Government of the United States Virgin Islands

Management's Discussion and Analysis, Financial Statements (with Independent Auditor's Report Thereon) and Required Supplementary Information
Year Ended September 30, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Year Ended September 30, 2023

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Independent Auditor's Report

To the Honorable Governor
Government of the United States Virgin Islands

Report on the Audit of the Financial Statements

Adverse, Disclaimer, Qualified and Unmodified Opinions

We have audited or were engaged to audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Disclaimer
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely Presented Component Units	Adverse

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Government of the United States Virgin Islands as of September 30, 2023, or the changes in financial position and, where applicable, cash flows and disclosures thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Disclaimer of Opinions

Based on our audit and the reports of other auditors, we do not express an opinion on the accompanying financial statements of the Governmental Activities, Business-Type Activities, Federal Grants Fund, Unemployment Insurance Enterprise Fund, and the Aggregate Remaining Fund Information of the Government. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, Business-type Activities, Federal Grants Fund, Unemployment Insurance—Enterprise Fund, and Aggregate Remaining Fund Information of the Government.

Qualified Opinion on the General Fund

In our opinion, except for the effects of the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Government, as of September 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, Federal Grants Fund and Unemployment Insurance-Enterprise Fund of the Government as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following funds and/or component units :

- The Virgin Islands Housing Authority (VIHA), Virgin Islands Waste Management Authority (VIWMA), and Virgin Islands Public Broadcasting System (VIPBS), discretely presented component units, which collectively represent 7.0%, (1.4%), and 10.6%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely Presented Component Units as of September 30, 2023.
- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 53.4%, 61.9%, and 74.4%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information as of September 30, 2023.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the activities, funds, and component units indicated above, are based solely on the reports of other auditors.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities or the Audit of the Financial Statements section of our report. We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Aggregate Discretely Presented Component Units

The Government's basic financial statements do not include the current fiscal year financial activity of the following discretely presented component units, the University of the Virgin Islands Research and Technology Park Corporation (RTPark), the University of the Virgin Islands (UVI), The Virgin Islands Housing Finance Authority (VIHFA), the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Juan F. Luis Hospital and Medical Center), the Virgin Islands Water and Power Authority (VIWAPA), the Virgin Islands Economic Development Authority (VIEDA), the Magen's Bay Authority (MBA), and the Virgin Islands Port Authority (VIPA). These component Unit's have not been audited and we were not engaged to audit the financial statements of RTPark, UVI, VIHFA, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F Luis Hospital and Medical Center), VI WAPA, MBA and VIPA, nor was the information available as part of our audit of the Government's basic financial statements. This represents an approximately, 89.8%, 100.0 % and 48.8% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

Accounting principles generally accepted in the United States of America require that the financial activities of discretely presented component units be reported in the Government's basic financial statements. Accordingly, the aggregate discretely presented component units presented in the Government's basic financial statements are incomplete and not presented in accordance with accounting principles generally accepted in the United States of America.

The report of other auditors on the financial statements of the Virgin Islands Waste Management Authority (VIWMA), a discretely presented component unit, included a qualified opinion because the auditors were unable to obtain sufficient appropriate audit evidence to determine whether capital assets and accounts payable were properly classified. Accordingly, the other auditors were unable to determine whether adjustments were necessary.

The report of other auditors on the financial statements of the Virgin Islands Housing Authority (VIHA), a discretely presented component unit, included a qualified opinion because the auditors were unable to obtain sufficient appropriate audit evidence regarding the net pension liability, related deferred outflows of resources, deferred inflows of resources, and the related effects on net position associated with the VIHA pension plan. Accordingly, the other auditors were unable to determine whether adjustments were necessary.

Matters Giving Rise to Qualified Opinion on the General Fund

The Government did not maintain the requisite documentation to support its determination regarding the sufficiency of the design and operation of key controls surrounding the environment in which Medicaid claims are processed. As such, we were unable to determine whether adjustments are required to the General Fund.

Basis for Disclaimer of Opinion on Business-Type Activities, and Aggregate Remaining Fund Information

The basic financial statements do not include a liability for medical malpractice claims in the reciprocal insurance fund (a non-major enterprise fund) and, accordingly, the Government has not recorded an expense for the current period change in that liability. The Government's records do not permit it, nor is it practical to extend our auditing procedures sufficiently to determine the extent by which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2023, may have been affected by this condition.

In addition, the Government did not obtain the requisite valuation for the Workers' compensation liability as required by generally accepted accounting standards to support the measurement of the workers' compensation liability and the related expense and disclosures for the year ended September 30, 2023. As such, we were unable to determine whether adjustments are required to the Business-Type Activities and Aggregate Remaining Fund Information.

The Virgin Islands Lottery, a nonmajor enterprise fund, has not been audited, and we were not engaged to audit the fund's financial statements, nor was the information available as part of our audit of the Government's basic financial statements. As such, the Government's records do not permit, nor is it practical to extend our auditing procedures sufficiently to determine the extent to which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2023, may have been affected by this condition.

Basis for Disclaimer of Opinion on Unemployment Insurance-Enterprise Fund and Business-Type Activities

The Government's records were either not available or contained incomplete information. As such, the records do not permit it, nor is it practical to extend, our auditing procedures sufficiently to determine the extent by which the Unemployment Insurance-Enterprise Fund and Business-Type Activities as of and for the year ended September 30, 2023, may have been affected by this condition.

Basis for Disclaimer of Opinion on Governmental Activities

The Government did not maintain the requisite documentation to support its accrued retroactive union arbitration liability as of and for the year ended September 30, 2023. As such, we are unable to determine whether adjustments were required in the Governmental Activities.

The Government's notes to the basic financial statements do not include the necessary information under Governmental Accounting Standards Board Statement No. 77, *Tax Abatement*. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

The Government did not maintain the requisite documentation to support the opening balance for capital asset activities recording in the prior year. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances of capital assets and accumulated depreciation as of October 1, 2022. Because these balances affect the determination of capital assets, accumulated depreciation, depreciation expense, and net position, we are unable to determine whether adjustments were required to the Governmental Activities as of and for the year ended September 30, 2023.

The Government did not obtain the requisite valuation for the Other Post-employment Employment Benefits (OPEB) as required by generally accepted accounting standards for the liability of $976.6 million, the related deferred outflows of $135.9 million and deferred inflows of $75.9 million and related required supplemental information as of and for the year ended September 30, 2023. As such, we are unable to determine whether adjustments are required to the recorded balances and disclosures for Government Activities and the required supplementary information.

The Government did not maintain the requisite documentation to support its determination regarding the sufficiency of the design and operation of key controls surrounding the environment in which Medicaid claims are processed. As such, we were unable to determine whether adjustments are required to the Governmental Activities.

Basis of Disclaimer of Opinion on Governmental Activities, Business-Type Activities and Aggregate Remaining Fund Information

The Government's basic financial statements do not include right to use assets, lease liabilities, lease expenses, and the related disclosure information required under the Governmental Accounting Standards Board Statement No. 87, *Leases*. As such, we are unable to determine whether adjustments are required to the Governmental Activities, Business Type Activities and Aggregate Remaining Funds.

The Government's basic financial statements do not include right to use subscription asset, subscription liability, outflows of resources, and the related disclosure information required under the Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* or intangible assets, amortization expense, and the related disclosure information for subscription purchases under Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. As such, we are unable to determine whether adjustments are required to the Governmental Activities, Business Type Activities and Aggregate Remaining Funds.

Basis for Disclaimer of Opinion on the Governmental Activities and Federal Grants Fund

The Government did not maintain the requisite documentation to support its due from federal government and federal grants and contributions revenues in the amount of $54.0 million as of the year ended September 30, 2023. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Federal Grants Fund and Governmental Activities.

The Government did not maintain the requisite documentation to support its federal grants and contributions revenues in the amount of $754.1 million as of and for the year ended September 30, 2023. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Federal Grants Fund and Governmental Activities.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Government will continue as a going concern. As discussed in Note 17 to the financial statements, the Government reported an unrestricted net deficit in Governmental Activities and in the General Fund that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 17. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Governmental Activities, Business-Type Activities, Federal Grants Fund, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information

Our responsibility is to conduct an audit of the Government's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, Business-Type Activities, Federal Grants Fund, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information.

