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OFFICE OF THE V. I. INSPECTOR GENERAL
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OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

Fiscal Year 2025 Budget Proposal

INTRODUCTION

Good afternoon, Senator Donna Frett-Gregory, Chairperson of the Committee on Finance, esteemed members of the Committee, other distinguished members of the 35th Legislature, and all those in the viewing and listening audience. I am Delia Thomas, the Virgin Islands Inspector General and with me today is Mr. Lucas Pascal, Director of Budget Affairs. Today, I am here to present the proposed Fiscal Year 2025 Budget for the Office of the Virgin Islands Inspector General, a budget that is crucial for the effective operations of our office.

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

The Office of the Virgin Islands Inspector General's 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."

We are an agency of 19 employees, comprising 11 auditors, one investigator, and seven administrative and support staff. The auditors and investigators are the core of our operations, as they are the ones on the field performing the assignments.

Currently, we have three vacant positions, including two Senior Special Investigators and the Deputy Virgin Islands Inspector General. As we continue to build our staff, we intend to hire more auditors, investigators, and other personnel as needed and as the budget permits. Our Organizational Chart can be found on page 9.

Fiscal Year 2024 Highlights:

During Fiscal Year 2024, we hired one entry-level auditor and a Director of Budget Affairs. However, at this point, we had hoped to have a Senior Special Investigator on staff. Despite this, I am optimistic about our hiring plans and believe we will have a Senior Special Investigator on staff by the end of the first quarter of Fiscal Year 2025.

Peer Review: During the week of November 27, 2023, our office underwent a peer review for the period October 1, 2020, to September 30, 2023. This peer review was performed by the Association of Local Government Auditors. A peer review is essentially a review of auditors' work by their fellow auditors. It helps to monitor auditing practices and promote and enhance the quality of the services provided, ensuring compliance with Generally Accepted Auditing Standards. Peer reviews are required for quality control and must occur every three years. Our next peer review is scheduled for 2026. I am happy to report that we have successfully received a pass rating. A copy of this report was provided to the Governor and the President of this legislature, and it can also be found on our website.

Because this is a reciprocal program, some of our auditors will participate in peer review training in Fiscal Year 2025. This will allow our auditors to participate in peer reviews of other state and local governments across the country, inevitably strengthening internal control processes over our audits and inspections.

Staff Training: During Fiscal Year 2024, our staff took advantage of several professional training opportunities. From December 11-15, 2023, through the Pacific and Virgin Islands Training Initiatives program, we received training on Planning Audit Assignments and Skills for Leading and Managing Audit Projects.

From April 22-26, 2024, our newly-hired auditor traveled to attend a Basic Governmental Auditing Course in Washington, DC, offered by the Graduate School USA. Also, from May 5-8, 2024, auditors participated virtually in the Association of Local Government Auditors (ALGA) 2024 Annual Conference. In addition, from June 23-28, 2024, the audit and investigative staff participated, in-person or virtually, in the Annual Association of Certified Fraud Examiners (ACFE) Global Fraud Conference held in Las Vegas, Nevada. These training opportunities provided the annual training hours required by the Government Auditing Standards and to satisfy the Certified Fraud Examiners (CFE) credentials.

AUDIT AND INSPECTION ASSIGNMENTS:

Currently, our auditors are actively engaged in several ongoing audits and inspection assignments. The government sectors involved include the Virgin Islands Water and Power Authority, the Taxicab Commission, the East End Medical Center, the Government Employees Services Commission Board (GESC), the Department of Education, the Office of Management and Budget, and the Virgin Islands Police Department.

Furthermore, in the next few weeks, we will be scheduling exit conferences with the Department of Education concerning the Education Initiative Fund, and the Department of Agriculture on the Inspection of the Management of the Agriculture Revolving Fund. We aim to have these reports issued by the end of this fiscal year.

Ongoing Assignments:

The Virgin Islands Taxicab Commission. This audit has proven very labor intensive, as the Commission records are maintained manually, rather than electronically. In addition to the two auditors initially assigned, we added one more to this assignment. At this stage, we are mid-way through the fieldwork phase of this assignment. This audit aims to determine if the Commission, through fiscal years 2018-2022, properly issued taxi licenses and medallions, inspected taxicabs, and accounted for collections and expenses per the VI Code and other established rules and regulations.

The Virgin Islands Water and Power Authority (WAPA).

