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OFFICE OF THE V. I. INSPECTOR GENERAL

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OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

Fiscal Year 2026 Budget Proposal

INTRODUCTION

Good morning, Senator Novelle E Francis Jr, Chairperson of the Committee on Finance, esteemed members of the Committee, other distinguished members of the 36th 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 2026 Budget for the Office of the Virgin Islands Inspector General.

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 20 employees, comprising 11 auditors, two investigators, and seven administrative and support staff. Currently, we have two vacant positions, including one Senior Special Investigator and the Deputy Virgin Islands Inspector General. As we continue to build our

staff, we intend to increase the number of auditors, investigators, and other personnel as needed and as the budget permits. Our Organizational Chart can be found on page 11.

Summary of Fiscal Year 2025 Achievements and Challenges:

During Fiscal Year 2025, our office issued two reports: an Audit of the Education Initiative Fund and an Inspection of the Agriculture Revolving Fund's Funding Sources and Usage. In addition, we provided investigative support to our federal partners that has, to date, resulted in the successful prosecution of one government employee. Also, for the first time, our office participated in the International Fraud Awareness Week, held the week of November 17, 2024. During this week, we issued a media blast to government employees and the community to raise awareness of fraud. In the future, we plan to find a variety of ways to continue to educate employees and the community. This year's International Fraud Awareness Week starts on November 9, 2025.

While Fiscal Year 2025 had its achievements, it has undoubtedly presented its challenges. In October of 2024, we contended with a broken air-conditioning unit on the first floor, which had to be replaced. Also, the underground sewage line that exits our building to connect to the main line 100 feet south on Irvin "Brownie" Brown Sr. Street had to be replaced. The air conditioning unit was replaced 7 weeks later, and the sewage line four months later. Both projects together ultimately cost \$71,600. (a/c unit \$22,400; plumbing \$49,200). Therefore, in the first month of the fiscal year, we were faced with a cost of \$71,600 of the \$80,000 annual maintenance budget. This created a financial challenge because the monthly allotment provided about \$28,000 in non-obligated funds.

Also, while we had hoped to complete more assignments, we were unable to do so. The challenges we faced mainly included not obtaining the necessary documents needed from the agencies or other entities in a timely manner, combined with a challenging workload that required some auditors to work on more than one assignment.

STAFF TRAINING: During Fiscal Year 2025, our staff took advantage of several professional training opportunities. From December 9 to 12, 2024, through the Pacific and Virgin Islands Training Initiatives program, we received training on Auditing Performance Outcomes and Developing and Presenting Audit Findings. From May 5 to 8, 2025, auditors participated, some in person and others virtually, in the Association of Local Government Auditors' (ALGA) 2025 Annual Conference held in Minneapolis, Minnesota. Additionally, from June 22 to 27, 2025, both the audit and investigative staff participated, either in person or virtually, in the Annual Association of Certified Fraud Examiners (ACFE) Global Fraud Conference, held in Nashville, Tennessee. These training opportunities provided the annual training hours required by the Government Auditing Standards and satisfied the Certified Fraud Examiners (CFE) credentials.

It's worth noting that 4 of our auditors received Peer Review Training at the ALGA 2025 annual conference and are now eligible to participate in peer reviews of other state and local governments across the country. We are looking forward to our staff members traveling to perform those peer reviews, as this will add value to the services we provide. As a reminder, a peer review is a review of an auditor's 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

Government Auditing Standards. The next Peer Review for the Office of the Virgin Islands Inspector General is scheduled for calendar year 2026.

AUDIT AND INSPECTION ASSIGNMENTS: (COMPLETED AND ONGOING)

Education Initiative Fund. This report was issued on May 6, 2025. This report highlighted the need for the Department of Education to ensure (1) that all schools receive their fair distribution of funds annually; (2) ensure that the funds are spent on allowable expenses and within set limits; (3) ensure that undistributed and unused Funds are spent on permissible costs; and (4) the need to update the law to address ambiguous and contradictory language stemming from Sections 3093 and 3100i of the law. Since the release of this report, Act No. 9005 was passed on July 9, 2025, which updated the law governing the Education Initiative funds.

Inspection of the Agriculture Revolving Fund's Funding Sources and Usage.

Our office issued this Inspection report on January 14, 2025. The report pointed out the lost opportunity of \$4,125,000 for the Department of Agriculture. This occurred due to (1) no general fund appropriations for Fiscal Years 2016-2018, totalling \$1.5 million (2) a partial general fund appropriation of \$125,000 not allotted for fiscal year 2021 (3) over six years, underfunding from the Tourism Advertising Revolving Fund totalling \$2 million (4) the instability of the Tourism Advertising Revolving Fund in Fiscal Year 2018, (5) Agriculture officials not submitting to OMB written requests that are required for the release of funds.