We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the General Fund, Debt Service Fund, Capital Projects Fund, Matching Fund Special Purpose Securitization Corporation Debt Service Fund, The West Indian Company Limited-Enterprise Fund, viNGN, Inc.-Enterprise Fund, and the Aggregate Discretely Presented Component Units.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in total OPEB liability and related ratios, net pension liability, pension contributions and related notes, and revenue and expenditures – budget and actual budgetary basis – General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Although our opinions on the financial statements are not affected, material departures from the prescribed guidelines exist. The schedules of changes in total OPEB liability and related ratio were not updated based on the required actuarial valuation for the year ended September 30, 2023, as required by accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

BDO USA, P.C.

January 27, 2026

Management's Discussion and Analysis

Introduction

The following management's discussion and analysis presents an overview of the financial position and activities of the Government of the United States Virgin Islands (the Government) as of and for the fiscal years ended September 30, 2023 and 2022.

Government-wide Financial Statements

The government-wide financial statements are designed to present an overall picture of the financial position of the Government. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position and changes in financial position like that presented by most private-sector companies.

The statement of net position combines and consolidates the Government's current financial resources with capital assets and long-term obligations.

Both above-mentioned financial statements have separate sections for three different types of the Government's programs or activities. These three types of activities are as follows:

> ***Governmental Activities*** – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with the primary government fall into this category, including general government, public safety, health, public housing and welfare, education, transportation and communication, and culture and recreation.
>
> ***Business-Type Activities*** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the Government include the operations of the: (i) the West Indian Company (WICO); (ii) the unemployment insurance program; and (iii) viNGN, Inc. dba Virgin Islands Next Generation Network (viNGN). These programs operate with minimal assistance from the governmental activities of the Government.
>
> ***Discretely Presented Component Units*** – These are operations for which the Government has financial accountability even though they have certain independent qualities as well. For the most part, these entities operate like private sector businesses and the business-type activities described above. The Government's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenue, and expenses in relation to the total of all component units.

Fund Financial Statements

Fund financial statements focus on the most significant (or major) funds of the Government. A fund is a separate accounting entity with a self-balancing set of accounts. The Government uses funds to keep track of sources of funding and spending related to specific activities. The Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

A major fund is a fund whose revenues, expenditures or expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of the corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always considered a major fund. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the Government believes is particularly important to the financial statements may be reported as a major fund.

The funds of the Government are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental funds' statements provide a detailed short-term view of the general governmental operations and the basic services provided. The reconciliation following the fund financial statements explains the differences between the governmental activities, reported in the government-wide financial statements and the governmental funds' financial statements. The General Fund, the PFA debt service fund, the PFA capital projects fund, the Matching Fund Special Purpose Securitization Corporation (MFSPSC) fund, and the Federal grants fund are reported as major governmental funds.

> The General Fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.
>
> The PFA Debt Service Fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by the Virgin Islands Public Finance Authority (PFA) on behalf of the Government.
>
> The PFA Capital Projects Fund accounts for bond proceeds of debt issued by the Virgin Islands Public Finance Authority on behalf of the Government. The bond proceeds have been designated for certain necessary public safety and capital development projects which are accounted for in this fund.
>
> The Matching Fund Special Purpose Securitization Corporation fund accounts for the resources accumulated, and payments made, for principal and interest on debt issued by MFSPSC on behalf of the Government.
>
> The Federal Grants Fund accounts for proceeds and federal payments that are legally restricted for expenditures for federally specified purposes.

The governmental fund activities are reported in a separate balance sheet and statement of revenues, expenditures, and changes in fund balances. Additionally, the Government presents a reconciliation of the statement of revenues, expenditures, and change in fund balances, to the statement of activities.

Proprietary Funds

Services provided to outside (nongovernmental) customers are reported in enterprise funds. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the government-wide financial statements.

The West Indian Company (WICO), the Unemployment Insurance Fund, and viNGN are major proprietary funds.

> The WICO fund accounts for the activities of WICO, which owns a port facility including a cruise ship pier and manages a shopping mall complex on the island of St. Thomas.
>
> The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance.
>
> The viNGN fund accounts for the activities of viNGN, which designs, develops and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed internet connections to retail internet service providers.

The proprietary fund activities are reported in a separate statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

Fiduciary Funds

The fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

Financial Analysis of the Government as a Whole

The Government faces the challenge of maintaining fiscal sustainability and promoting economic growth while rebuilding from the two Category 5 hurricanes of September 2017. To promote fiscal sustainability, the Government retained an international firm to develop short and long-range cash management strategies, identify federal recovery grants, implement a recovery website, and assist with federal reporting of recovery grants. The Government has also retained the services of a national engineering firm to lead the reconstruction effort in the U.S. Virgin Islands and provide oversight of FEMA Hazard Mitigation and HUD Community Disaster grants. The Government anticipates receiving $10.0 billion through various federal disaster programs over the next 5-8 years. In February 2024, the federal government reduced the 10% matching requirement for federal funds to 2.0% if construction is completed by 2026.

During the fiscal year ended September 30, 2023, the Government reached settlements with several parties related to the case against Jeffrey Epstein and certain co-defendants. The Estate of Jeffrey Epstein will pay $105.0 million to the Government plus $30.0 million representing one-half of the proceeds of the sale of the island Little St. James on which many of the crimes occurred. The estate also paid approximately $0.5 million to remediate environmental damage on the island, and returned more than $80.0 million in economic development tax benefits to the Government.

In September 2023, the Government reached a settlement with JP Morgan Chase in the amount of $75.0 million, in a lawsuit brought against the bank alleging the bank had enabled Epstein's criminal activities. The Government also entered into a settlement of $62.5 million in August 2023 with Leon Black related to certain financial transactions and communications with Epstein.

Financial Analysis of the Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2023, and 2022, were approximately $3.6 billion and $3.8 billion, respectively. Total liabilities and deferred inflows were approximately $8.9 billion and $9.2 billion, respectively, over the same period. Liabilities exceed assets mainly due to unfunded pension and postemployment benefits such as health insurance due to retired Government employees amounting to $4.1 billion and $5.1 billion at September 30, 2023 and 2022.

On September 30, 2023, the Government's net deficit of $5.3 billion consisted of a $907.1 million net investment in capital assets; $393.3 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.6 billion. On September 30, 2022, the Government's net deficit of $5.5 billion consisted of a $798.4 million net investment in capital assets; $447.3 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.7 billion.

For the fiscal year ended September 30, 2023, the primary government earned program and general revenue amounting to $2.4 billion and reported expenses of $2.3 billion, resulting in a decrease in net deficit of approximately $122.3 million. For the fiscal year ended September 30, 2022, the primary government earned program and general revenue amounting to $2.5 billion and reported expenses of $2.6 billion, resulting in an increase in net deficit of approximately $101.9 million.

Overall revenue decreased in fiscal 2023 by approximately $189.2 million, when compared to fiscal year 2022, mainly due to a decrease in operating grants and contributions of $13.7 million, a decrease in taxes of $127.9 million, a decrease in interest and other revenue of $65.5 million, a decrease in COVID-19 pandemic relief assistance of $1.9 million, a decrease in payment in lieu of taxes of $11.2 million, offset by an increase in charges for services of $17.0 million, an increase of $14.0 million in capital grants and contributions.

Overall expenses decreased in fiscal 2023 by $315.8 million when compared to fiscal 2022, mainly due to a decrease in general government expense of $336.1 million, , a decrease in health expense of $2.7 million, a decrease in culture and recreation expense of $0.6 million, a decrease in unemployment insurance expense of $36.9 million, a decrease in other business program expense of $5.3 million, a decrease in WICO expenses of $1.7 million and a decrease in interest expense on long-term debt of $3.4 million. These decreases were offset by an increase in public safety of $3.1 million, an increase in public housing and welfare expense of $7.1 million, an increase in transportation and communication of $5.0 million, an increase in education expense of $54.7 million, and an increase in viNGN expenses of $1.0 million.