We are in the process of hiring a consultant to assist in the Water and Power Authority's audits, which will address areas specific to Bill No. 35-0061, Act No. 8731. This consultant will assist us in addressing the Vitol propane contract and the 2-million-dollar offshore payment. In addition, the contractor will serve as a consultant to our lead auditors on other aspects of the assignment. We are working with the Department of Property and Procurement to implement this contract. In addition, we are working on the following WAPA assignments:

1. Audit of the Application of WAPA Employee's Loan Payments. This audit is near completion, and we expect to issue a letter report by the end of the first quarter of fiscal year 2025. The objective of this audit is to determine whether monies WAPA deducted from employees' salaries for loan payments were transmitted to the respective financial institutions for calendar years 2021 and 2022.

2. WAPA's Billing and Collections for calendar years 2021, 2022, and other appropriate periods. This audit is an extensive assignment and is currently in the fieldwork phase. The objective of this audit is to determine whether (1) WAPA followed its policies and procedures for accurate and timely billing, (2) the Advanced Metering Infrastructure (AMI) improved the accuracy and timeliness of billing, and (3) WAPA did its due diligence in managing the collection of delinquent accounts.

3. <u>WAPA's Contracting Practices</u> from October 2017 to December 2022. This recently started inspection aims to determine whether WAPA solicited, awarded, and monitored contracts following its policies and procedures and applicable laws and regulations.

<u>The East End Medical Center:</u> At the request of the Board's Chairperson, we have commenced an Inspection of the East End Medical Center's leases and contracted agreements to determine whether they followed established laws, policies, and procedures from 2018 through 2023.

<u>The Government Employees Services Commission (GESC) Board</u>: Our office has initiated an audit of its expenditures to determine if the Board expended funds per established laws, rules, and regulations and met its reporting requirements. The audit scope is Fiscal Years 2018 through 2022. We are in the early stage of this audit.

<u>The Office of Management and Budget, the Department of Education, and the Virgin Islands Police Department:</u> At the request of the Honorable Governor Albert Bryan Jr., we have been asked to audit these departments' contracting practices. This assignment is in the planning stage.

It must be noted that these assignments are performed by teams of auditors. Of the 11 auditors on staff, six are assigned to WAPA's audits and three auditors to the Taxi-cab Commission audit. This means that all ongoing assignments require auditors to be assigned to more than one audit or inspection while ensuring the same quality of due diligence for each project. Also, in addition to our assignments, we continue to make ourselves available to assist Federal auditors regarding activities they plan on conducting in the Virgin Islands.

As you can surmise, we have our hands full. However, we will continue to find ways to address any pressing issues that may arise. Our 2024 Annual Audit Plan Summary is found on page 10.

INVESTIGATIONS:

Regarding investigations, we currently have several open cases, some jointly with local and federal agencies. For confidentiality purposes, I cannot discuss the details of these matters. My goal is to increase the investigative unit's staffing to more closely resemble that of the audit staff. I want to thank those of you who have submitted complaints online or by contacting our office.

Based on the latest research by the ACFE, as reported in its 2024 Report to the Nations on Occupational Fraud, 44% of frauds against government organizations were detected by tips. Email and web-based reports were the most common mechanisms used to report fraud tips. With the average fraud lasting 12 months before being detected, the sooner the detection, the sooner we can minimize the potential loss to the government. Therefore, I take this opportunity to encourage anyone aware of possible fraudulent activity against this government to contact the Office of the Virgin Islands Inspector General using the most convenient and comfortable mechanism available to you. We are committed to addressing complaints made to our office and, if necessary, directing those complaints to the appropriate agency. The week of November 10 to 16, 2024, is International Fraud Awareness Week, and our office will use this week to start to raise awareness of this subject in our community.

The Office of the Virgin Islands Inspector General's 2024 Expenditures:

While Fiscal Year 2024 started slowly in paying our vendors for services rendered, I am pleased to announce that our vendor payments are mostly current. I want to thank our vendors for the patience they exhibited during this time.

The Office of the Virgin Islands Inspector General's 2025 Proposed Budget:

The Virgin Islands Inspector General Office's 2025 budget recommendation is $2,898,392. Our Fiscal Year 2024 actual expenditures through July 12, 2024, totaled $1,818,197, or (64%). This budget is $ 75,765. more than the 2024 budget, an increase of 2.7%. The following are comments on each prime account of the Fiscal Year 2025 proposed spending plan. Our Fiscal Year 2025 proposal by sub-accounts is shown on page 11.