Currently, our office is working through a total of 11 assignments: nine audits and inspections, one Follow-up Review of Recommendations, and one surprise cash count, which are at various stages of the audit and inspection process.

Virgin Islands Taxicab Commission. This audit's draft report is in the edit phase. As the process of editing, referencing, holding an exit conference, allowing the agency 3 weeks to respond, and finalizing the report moves forward, we aim to issue a final report by the end of the 1st quarter of Fiscal Year 2026. This audit covers Fiscal Years 2018-2022. The audit's focus is on the Taxicab Commission's compliance with the laws regarding approving taxi licenses, the sale of and accounting for medallions, the inspections of taxicabs, revenue collections, and expenses of the Taxicab Commission.

Virgin Islands Water and Power Authority (WAPA). On April 14, 2025, with a fully executed contract, we hired a consultant to assist in the WAPA's audits. This consultant's focus is on areas specific to Act No. 8731. Namely, the Vitol propane contract and the 2-million-dollar offshore payment. While this audit started 4 months ago, I can report that we have received some information, although other important supporting data needed have not been received. The consultant has a meeting set with WAPA's CEO, Mr. Karl Knight, to update him and to discuss the importance of the needed information and how we can expedite this process.

Audit of the Application of WAPA Employee's Loan Payments. This audit's draft report is completed; however, the process of referencing must be completed before an exit conference can be held. The objective of this audit is to determine whether monies WAPA

deducted from employees' salaries for loan payments were transmitted on time to the respective financial institutions for calendar years 2021 and 2022. This audit has taken longer than expected, as we were at times hindered by not getting information from WAPA and some financial institutions in a timely manner, because not all loan payments were transmitted electronically.

WAPA's Billing and Collections for calendar years 2021 through 2023 and other appropriate periods. This audit is an extensive assignment and is still, as previously reported, in the fieldwork phase. Obtaining information on this assignment was very slow; however, with the intervention of the former Chairman of WAPA's Board, we are in a better place today than one year ago. 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. We anticipate issuing two reports, one on Billing and one on Collections.

WAPA's Contracting Practices from October 2017 to December 2022. This inspection aims to determine whether WAPA solicited, awarded, and monitored contracts in accordance with its policies and procedures, as well as applicable laws and regulations. This assignment is in the fieldwork phase. This audit had experienced some delays in obtaining information; however, we were able to work through some concerns and are now in possession of the requested information.

East End Medical Center. The objective of the inspection is to determine whether the East End Medical Center followed established laws, policies, and procedures pertaining to its contracts

and lease agreements from 2018 through 2024. We are currently in the fieldwork phase of this assignment. We are experiencing some delays in obtaining information. However, we are working with the Medical Center's management to address the delays. The Medical Center is citing understaffing as one contributing factor for the delays.

Government Employees Services Commission Board: The audit objective is to determine if the Board expended funds in accordance with established laws, rules, and regulations and met its reporting requirements. The audit scope is Fiscal Years 2018 through 2022. We are in the fieldwork phase of this assignment. Information requested on this assignment has been slow in coming.

Waste Management Authority. We are conducting a Follow-up Review of Recommendations made in the Audit of Contract Administration at the VI Waste Management Authority. This report was issued on February 8, 2022. This Follow-up Review of Recommendations is at the end of the fieldwork phase of the assignment.

Health Department. As a part of our plan to restart surprise cash counts of government funds entrusted to the department and agencies of the government, we recently conducted a surprise cash count at the Eldra Schulerbandt Residential Care Facility. This assignment is in the fieldwork phase.

The Office of Management and Budget, the Department of Education, and the

Virgin Islands Police Department: At the request of the Honorable Governor Albert

Bryan Jr., we have been asked to audit these departments' contracting practices. This assignment, as previously reported, was in the planning phase due to the unavailability of auditors to devote full-time to this assignment. At the completion of the Taxicab Commission's audit, all members of the audit team will transition to this audit.

Today, we have five auditors, along with the consultant, fully engaged in the WAPA assignments. The six remaining auditors are working on multiple assignments with the responsibility to maintain the same level of quality and due diligence for each project.

Also, we continue to make ourselves available to assist Federal auditors regarding activities they plan on conducting in the Virgin Islands. Furthermore, we will continue to find ways to address any other pressing issues that may arise. Our 2025 Annual Audit Plan Summary is found on page 12.

INVESTIGATIONS:

Regarding investigations, our office currently has seven open cases. The results of these open cases could range from insufficient information to substantiate the allegations to a report with recommendations to the affected Department or Agency, and/or a recommendation for prosecution sent to the Virgin Islands Department of Justice. In addition, we continue to assist other local and federal agencies when asked. For confidentiality purposes, I cannot discuss the details of these investigations.