A summary of net position and changes in net position for the primary government follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2023**	2022	**2023**	2022	**2023**	2022
Assets and Deferred Outflows						
Current assets	$ 1,367,936	$ 1,512,898	$ 83,636	$ 63,824	$ 1,451,572	$ 1,576,722
Internal balances	50,294	49,662	(50,294)	(49,662)	-	-
Capital assets	1,135,668	1,041,331	98,867	98,806	1,234,535	1,140,137
Leases receivable	-	-	7,458	6,663	7,458	6,663
Other assets	5,044	5,187	1,681	1,602	6,725	6,789
Deferred outflows of resources	878,458	1,036,403	-	-	878,458	1,036,403
Total assets and deferred outflows	3,437,400	3,645,481	141,348	121,233	3,578,748	3,766,714
Liabilities and Deferred Inflows						
Long-term liabilities	6,059,707	7,011,835	93,830	97,375	6,153,537	7,109,210
Other liabilities	1,229,221	1,261,974	113,886	123,901	1,343,107	1,385,875
Deferred inflows of resources	1,413,149	725,424	3,205	2,729	1,416,354	728,153
Total liabilities and deferred inflows	8,702,077	8,999,233	210,921	224,005	8,912,998	9,223,238
Net Position						
Net investment in capital assets	889,370	779,374	17,754	19,036	907,124	798,410
Restricted	368,700	437,074	24,608	10,228	393,308	447,302
Unrestricted deficit	(6,522,747)	(6,570,200)	(111,935)	(132,036)	(6,634,682)	(6,702,236)
Total net deficit	$ (5,264,677)	$ (5,353,752)	$ (69,573)	$ (102,772)	$ (5,334,250)	$ (5,456,524)

September 30,	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
Revenues						
Program revenue:						
Charges for services	$ 36,830	$ 34,068	$ 61,161	$ 46,862	$ 97,991	$ 80,930
Operating grants and contributions	1,002,859	995,122	497	21,983	1,003,356	1,017,105
Capital grants and contributions	24,650	16,344	6,676	906	31,326	17,250
General revenue:						
Taxes	1,044,579	1,172,506	-	-	1,044,579	1,172,506
Interest and other	76,019	130,824	12,395	23,054	88,414	153,878
COVID-19 pandemic relief assistance	-	1,932	-	-	-	1,932
Payment in lieu of taxes	10,593	21,821	-	-	10,593	21,821
Tobacco settlement rights	1,090	1,193	-	-	1,090	1,193
Total revenues	2,196,620	2,373,810	80,729	92,805	2,277,349	2,466,615
Expenses						
General government	1,212,486	1,548,620	-	-	1,212,486	1,548,620
Public safety	93,845	90,713	-	-	93,845	90,713
Health	72,676	75,404	-	-	72,676	75,404
Public housing and welfare	340,707	333,613	-	-	340,707	333,613
Education	339,546	284,798	-	-	339,546	284,798
Transportation and communication	54,445	49,376	-	-	54,445	49,376
Culture and recreation	9,207	9,796	-	-	9,207	9,796
Interest on long-term debt	80,591	84,020	-	-	80,591	84,020
WICO	-	-	13,417	15,112	13,417	15,112
Unemployment insurance	-	-	5,346	42,208	5,346	42,208
viNGN	-	-	10,487	9,532	10,487	9,532
Other	-	-	19,997	25,336	19,997	25,336
Total expenses	2,203,503	2,476,340	49,247	92,188	2,252,750	2,568,528
Changes in net position (deficit) before transfers and special item	90,075	(102,530)	31,482	617	121,557	(101,913)
Transfers	(1,000)	(10,000)	1,000	10,000	-	-
Special item – settlement proceeds	96,958	-	-	-	96,958	-
Special item – debt cancellation	-	-	717	-	717	-
Changes in net deficit	89,075	(112,530)	33,199	10,617	122,274	(101,913)
Net deficit, beginning of year	(5,353,752)	(5,241,222)	(102,772)	(113,389)	(5,456,524)	(5,354,611)
Net deficit, end of year	$ (5,264,677)	$ (5,353,752)	$ (69,573)	$ (102,772)	$ (5,334,250)	$ (5,456,524)

Financial Analysis of the Government's Funds

Governmental Funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, the unassigned fund balance/deficit may serve as a useful measure of a government's net resources available, or not available, for discretionary use as they represent the portion of the fund balances which has not yet been limited to use for a particular purpose by either an external party of the primary Government.

On September 30, 2023, the Government's governmental funds reported a combined fund balance of $207.8 million, a decrease of $65.2 million when compared to the prior year combined fund balance of $273.0 million. Approximately $656.8 million of this amount consists of unassigned fund deficits representing expenditures in governmental funds that exceeded discretionary funds available. The remaining fund balances are either restricted, committed, or assigned to indicate that the fund balance is: i) restricted for particular purposes ($482.5 million), ii) committed for particular purposes ($98.4 million), or iii) assigned for particular purposes ($283.7 million).

The General Fund is the chief operating fund of the primary Government. On September 30, 2023, the unassigned fund deficit of the General Fund was $529.3 million while the total fund deficit of the General Fund increased by $93.3 million to $470.0 million. The increase in fund deficit was mainly due to total expenditures of the General Fund of $1.3 billion exceeding General Fund revenues of $1.1 billion, offset by loans issued of $55.9 million.

The PFA Debt Service Fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. On September 30, 2023, the restricted fund balance of the PFA Debt Service Fund was $274.2 million, a decrease of $29.5 million from the prior fiscal year fund balance of $303.7 million. This decrease is mainly due to debt service payments of principal and interest of $70.2 million, contributions to GERS on the GERS Funding Note of $158.0 million and transfers to other funds of $141.0 million exceeding tax revenues of $204.8 million, federal grants of $6.5 million, interest and other revenues of $3.8 million and transfers from other funds of $124.6 million.

The PFA Capital Projects Fund accounts for bond proceeds issued by PFA that have been designated for certain necessary public safety and capital development projects. On September 30, 2023, the restricted fund balance of the PFA Capital Projects Fund was $107.6 million, a decrease of $5.5 million from the prior fiscal year fund balance of $113.1 million. This decrease was mainly due to transfers to other funds of $4.0 million, general government expenses of $2.1 million and capital outlays of $1.1 million exceeding interest and other income of $1.8 million.

The Matching Fund Special Purpose Securitization Corporation (MFSPSC) accounts for the resources accumulated, and payments made, for debt service requirements of bonds issued by MFSPSC. On September 30, 2023, the restricted fund balance of MFSPSC was $77.9 million, a decrease of $34.3 million from the prior fiscal year balance of $112.2 million. The decrease is mainly due to bond interest payments of $47.2 million exceeding tax revenues of $10.1 million and interest and other revenue of $2.8 million.

The Federal Grants Fund accounts for payments that are restricted to expenditures for specified purposes. On September 30, 2023, the fund deficit of $71.6 million increased by $18.9 million from the prior year fund deficit of $52.7 million. The increase in fund deficit was due to federal grant expenditures exceeding federal grant revenues.

Proprietary Funds

The focus of *proprietary funds* is to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the West Indian Company, Ltd (WICO), Unemployment Insurance, and the Virgin Islands Next Generation Network (viNGN) as these funds are considered to be major funds.

On September 30, 2023, the primary Government's proprietary funds reported a combined net deficit of $69.6 million, a decrease in deficit of $33.2 million when compared to the prior year combined net deficit of $102.8 million. The deficit is the result of an unrestricted deficit in the proprietary funds of $111.9 million, offset by net investment in capital assets of $17.7 million and restricted net position of $24.6 million.

WICO owns a port facility including a cruise ship pier and manages certain parcels of land and warehouses on the island of St. Thomas. On September 30, 2023, the net deficit of WICO was $17.3 million, an increase in fund deficit of $1.8 million from the prior fiscal year. This increase was mainly due to interest expense of $3.4 million and payment in lieu of taxes of $652,000, offset by operating income of $74,000, loan forgiveness of $717,000 and interest and other income of $1.5 million.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2023, the net deficit of the fund was $59.3 million, a decrease in deficit of $25.1 million from the prior fiscal year. The decrease in deficit is mainly due to charges of services of $29.8 million, grant revenue of $391,000 and interest and other revenue of $341,000 exceeding cost of services of $5.3 million.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed interest connections to retail internet service providers. On September 30, 2023, viNGN, reported net position of $16.6 million, an increase of $1.2 million from the prior fiscal year. This increase was mainly due to grant revenue of $6.7 million offset by an operating loss of $5.5 million.