Personnel Services and Fringe Benefits: The budget proposal allows the office to maintain the 19 filled and three vacant positions, one of which is budgeted at ½ its planned salary. The proposed funding level for personnel and related services is $2,384,225, or 82% of the budget request. This amount consists of $1,732,331 (60%) and $651,880 (22%) for Personnel Services and Fringe Benefits, respectively

Supplies are estimated at $101,938, or 3.5% of the overall request.

Other Services are estimated at $340,795 or 12% of the budget request.

Utility Services are estimated at $43,000, or 1.5% of the budget request.

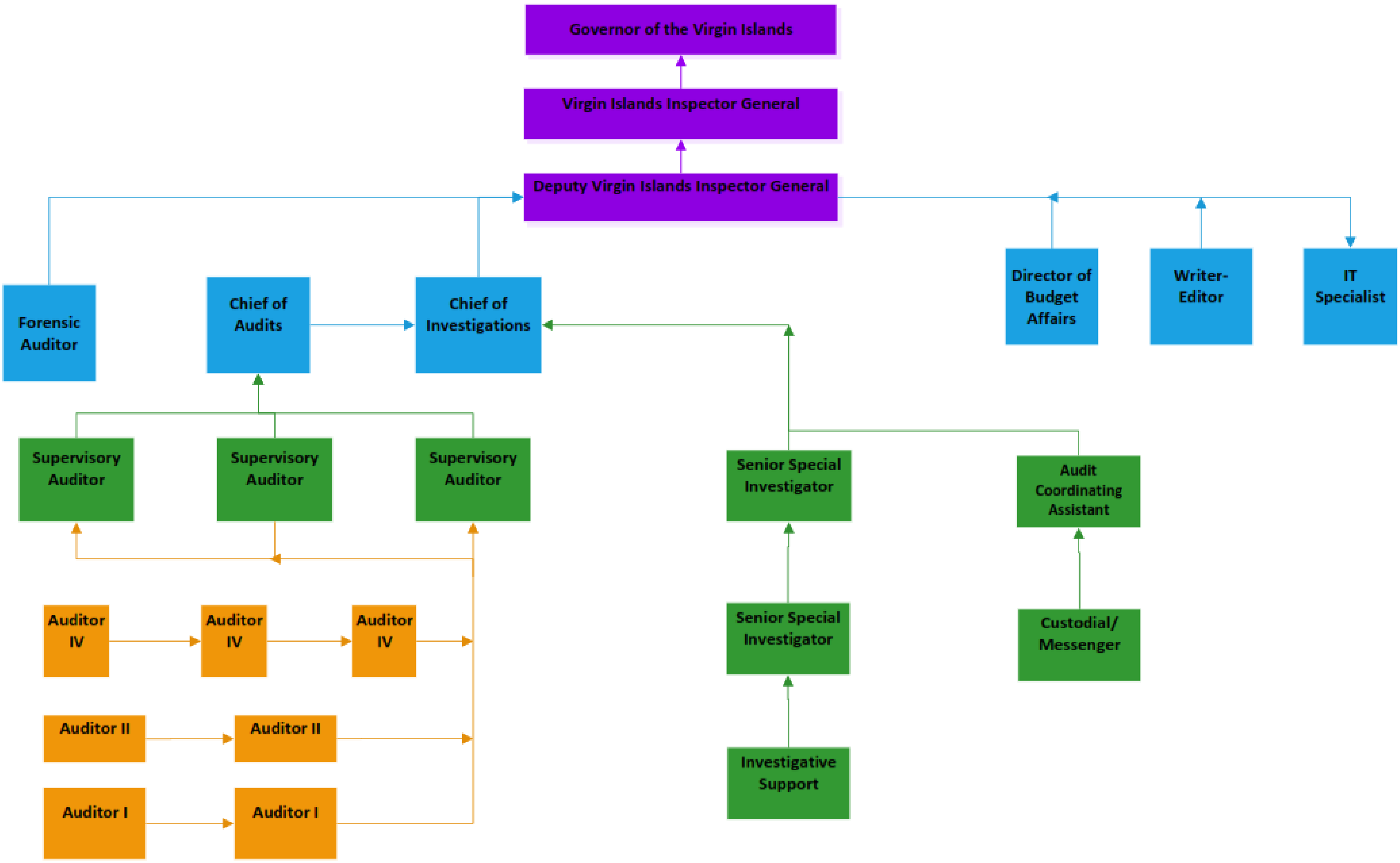
Capital Outlays are budgeted at $28,448 to cover investigative and computer-related equipment costs, which is 1% of the budget request.