The Office of the Virgin Islands Inspector General's 2026 Proposed Budget.

The Virgin Islands Inspector General's Office 2026 budget recommendation is \$2,898,392, which maintains the same level as Fiscal Year 2025. Our Fiscal Year 2025 actual expenditures through July 11, 2025, totaled \$2,145,013, or 74%. The following are comments on each prime account of the Fiscal Year 2026 proposed spending plan. Our Fiscal Year 2026 proposal by sub-accounts is shown on page 13.

Personnel Services and Fringe Benefits. The budget proposal allows the office to maintain the 20 filled and 2 vacant positions. The proposed funding level for personnel and related services is \$2,437,405, or 84% of the budget request. This amount consists of \$1,717,644 (59%) and \$719,760 (25%) for Personnel Services and Fringe Benefits, respectively. In addition, regarding the overall budget request.

Supplies are estimated at \$76,652, or 2.6%.

Other Services are estimated at \$331,235 or 11.4%.

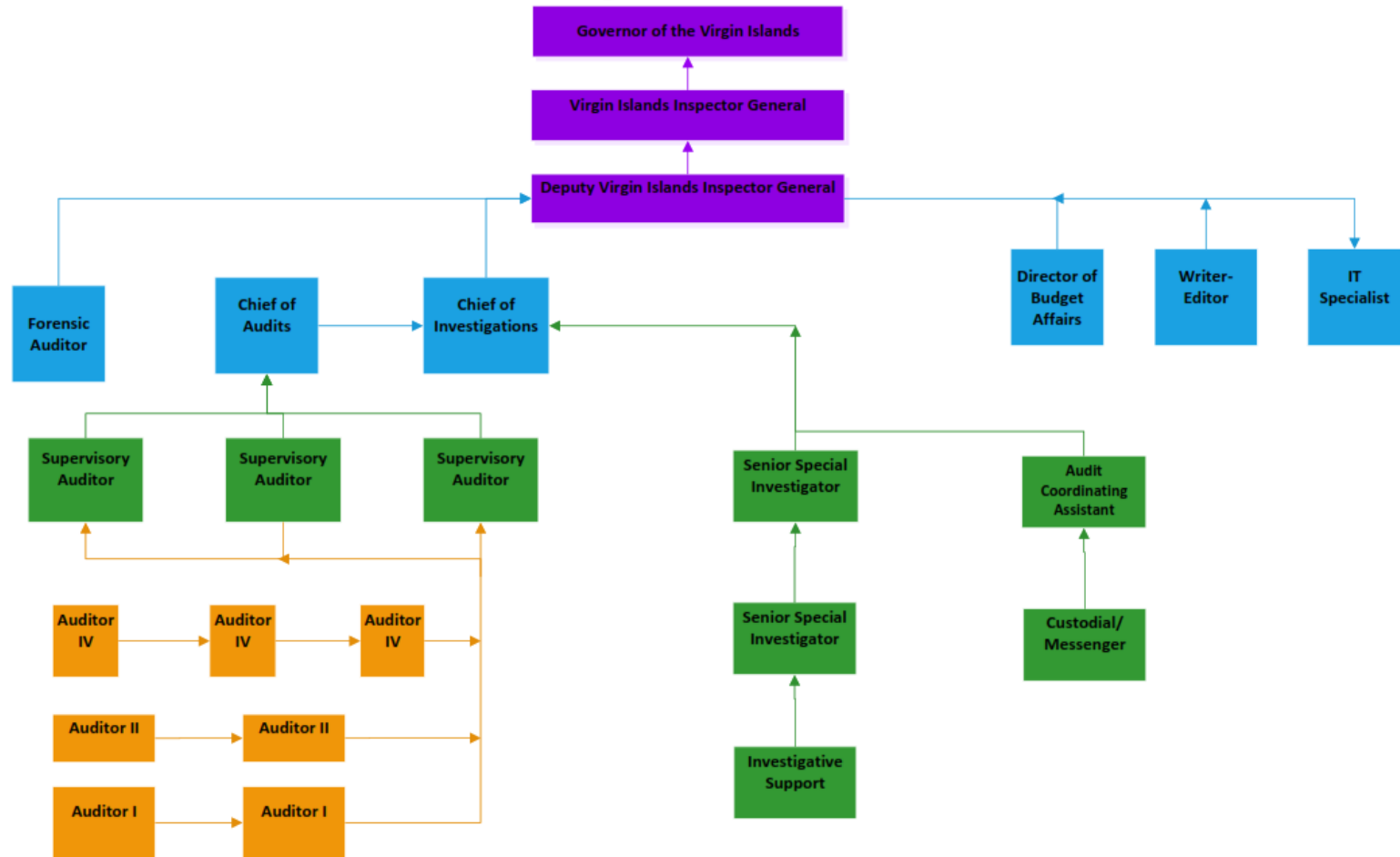
Utility Services are estimated at \$45,100, or 1.6%.

