTAL BUDGET		\$2,447,334
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