General Fund Budgetary Highlights

The Virgin Islands Office of Management and Budget prepares an annual executive budget subject to approval by the Governor and the Legislature of the Virgin Islands. The executive budget is prepared on a budgetary basis that is like the cash basis of accounting. The executive budget includes only those funds that are subject to appropriation by law. More information regarding budgetary procedures is provided in the Required Supplementary Information accompanying the basic financial statements.

A summary of the budgetary report for the General Fund of the Government, for the fiscal year ended September 30, 2023, follows (expressed in thousands):

September 30, 2023	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 920,163	$ 920,163	$ 1,009,571	$ 89,408
Total expenditures	782,229	865,263	1,134,198	(268,935)
(Deficiency) excess of revenues over expenditures	137,934	54,900	(124,627)	(179,527)
Other financing sources (uses), net	(144,265)	(144,265)	(165,279)	(21,014)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (6,331)	$ (89,365)	$ (289,906)	$ (200,541)

For fiscal year 2023, the General Fund realized an unfavorable budgetary variance of $200.5 million mainly due to a favorable revenue variance of $89.4 million and an unfavorable expenditure variance of $268.9 million and an unfavorable other financing sources (uses) variance of $21.0 million.

The General Fund realized a favorable revenue variance of $89.4 million mainly due to tax revenues exceeding budgeted amounts by $35.3 million, federal grant revenue received of $10.5 million, loan proceeds received of $45.0 million, charges for services revenues being under budget by $41.5 million and interest and other revenues exceeding budget by $40.1 million during the fiscal year. The General Fund realized an unfavorable expenditures variance of $268.9 million due to spending exceeding the budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2023 amounted to $94.3 million for governmental activities, net of adjustments. Business-type activities capital assets increased by $61,000 net of adjustments. Capital assets additions during fiscal year 2022 amounted to $120.4 million for governmental activities net of adjustments. Business-type activities assets decreased by $7.7 million, net of adjustments.

The Government's capital assets include land, land improvements, buildings, building improvements, machinery and equipment, infrastructure, right-to-use building and improvement, construction in progress, and intangibles, as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2023**	2022	**2023**	2022	**2023**	2022
Land and land improvements	**$ 237,373**	$ 230,610	**$ 7,083**	$ 5,883	**$ 244,456**	$ 236,493
Building and improvements	**668,983**	654,013	**82,440**	80,864	**751,423**	734,877
Machinery and equipment	**311,971**	285,138	**84,250**	83,108	**396,221**	368,246
Right-to-use building and improvement	**-**	-	**1,329**	2,139	**1,329**	2,139
Infrastructure	**365,687**	284,641	**-**	-	**365,687**	284,641
Intangible assets	**-**	-	**30,774**	30,774	**30,774**	30,774
Construction in progress	**248,347**	220,218	**11,071**	6,936	**259,418**	227,154
Total capital assets	**1,832,361**	1,674,620	**216,947**	209,704	**2,049,308**	1,884,324
Less accumulated depreciation and amortization	**(696,693)**	(633,289)	**(118,080)**	(110,898)	**(814,773)**	(744,187)
Total capital assets, net	**$ 1,135,668**	$ 1,041,331	**$ 98,867**	$ 98,806	**$ 1,234,535**	$ 1,140,137

Note 9 provides detailed information regarding the capital assets of the primary government and the component units of the Government.

Debt Administration (General Obligation and Revenue Bonds)

The Government issues both general obligation bonds and revenue bonds. The Revised Organic Act [48 U.S.C. Section 1574 (b)(ii)] restricts the principal amount of general obligation debt that the Government may issue to no greater than 10% of the aggregate assessed valuation of taxable real property in the U.S. Virgin Islands. Following is a summary of bonds outstanding as of September 30, 2023, (expressed in thousands):

Bond Issue	**Maturity**	**Rates (%)**	**Balance**
2022 Series A Securitization Bonds	2039	4.05 - 4.73	$ 930,315
2022 Series B Securitization Bonds	2025	6.00	22,510
2019 Series A TIF Revenue and Refunding Bonds	2029	6.88	6,411
2015 Series Federal Highway Bonds	2016 - 2033	3.00 – 5.00	58,475
2014 Series D Revenue Bonds	2015 - 2033	6.03	4,100
2014 Series C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	201,805
2014 Series A Revenue Bonds	2015 - 2034	5.00	35,435
2012 Series C Revenue Bonds	2017 - 2042	3.00 – 5.00	19,260
2012 Series A & B Revenue & Refunding Bonds	2017 - 2032	2.25 – 5.25	130,615
2006 Series A Revenue Bonds	2007 - 2029	3 50 – 5.00	137,075
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	4,827
Total bonds outstanding			1,550,828
Plus (less):			
Bonds premium			42,057
Bonds discount			(189)
Bonds accretion			14,750
Net bonds outstanding			$ 1,607,446

Note 10 provides detailed information regarding all bonds of the primary government.

The Government made bond principal payments on outstanding general and special revenue bonds amounting to $42.9 million during fiscal year 2023 and $95.0 million during fiscal year 2022.

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022. In April 2024, KBRA affirmed the rating of BBB and revised the outlook to negative from stable due to a trend of declining pledged matching fund receipts in each of the prior three years. In July 2025, Congress permanently enacted a per proof gallon cover-over rate of $13.25, and KBRA revised the outlook for the bonds to stable.

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. At the time of withdrawal, the Government's issuer rating was Caa3 and the outlook was stable. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Most recently, Moody's had served as a reference rating for WAPA. The ratings for WAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

Other Liabilities of the Primary Government

Other liabilities of the Government include the following (expressed in thousands):

September 30,	**2023**	2022
Governmental activities:		
Accrued compensated absences	**$ 47,583**	$ 38,944
Retroactive union arbitration	**146,518**	151,064
Accrued 8.0% salary reduction	**-**	1,583
Litigation	**6,685**	7,873
Landfill closure and post closure	**165,244**	129,542
Business-type activities:		
Worker's compensation	**41,961**	46,387
Lease liability – viNGN	**680**	559
Lease liability - WICO	**49**	-
WAPA utilities - WICO	**183**	-
Compensated absences - WICO	**1,372**	1,338
Note payable - viNGN	**450**	-
Loan payable – U.S. Treasury	**87,406**	95,744
Loan payable - WICO	**-**	717
Bonds payable - WICO	**51,631**	51,586
Total other liabilities	**$ 549,762**	$ 525,337

Net Pension Liabilities

The Government has implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*.

Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources.

Following is the net pension liability reported in fiscal years 2023 and 2022 (expressed in thousands):

September 30,	2023	2022
Net pension liability	**$ 3,125,580**	$ 4,091,016

Net Other Postemployment Benefit (OPEB) Liabilities

During fiscal year 2018, the Government implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government and ten (10) of the Government's component units under a special funding arrangement.

During the fiscal year 2023, the census data necessary to prepare the biannual actuarial valuation of the OPEB liability was not available.

Following is the OPEB liability reported in fiscal year 2022 (expressed in thousands):

September 30,	2022
OPEB liability	$ 976,613

Significant Currently Known Facts

The Government promotes fiscal sustainability through economic development, compliance initiatives, and budgetary restraints on expenditures. The Government is also working with non-governmental organizations and Federal partners as part of its recovery efforts following the 2017 hurricanes and the COVID-19 pandemic.

Revenue and Compliance Initiatives

The Government has implemented several initiatives to create jobs, stimulate economic growth, and promote fiscal sustainability including promotion of airline travel tourism through national advertising, introducing legislation for the legal sale of cannabis for medical purposes, compliance initiatives to ensure voluntary tax filing requirements are met, and outreach to national and foreign investors. The Government continues to promote its high-tech broadband capabilities, educated workforce, and tax incentive programs available in the U.S. Virgin Islands to management, technology, and tourism-related industries.