Capital Outlays are budgeted at \$8,000 to cover investigative and computer-related equipment costs, which is .3% of the budget request.

SUMMARY

In closing, I want to thank this body in advance for supporting the Office of the Virgin Islands Inspector General's recommended Fiscal Year 2026 Budget of \$2,898,392. This budget will allow us to fund 22 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 2025

RESOURCED ASSIGNMENTS	<u>Staff Days</u>
<u>Fiscal Year 2024 Carryover Assignments</u>	
Audit of Specific Accounts for the Department of Agriculture	60
Inspection of the Education Initiative Fund	70
Follow-up Review of Recommendations made in the Audit of Contract Administration at the VI Waste Management Authority	90
Audit of the Application of WAPA Employees' Loan Payments	40
Audit of the Administrative Functions of the Taxicab Commission	150
Audit of Billing and Collection Processes at WAPA	400
Audit of the Contracting Practices at WAPA	400
GESC Board Expenditures	250
Inspection of the East End Medical Center's leases and contracted agreements	<u>150</u>
	<u>1610</u>
<u>Fiscal Year 2025 New Starts</u>	
Audit of the Contracting Practices of DOE, OMB, VIPD, and SPR.	400
Audit of WAPA VITOL Propane and LPG contracts	400
Audit of the \$2 million offshore payment	<u>240</u>
	<u>1040</u>
<u>Other Anticipated FY 2025/2026 Assignments</u>	
Government-wide Collectors Audit	400
VI Racing Commission and the Horse Racing Improvement Fund	<u>300</u>
	<u>700</u>
Total Resourced Man-days	<u>3,350</u>
UNRESOURCED ASSIGNMENTS	
Follow-up Review of Recommendations Made in the Audit of Juan F. Luis Hospital Contract Administration	90
Inspection of Unclaimed Property	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's Customer Complaints	<u>300</u>
Total Un-resourced Man-days	<u>1,790</u>

OFFICE OF THE VI INSPECTOR GENERAL FY 2026 BUDGET

1 PERSONNEL SERVICES			
350001	511000	CLASSIFIED EMPLOYEE SALARIES	\$802,000
350001	511010	UNCLASSIFIED EMPLOYEE SALARIES	<u>915,644</u>
TOTAL PERSONNEL SERVICES			<u>\$1,717,644</u>
2 FRINGE BENEFITS			
350002	520010	EMPLOYER CONTRIBUTION RETIREMENT	\$308,437
350002	521000	SOCIAL SECURITY	106,494
350002	521100	MEDICARE	24,906
350002	522000	HEALTH INSURANCE PREMIUM	278,439
350002	522200	WORKERS COMP PREMIUMS	<u>1,484</u>
TOTAL FRINGE BENEFITS			<u>\$719,760</u>
3 SUPPLIES			
350003	541000	OFFICE SUPPLIES	\$ 6,335
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	11,617
350003	545200	PROF REF BOOKS & PERIODICALS	8,200
350003	546000	DATA PROCESSING SOFTWARE	<u>28,000</u>
TOTAL SUPPLIES			<u>\$76,652</u>
4 OTHER SERVICES			
350004	532000	REPAIRS & MAINTENANCE	\$80,000
350004	532100	AUTOMOTIVE REPAIR & MAINTENANCE	8,500
350004	533000	RENTAL OF LAND/BUILDING	24,000
350004	534000	PROFESSIONAL SERVICES	16,000
350004	534100	SECURITY SERVICES	4,000
350004	534110	TRAINING	48,000
350004	535000	COMMUNICATION	58,000
350004	535010	ADVERTISING & PROMOTION	3,000
350004	536000	TRANSPORTATION-NOT TRAVEL	3,000
350004	560000	TRAVEL	71,000
350004	560100	PURCHASE BULK AIRLINE TICKETS	1,500
350004	564100	OTHER SERVICES NOC	10,000
350004	564630	MEMBERSHIP DUES	<u>4,235</u>
TOTAL OTHER SERVICES			<u>\$331,235</u>
5 UTILITY SERVICES			
350005	530000	ELECTRICITY	\$43,000
350005	531010	WATER	<u>2,100</u>
TOTAL UTILITY SERVICES			<u>\$45,100</u>
7 CAPITAL PROJECTS			
350007	575000	MACH EQUIP & MISC	\$8,000
TOTAL CAPITAL PROJECT			<u>\$8,000</u>
TOTAL BUDGET			<u>\$2,898,392</u>