SUMMARY

Senators, I want to thank this body in advance for supporting the Office of the Virgin Islands Inspector General's recommended Fiscal Year 2025 Budget of $2,898,392. This budget will allow us to fund 21.5 positions as we work to continue growing the agency to the desired 25 filled positions to better address audits and investigations. Thank you for the opportunity to be here today. I am available to answer any questions you might have.

Office of the Virgin Islands Inspector General

Organizational Chart



ANNUAL AUDIT PLAN SUMMARY
OFFICE OF THE VIRGIN ISLANDS
INSPECTOR GENERAL
FISCAL YEAR 2024

RESOURCED ASSIGNMENTS	Staff Days
Fiscal Year 2024 Carryover Assignments	
Audit of Specific Accounts for the Department of Agriculture	60
Inspection of the Education Initiative Fund	70
Audit of Application of WAPA Employees Loan Payments	70
Audit of the Administrative Functions of the Taxicab Commission	150
	350
Fiscal Year 2024 New Starts	
Audit of Billing and Collection Processes at WAPA	400
Audit of the Contracting Practices at WAPA	400
Audit Follow-up on Waste Management Authority Audit Recommendations	90
Government Employees Services Commission (GESC) Board Expenditures	250
	1140
Other Anticipated FY2024/2025 Assignments	
Government-wide Collectors Audit	400
Audit of Education Initiative Fund	150
	550
Total Resourced Man-days	**2040**

UNRESOURCED ASSIGNMENTS	
Inspection of Unclaimed Properties	200
Government-wide Travel Advances	300
Non-Executive Branch Use of Credit Instruments	300
Contracting Practices of the UVI Research and Technology Park	300
Government-wide Imprest Funds and Petty Cash Accounts	300
DLCA Internal Controls over Customer Complaints	300
Total Un-resourced Man-days	**1700**

OFFICE OF THE VI INSPECTOR GENERAL FY 2025 BUDGET

1 PERSONNEL SERVICES			
350001	511000	CLASSIFIED EMPLOYEE SALARIES	$995,419
350001	511010	UNCLASSIFIED EMPLOYEE SALARIES	697,000
350001	514040	FEES & COMPENSATIONS NOC	39,912
TOTAL PERSONNEL SERVICES			**$1,732,331**
2 FRINGE BENEFITS			
350002	520010	EMPLOYER CONTRIBUTION RETIREMENT	$294,299
350002	521000	SOCIAL SECURITY	107,405
350002	521100	MEDICARE	25,119
350002	522000	HEALTH INSURANCE PREMIUM	223,590
350002	522200	WORKERS COMP PREMIUMS	1,467
TOTAL FRINGE BENEFITS			**$651,880**
3 SUPPLIES			
350003	541000	OFFICE SUPPLIES	$12,000
350003	541100	OPERATING SUPPLIES	11,000
350003	541200	VEHICLE SUPPLIES	1,500
350003	542000	REPAIR AND MAINTENANCE SUP	10,000
350003	542100	SMALL TOOLS AND MINOR EQUIP	9,438
350003	545200	PROF REF BOOKS & PERIODICALS	8,000
350003	546000	DATA PROCESSING SOFTWARE	50,000
TOTAL SUPPLIES			**$101,938**
4 OTHER SERVICES			
350004	532000	REPAIRS & MAINTENANCE	$80,000
350004	532100	AUTOMOTIVE REPAIR & MAINTENANCE	$9,000
350004	533000	RENTAL OF LAND/BUILDING	20,185
350004	534000	PROFESSIONAL SERVICES	23,680
350004	534100	SECURITY SERVICES	$4,000
350004	534110	TRAINING	48,005
350004	535000	COMMUNICATION	58,000
350004	536000	TRANSPORTATION-NOT TRAVEL	10,000
350004	560000	TRAVEL	68,925
350004	560100	PURCHASE BULK AIRLINE TICKETS	5,000
350004	564100	OTHER SERVICES NOC	14,000
TOTAL OTHER SERVICES			**$340,795**
5 UTILITY SERVICES			
350005	530000	ELECTRICITY	$39,000
350005	531010	WATER	4,000
TOTAL UTILITY SERVICES			**$43,000**
7 CAPITAL PROJECTS			
350007	575000	MACH EQUIP & MISC	$28,448
TOTAL CAPITAL PROJECT			**$28,448**
TOTAL BUDGET			**$2,898,392**