The Territory continues to work with federal recovery partners including Federal Emergency Management Agency (FEMA), U.S. Department of Housing and Urban Development (HUD), Federal Highway Administration (FHWA), and other agencies to establish a multi-year, multi-billion recovery plan building resiliency in managing climate change and fiscal sustainability.

Budgetary Control of Expenditures

The Government has experienced an increase in carry-forward liabilities from prior fiscal years mainly due to landfill closure costs, postemployment benefits for retirees, and net pension liabilities in connection with the Government's defined benefit pension plan. The Government also has carry-forward liabilities due to unpaid retroactive salary increases that accumulated following Hurricanes Hugo, Marilyn, and Bertha in the years of 1990 through 1998. At September 30, 2023 and 2022, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to $4.1 billion and $5.1 billion, respectively. The Government's defined benefit pension plan was 8.91% and 8.23% funded as of the measurement dates of September 30, 2023, and 2022, respectively.

Based on the most recent actuarial projection of November 2024, the Government's retirement system is expected to remain solvent in coming years. The retirement system increased the contribution rates of participating employers by 1.0% per year over the three fiscal years 2015, 2016 and 2017 and at September 30, 2018, the employer contribution rate was 20.5%. In December 2019, the employer rate was increased by 3.0% bringing the contribution rate to 23.5% effective January 1, 2020, and in September 2024, the rate increased by another 3.0% bringing the contribution rate to 26.5%, effective January 1, 2025 which has been postponed to October 1, 2025. In September 2025, 36th Legislature of V.I. passed a measure that removed the GERS board's authority to increase the contribution rates and future changes requires the legislative approval. This overturns the GERS board's decision to increase the employer contribution rate by 3.0% effective October 1.

In February 2022, the Legislature of the Virgin Islands passed Act 8540, authorizing the creation of the Matching Fund Special Purpose Securitization Corporation to purchase the Matching Fund Receipts from the Government, restructure the existing matching fund bond debt, and to free up resources to provide annual funding for the Government Employees' Retirement System of the U.S. Virgin Islands (GERS) through the GERS Funding Note established with the PFA.

The Matching Fund Securitization Bonds Series 2022A and Series 2022B were issued in April 2022 and an initial payment was made to GERS in the amount of $89.2 million. In October 2022, 2023, 2024 and 2025, payments were made to GERS in the amounts of $158.0 million, $124.0 million, $101.6 million and $56.4 million respectively under the GERS Funding Note.

Contacting the Government's Financial Management

This financial report is designed to provide the Government's citizens, taxpayers, customers, and creditors with a general overview of the Government's finances. If you have questions about this report, or need additional financial information, contact the Government of the United States Virgin Islands, Department of Finance, No. 2314 Kronprindsens Gade, St. Thomas, VI 00802.

Basic Financial Statements

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2023	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Assets				
Cash and cash equivalents	$ 701,335	$ 41,609	$ 742,944	$ 156,947
Investments, at fair value	367,785	1,680	369,465	9,645
Receivables, net	198,409	5,658	204,067	219,118
Internal balances	50,294	(50,294)	-	-
Due from federal government	53,964	1,352	55,316	38,734
Due from component units	36,769	-	36,769	111
Due from primary government	-	-	-	33,834
Inventories	-	-	-	17,949
Prepayments and other assets	-	-	-	34,970
Restricted:				
Cash and cash equivalents	-	33,337	33,337	53,804
Investments	-	-	-	86,495
Other	-	-	-	15,873
Capital assets, net	1,135,668	98,867	1,234,535	2,432,274
Leases receivable	-	7,458	7,458	615
Notes receivable	9,674	-	9,674	9,991
Other assets	5,044	1,681	6,725	123,338
Total assets	2,558,942	141,348	2,700,290	3,233,698
Deferred Outflows of Resources				
Deferred amounts related to pension	735,927	-	735,927	288,830
Deferred charges on bond refunding	6,679	-	6,679	7,377
Deferred amounts related to OPEB	135,852	-	135,852	13,264
Total deferred outflows of resources	878,458	-	878,458	309,471
Total assets and deferred outflows of resources	$ 3,437,400	$ 141,348	$ 3,578,748	$ 3,543,169

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2023	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 539,087	$ 10,162	$ 549,249	$ 689,223
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,553
Due to primary government	-	-	-	32,818
Due to component units	26,491	-	26,491	-
Due to federal government	-	-	-	5,042
Refundable advance	218,366	-	218,366	-
Interest payable	38,413	1,669	40,082	10,470
Other current liabilities:				
Unearned revenues	212,039	8,417	220,456	36,715
Tax refunds payable	117,332	-	117,332	-
Line of credit	-	-	-	33,262
Loans and notes payable	16	87,417	87,433	9,303
Bonds payable	56,670	-	56,670	57,799
Other liabilities	20,807	2,964	23,771	13,327
Noncurrent liabilities:				
Line of credit	-	-	-	2,740
Tax refunds payable	4,085	-	4,085	-
Loans and notes payable	57,430	439	57,869	6,197
Bonds payable	1,550,776	51,631	1,602,407	207,415
Net pension liability	3,125,580	-	3,125,580	1,091,292
Other postemployment benefits liability (OPEB)	976,613	-	976,613	124,304
Unearned revenues	-	662	662	13,735
Other liabilities	345,223	41,098	386,321	128,853
Total liabilities	7,288,928	207,716	7,496,644	2,493,048
Deferred Inflows of Resources				
Deferred amounts related to OPEB	75,883	-	75,883	26,971
Deferred amounts related to pension	1,337,266	-	1,337,266	210,117
Deferred amounts related to leases	-	3,205	3,205	2,333
Total liabilities and deferred inflows of resources	$ 8,702,077	$ 210,921	$ 8,912,998	$ 2,732,469
Net Position (Deficit)				
Net investment in capital assets	$ 889,370	$ 17,754	$ 907,124	$ 2,079,248
Restricted:				
Unemployment insurance	-	24,546	24,546	-
Debt service	352,115	62	352,177	-
Capital projects	16,585	-	16,585	-
Other purposes	-	-	-	195,919
Unrestricted deficit	(6,522,747)	(111,935)	(6,634,682)	(1,464,467)
Total net deficit	$ (5,264,677)	$ (69,573)	$ (5,334,250)	$ 810,700

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2023	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 1,212,486	$ 35,255	$ 583,976	$ 7,722	$ (585,533)	$ -	$ (585,533)	$ -
Public safety	93,845	439	5,101	-	(88,305)	-	(88,305)	-
Health	72,676	287	29,610	-	(42,779)	-	(42,779)	-
Public housing and welfare	340,707	131	293,195	-	(47,381)	-	(47,381)	-
Education	339,546	2	77,895	-	(261,649)	-	(261,649)	-
Transportation and communication	54,445	543	13,027	16,928	(23,947)	-	(23,947)	-
Culture and recreation	9,207	173	55	-	(8,979)	-	(8,979)	-
Interest on long-term debt	80,591	-	-	-	(80,591)	-	(80,591)	-
Total governmental activities	2,203,503	36,830	1,002,859	24,650	(1,139,164)	-	(1,139,164)	
Business-type activities:								
WICO	13,417	9,424	-	-	-	(3,993)	(3,993)	-
Unemployment insurance	5,346	29,761	391	-	-	24,806	24,806	-
viNGN	10,487	4,965	-	6,676	-	1,154	1,154	-
Other	19,997	17,011	106	-	-	(2,880)	(2,880)	-
Total business-type activities	49,247	61,161	497	6,676	-	19,087	19,087	
Total primary government	$ 2,252,750	$ 97,991	$ 1,003,356	$ 31,326	$ (1,139,164)	$ 19,087	$ (1,120,077)	$ -
Component units :								
Virgin Islands Housing Authority	$ 59,136	$ 8,051	$ 45,742	$ 10,631	$ -	$ -	$ -	$ 5,288
Virgin Islands Port Authority*	79,431	61,557	-	35,678	-	-	-	17,804
Virgin Islands Water and Power Authority:								
Electric System*	338,725	317,383	-	289,675	-	-	-	268,333
Water System*	33,058	35,375	-	2,786	-	-	-	5,103
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital*	98,347	73,513	35,772	4,656	-	-	-	15,594
Juan F. Luis Hospital*	69,681	36,620	26,771	10,878	-	-	-	4,588
University of the Virgin Islands*	114,368	14,062	89,728	4,607	-	-	-	(5,971)
Virgin Islands Housing Finance Authority*	94,106	5,311	88,118	-	-	-	-	(677)
Other component units*^	76,647	17,468	68,623	75	-	-	-	9,519
Total component units	$ 963,499	$ 569,340	$ 354,754	$ 358,986	$	$	$	$ 319,581
Total primary government and component units								$ 319,581

**Unaudited*

See accompanying notes to financial statements.

***University of the Virgin Islands Research and Technology Park Corporation, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)*

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2023	Net Revenue (Expense) and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total	Component Units
General revenue:				
Taxes	$ 1,044,579	$ -	$ 1,044,579	$ -
Payment in lieu of taxes	10,593	-	10,593	-
Interest and other	76,019	12,395	88,414	31,590
Tobacco settlement rights	1,090	-	1,090	-
Special item - settlement proceeds	96,958	-	96,958	-
Special item - insurance recoveries on capital assets, net	-	-	-	113
Special item - debt cancellation	-	717	717	-
Transfers – internal activities of primary government	(1,000)	1,000	-	-
Total general revenue and other items	1,228,239	14,112	1,242,351	31,703
Changes in net position (deficit)	89,075	33,199	122,274	351,284
Net position (deficit), beginning of year	(5,353,752)	(102,772)	(5,456,524)	459,416
Net position (deficit), end of year	$ (5,264,677)	$ (69,573)	$ (5,334,250)	$ 810,700

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(in thousands)

September 30, 2023	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
Assets							
Cash and cash equivalents	$ 173,516	$ 138,157	$ 36,562	$ 29,855	$ -	$ 323,245	$ 701,335
Investments, at fair value	149,566	121,167	36,357	58,340	-	2,355	367,785
Receivables:							
Taxes, net	168,839	28,408	-	-	-	-	197,247
Other	250	-	-	-	-	116	366
Due from federal government	-	-	-	-	53,964	-	53,964
Due from:							
Other funds	62,420	-	37,128	-	-	35,226	134,774
Component units, net	29,393	-	-	-	-	7,376	36,769
Total assets	583,984	287,732	110,047	88,195	53,964	368,318	1,492,240
Liabilities							
Accounts payable and accrued liabilities	391,457	-	2,005	-	125,610	20,015	539,087
Tax refunds payable	75,441	-	-	-	-	-	75,441
Refundable advance	211,049	-	-	-	-	7,317	218,366
Unearned revenues	201,760	-	-	10,279	-	-	212,039
Due to:							
Other funds	33,107	-	-	-	-	51,373	84,480
Component units	26,073	-	418	-	-	-	26,491
Total liabilities	938,887	-	2,423	10,279	125,610	78,705	1,155,904
Deferred Inflows of Resources							
Unavailable revenues	114,989	13,533	-	-	-	-	128,522
Total liabilities and deferred inflows of resources	1,053,876	13,533	2,423	10,279	125,610	78,705	1,284,426
Fund balances (deficit)							
Restricted	-	274,199	107,624	77,916	2,693	20,101	482,533
Committed	56,853	-	-	-	-	41,517	98,370
Assigned	2,581	-	-	-	-	281,152	283,733
Unassigned	(529,326)	-	-	-	(74,339)	(53,157)	(656,822)
Total fund balances (deficit)	(469,892)	274,199	107,624	77,916	(71,646)	289,613	207,814
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 583,984	$ 287,732	$ 110,047	$ 88,195	$ 53,964	$ 368,318	
Amounts reported for governmental activities in the statement of net position are different because:							
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.							1,135,668
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.							5,044
Note receivable related to the sale of capital assets therefore, not reported in the funds.							9,674
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.							6,679
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.							129,318
Deferred outflows and inflows of resources of pension and postemployment benefit liabilities are not current financial resources and therefore, are not included in the funds.							(541,370)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.							(38,413)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(3,125,580)
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(976,613)
Long-term liabilities, including bonds and tax refunds payable, are not due and payable in the current period and therefore, are not reported in the funds.							(2,076,898)
Net deficit of governmental activities							$ (5,264,677)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

(in thousands)

Year Ended September 30, 2023	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
Revenues							
Taxes	$ 820,616	$ 204,788	$ -	$ 10,138	$ -	$ 18,120	$ 1,053,662
Payment in lieu of taxes	10,593	-	-	-	-	-	10,593
Federal grants and contributions	247,352	6,548	-	-	754,127	19,482	1,027,509
Charges for services	18,091	-	-	-	-	18,739	36,830
Tobacco settlement rights	-	-	-	-	-	1,180	1,180
Interest and other	31,945	3,775	1,804	2,814	156	40,032	80,526
Total revenues	1,128,597	215,111	1,804	12,952	754,283	97,553	2,210,300
Expenditures							
Current:							
General government	788,191	28	2,088	69	307,711	44,732	1,142,819
Public safety	80,240	-	-	-	4,087	482	84,809
Health	37,961	-	-	-	29,576	900	68,437
Public housing and welfare	65,880	-	-	-	268,902	1,981	336,763
Education	227,655	-	-	-	73,102	3,121	303,878
Transportation and communication	22,624	-	-	-	4,366	13,287	40,277
Culture and recreation	7,913	-	-	-	142	15	8,070
Capital outlays	44,818	-	1,146	-	85,288	28,215	159,467
Debt service:							
Principal	-	39,237	-	-	-	3,678	42,915
Interest	1,525	31,051	-	47,201	-	61	79,838
Total expenditures	1,276,807	70,316	3,234	47,270	773,174	96,472	2,267,273
Excess (deficiency) of revenue over expenditures	(148,210)	144,795	(1,430)	(34,318)	(18,891)	1,081	(56,973)
Other financing sources (uses)							
Loans issued	55,909	-	-	-	-	-	55,909
Cost of issuance of debt	(2,122)	-	-	-	-	-	(2,122)
Settlement proceeds	-	-	-	-	-	96,957	96,957
GERS Funding Note payment	-	(157,997)	-	-	-	-	(157,997)
Transfers from other funds	143,359	124,639	-	-	-	20,677	288,675
Transfers to other funds	(142,279)	(140,964)	(4,037)	-	-	(2,395)	(289,675)
Total other financing sources (uses), net	54,867	(174,322)	(4,037)	-	-	115,239	(8,253)
Net change in fund balances	(93,343)	(29,527)	(5,467)	(34,318)	(18,891)	116,320	(65,226)
Fund balances (deficit), beginning of year	(376,549)	303,726	113,091	112,234	(52,755)	173,293	273,040
Fund balances (deficit), end of year	$ (469,892)	$ 274,199	$ 107,624	$ 77,916	$ (71,646)	$ 289,613	$ 207,814

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds

(in thousands)

Year Ended September 30, 2023		
Net change in fund balances – total governmental funds	$	(65,226)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, impairment loss, and disposals in the current year.		94,337
Expense (net of interest) reported from note receivables not producing current resources.		(4,509)
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.		(23,834)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This amount of debt repayments were less than the amount of debt issued in the current year.		(12,994)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which a decrease in certain liabilities reported in the statement of net position of the previous year decreased expenses reported in the statement of activities that do not require the use of current financial resources.		(22,362)
Some expenses reported as prepaid assets in the statement of net position in the current year are recognized as expenses in the following year in the statement of activities.		(147)
Bond premiums and discounts are reported as other financing sources and uses in the governmental funds when the bonds are issued, and are capitalized and amortized in the government-wide financial statements. This amount represents additional net accreted interest reported in the statement of activities related to the amortization of premiums, discounts, deferred refunding, and accreted interest on capital appreciation bonds during the current year.		3,623
Certain interest reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the increase in interest payable reported in the statement of net position.		(753)
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the decrease in pension liabilities for the allocable share of pension expense reported in statement of net position.		120,940
Change in net deficit of governmental activities	$	89,075

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position – Proprietary Funds

(in thousands)

September 30, 2023	Business-type Activities WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 823	$ 5,553	$ 206	$ 35,027	$ 41,609
Investments, at fair value	-	-	-	1,680	1,680
Receivables, net:					
Grants receivable	152	-	1,200	-	1,352
Leases receivable	446	-	-	-	446
Premiums receivable	-	1,277	-	-	1,277
Other receivables	2,797	-	567	1,017	4,381
Due from other funds	-	-	-	300	300
Other assets	1,286	-	215	180	1,681
Total current assets	5,504	6,830	2,188	38,204	52,726
Noncurrent assets:					
Restricted cash and cash equivalents	8,791	24,546	-	-	33,337
Leases receivable	7,012	-	-	-	7,012
Capital assets	31,253	-	54,104	13,510	98,867
Total noncurrent assets	47,056	24,546	54,104	13,510	139,216
Total assets	$ 52,560	$ 31,376	$ 56,292	$ 51,714	$ 191,942
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,195	$ -	$ 950	$ 7,834	$ 9,979
Lease liability	49	-	219	-	268
Due to other funds	10,588	-	36,804	3,202	50,594
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	2,632	2,632
Note payable	-	-	11	-	11
Loan payable to U.S. Treasury	-	87,406	-	-	87,406
Interest payable	1,669	-	-	-	1,669
Unearned revenue	-	-	135	8,282	8,417
Compensated absences payable	64	-	-	-	64
Total current liabilities	13,565	90,663	38,119	21,950	164,297
Noncurrent liabilities:					
Accounts payable and accrued liabilities	183	-	-	-	183
Workers compensation	-	-	-	39,329	39,329
Compensated absences payable	1,308	-	-	-	1,308
Lease liability	-	-	461	-	461
Unearned revenue	-	-	662	-	662
Note payable	-	-	439	-	439
Bonds payable	51,631	-	-	-	51,631
Total noncurrent liabilities	53,122	-	1,562	39,329	94,013
Total liabilities	66,687	90,663	39,681	61,279	258,310
Deferred Inflows of Resources					
Deferred amount related to leases	3,205	-	-	-	3,205
Total liabilities and deferred inflows of resources	$ 69,892	$ 90,663	$ 39,681	$ 61,279	$ 261,515
Net Position (Deficit)					
Net investment in capital assets	$ (11,925)	$ -	$ 16,169	$ 13,510	$ 17,754
Restricted:					
Unemployment insurance	-	24,546	-	-	24,546
Debt service	62	-	-	-	62
Unrestricted (deficit)	(5,469)	(83,833)	442	(23,075)	(111,935)
Total net position (deficit)	$ (17,332)	$ (59,287)	$ 16,611	$ (9,565)	$ (69,573)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

(in thousands)

Year Ended September 30, 2023	Business-type Activities				
	WICO	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Total**
Operating revenues					
Charges for services	$ 9,424	$ 29,761	$ 4,965	$ 17,011	$ 61,161
Operating expenses					
Cost of services	6,230	5,346	5,917	19,166	36,659
Depreciation and amortization	3,120	-	4,473	831	8,424
Total operating expenses	9,350	5,346	10,390	19,997	45,083
Operating (loss) income	74	24,415	(5,425)	(2,986)	16,078
Non-operating revenues (expenses)					
Grants revenue	-	391	6,676	106	7,173
Interest and other income	1,504	341	8	10,542	12,395
Loan forgiveness	717	-	-	-	717
Bond issuance cost	(15)	-	-	-	(15)
Payment in lieu of taxes	(652)	-	-	-	(652)
Interest and other expense	(3,400)	-	(97)	-	(3,497)
Total non-operating (expenses) revenues, net	(1,846)	732	6,587	10,648	16,121
(Loss) income before operating transfers and special item	(1,772)	25,147	1,162	7,662	32,199
Transfers from other funds	-	-	-	1,000	1,000
Change in net position	(1,772)	25,147	1,162	8,662	33,199
Net position (deficit), beginning of year	(15,560)	(84,434)	15,449	(18,227)	(102,772)
Net position (deficit), end of year	$ (17,332)	$ (59,287)	$ 16,611	$ (9,565)	$ (69,573)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

	Business-type Activities				
Year Ended September 30, 2023	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	$ 7,275	$ 29,761	$ 4,769	$ 16,762	$ 58,567
Cash paid to beneficiaries and suppliers	(3,238)	(5,346)	(2,960)	(22,752)	(34,296)
Cash paid to employees	(2,743)	-	(2,515)	-	(5,258)
Net cash provided by (used in) operating activities	1,294	24,415	(706)	(5,990)	19,013
Cash flows from noncapital financing activities					
Other income (expense)	653	341	(49)	10,542	11,487
Transfer from other funds	-	-	-	1,000	1,000
Federal grants	-	391	3,462	106	3,959
Contribution to the Government	(69)	-	-	-	(69)
Principal paid on debt issuances, including interest	-	(8,338)	-	-	(8,338)
Net cash provided by (used in) noncapital financing activities	584	(7,606)	3,413	11,648	8,039
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(311)	-	(6,020)	(1,855)	(8,186)
Proceeds from sale of capital assets	3	-	-	-	3
Proceeds from issuance of loans	-	-	450	-	450
Costs of issuing bonds	(15)	-	-	-	(15)
Principal payments on lease liability	-	-	(177)	-	(177)
Interest paid	(2,631)	-	(49)	-	(2,680)
Net cash used in capital and related financing activities	(2,954)	-	(5,796)	(1,855)	(10,605)
Cash flows from investing activities					
Interest income	290	-	8	-	298
Purchase of investments	-	-	-	(1)	(1)
Net cash provided by (used in) investing activities	290	-	8	(1)	297
Net increase (decrease) in cash and cash equivalents	(786)	16,809	(3,081)	3,802	16,744
Cash and cash equivalents, beginning of year	10,400	13,290	3,287	31,225	58,202
Cash and cash equivalents, end of year	$ 9,614	$ 30,099	$ 206	$ 35,027	$ 74,946
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	$ 74	$ 24,415	$ (5,425)	$ (2,986)	$ 16,078
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	118	-	-	-	118
Depreciation and amortization	3,120	-	4,473	831	8,424
Other income	176	-	-	-	176
Change in operating assets and liabilities:					
Receivables, net	(2,348)	-	(196)	77	(2,467)
Unearned revenue	-	-	-	(327)	(327)
Other assets	(197)	-	164	(45)	(78)
Accounts payable and other accrued liabilities	317	-	278	886	1,481
Compensated absences payable	34	-	-	-	34
Workers compensation	-	-	-	(4,426)	(4,426)
Net cash provided by (used in) operating activities	$ 1,294	$ 24,415	$ (706)	$ (5,990)	$ 19,013

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

Year Ended September 30, 2023	Business-type Activities				
	WICO	Unemployment Insurance	Ving	Other Enterprise	Total
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents – current	$ 823	$ 5,553	$ 206	$ 35,027	$ 41,609
Cash and cash equivalents – restricted	8,791	24,546	-	-	33,337
Total cash and cash equivalents, end of year	$ 9,614	$ 30,099	$ 206	$ 35,027	$ 74,946

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

September 30, 2023	Pension Trust
Assets	
Cash and cash equivalents:	
Unrestricted	$ 35,309
Restricted	4
Investments, at fair value:	
Corporate obligations	1
Commingled and mutual funds	344,520
Limited partnerships	7,618
Real estate	62,894
Receivables, net:	
Loans and advances	7,693
Accrued interest	79
Due from other agencies of the Government	20,755
Other assets	3,052
Total assets	$ 481,925
Liabilities	
Retirement benefits in process of payment	$ 3,531
Other liabilities	23,010
Total liabilities	26,541
Net position restricted for pension benefits	$ 455,384

Government of the United States Virgin Islands

Statement of Changes in Fiduciary Net Position

(in thousands)

Year Ended September 30, 2023	Pension Trust
Additions	
Contributions:	
Employer	$ 107,398
Plan members	54,757
Total contributions	162,155
Investment income:	
Net appreciation in fair value of investments	36,028
Interest, dividends, and other, net	2,689
GERS Funding Note	157,997
Rental income	493
Total investment income	197,207
Less investment management fees and custodian fees	171
Investment income, net	197,036
Other income	4,758
Total additions	363,949
Deductions	
Benefits paid directly to members	282,209
Refunds of members' contributions	10,112
Administrative and operational expenses	16,575
Total deductions	308,896
Change in net position	55,053
Net position restricted for pensions, beginning of year	400,331
Net position restricted for pensions, end of year	$ 455,384

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

The Government of the United States Virgin Islands (the Government) is an unincorporated organized territory of the United States of America. The powers of the Government are derived from and set forth in the Revised Organic Act of 1954, as amended. The Government assumes responsibility for public safety, health, public housing and welfare, education, transportation and communication, and culture and recreation.

The accompanying basic financial statements of the Government have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying basic financial statements have been prepared primarily from accounts maintained by the Department of Finance of the Government. Additional data has been derived from reports prepared by other departments, agencies, and public corporations based on independent or subsidiary accounting systems maintained by them.

Financial Reporting Entity

For financial reporting purposes, the Government is a primary government (PG). The PG includes all Government departments, agencies, boards, and organizations that are not legally separate. In addition to the PG, the financial reporting entity includes blended and discreetly presented component units. Component units include all legally separate organizations for which the Government's elected officials are financially accountable and organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the reporting entity's financial statements to be misleading. The criteria used to define financial accountability include: (i) if an organization is fiscally dependent on, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG, (ii) a government board appointed by a higher level of government, or (iii) a jointly appointed board.

The financial statements of the following component units are included in the financial reporting entity either as blended or as discretely presented component units in accordance with GAAP:

(a) Blended Component Units

The following public benefit corporations, while legally separate from the Government, meet the criteria to be reported as part of the PG because they provide services entirely or almost entirely to the Government:

Virgin Islands Public Finance Authority (PFA)

PFA was created as a public corporation and autonomous governmental instrumentality by Act No. 5365, *the Government Capital Improvement Act of 1988*, with the purpose of aiding the Government in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under the enabling legislation, PFA has the power, among other matters, to borrow money and issue bonds and to lend the proceeds of its bonds to the Government or any governmental instrumentality.

The powers of PFA are exercised by a board of directors consisting of the Governor (Chairperson), the Commissioner of Finance, the Director of the Office of Management and Budget, and two representatives of the private sector appointed by the Governor with the advice and consent of the Legislature (the Legislature). PFA activities are blended within the PG and are reported as major funds, except for PFA Special Revenue Fund.

PFA's blended component units, The West Indian Company Limited (WICO) and viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN) are presented as major proprietary funds while King's Alley Management, Inc. and Lonesome Dove Petroleum, Inc. are included in other nonmajor proprietary funds in the Government's basic financial statements.

Tobacco Settlement Financing Corporation (TSFC)

TSFC was created in September 2001 under Act No. 6428 as a separate and independent corporation of the Government to purchase the rights, title, and interest in tobacco settlement litigation awards and to issue revenue bonds supported by the tobacco settlement rights. The responsibility for the operations of TSFC is vested in a board of directors composed of three members: the Governor and two independent members – one appointed by the Governor, and one appointed by the president of the Legislature. The activities of TSFC are limited to activities conducted on behalf of the Government. The TSFC is reported in the other governmental funds.

Matching Fund Special Purpose Securitization Corporation (MFSPSC)

MFSPSC was created in January 2022 under Act 8540 as a separate and independent corporation of the Government to purchase the rights, title, and interest in Matching Fund Receipts (MFRs) and to issue revenue bonds supported by the MFRs. The responsibility for the operations of MFSPSC is vested in a board of directors composed of five members: the Governor and four private citizens appointed by the Governor. The activities of the MFSPSC are limited to activities conducted on behalf of the Government. MFSPSC activities are blended within the PG, with debt service activities reported as a major governmental fund, and activities conducted on behalf of the Government, such as the transfer of residual matching fund receipts, reported as general fund activities.

Complete audited financial statements of PFA, TSFC and MFSPSC's blended component units can be obtained directly by contacting their respective administrative offices:

Administrative Offices of Blended Component Units

Virgin Islands Public Finance Authority
5033 Kongens Gade, Government Hill
St. Thomas, VI 00802

Tobacco Settlement Financing Corporation
5033 Kongens Gade, Government Hill
St. Thomas, VI 00802

Matching Fund Special Purpose Securitization Corporation
P.O. Box 430
St. Thomas, VI 00804

(b) Discretely Presented Component Units

The following component units, as required by GAAP are discretely presented in the basic financial statements because of the nature of the services they provide and the Government's ability to impose its will.

The component units are reported in a separate column to emphasize that they are legally separate from the PG and governed by separate boards.

(c) Major Component Units

Virgin Islands Housing Authority (VIHA)

VIHA was created as a public corporation and autonomous governmental instrumentality by Act No. 903 on June 18, 1962, with the purpose of providing housing for low and moderate-income families residing in the U.S. Virgin Islands. The majority of VIHA funding is through two contractual agreements with U.S Department of Housing and Urban Development (HUD). VIHA is required to make payments in lieu of taxes to the PG when residual receipts are available, and whereby the PG agrees to provide municipal services and continue the tax-exempt status of VIHA projects. VIHA is governed by a board of commissioners. The governing board is autonomous and responsible to HUD. An executive director is appointed by VIHA's Board to manage the day-to-day operations.

Virgin Islands Port Authority (VIPA)

VIPA was created as a public corporation and autonomous government instrumentality by Act No. 2375 on December 23, 1968, with the purposes of owning, operating, and managing air and marine terminals of the U.S. Virgin Islands. The powers of VIPA are exercised by a board of governors consisting of the Commissioner of Economic Development and Agriculture (Chairperson), the Attorney General, the Commissioner of Public Works, the Director of the Small Business Development Agency, and five other persons appointed by the Governor with the advice and consent of the Legislature.

Virgin Islands Water and Power Authority (VIWAPA)

VIWAPA was created as a public corporation and autonomous governmental instrumentality by Act No. 1248 on August 13, 1964, with the purpose of operating the water production and electric generation plants in the U.S. Virgin Islands. The powers of VIWAPA are exercised by a governing board consisting of nine members, all appointed by the Governor with the advice and consent of the Legislature, from which three are heads of cabinet-level executive departments or agencies and six other persons, who are nominated by the Legislature. VIWAPA is required by its bond resolutions to maintain separate audited financial statements for each system (the Electric and Water Systems).

Virgin Islands Government Hospital and Health Facilities Corporation (VIGHHFC)

VIGHHFC was created by Act No. 6012 on August 23, 1994, and became active on May 1, 1999, with the purpose of providing healthcare services and hospital facilities to the people of the U. S. Virgin Islands.

The powers of VIGHHFC are exercised by a board of directors consisting of 15 members as follows: the Director of the Virgin Islands Office of Management and Budget, the Commissioner of Finance, and 13 other members appointed by the Governor with the advice and consent of the Legislature. The VIGHHFC is composed of the Schneider Regional Medical Center located in St. Thomas, the Governor Juan F. Luis Hospital and Medical Center located in St. Croix, and the Schneider Regional Medical Center Foundation (the Foundation). The hospitals issue separately audited financial statements.

The Schneider Regional Medical Center's financial statements include its component units: the Myra Keating Smith Community Health Center (Health Center) of St. John and the Charlotte Kimelman Cancer Institute (Cancer Institute) on St. Thomas. The Cancer Institute has remained closed following the 2017 hurricanes. The Health Center and Cancer Institute are legally separate organizations for which the Roy L. Schneider Hospital is financially accountable.

The Foundation is a legally separate nonprofit corporation for which the Schneider Regional Medical Center is financially accountable. The Juan F. Luis Hospital and Medical Center's financial statements include its component unit: Virgin Islands Cardiac Center at the Governor Juan F. Luis Hospital and Medical Center, Inc. (VICC Foundation). VICC Foundation is a legally separate nonprofit corporation for which the Juan F. Luis Hospital and Medical Center is financially accountable.

University of the Virgin Islands (the University or UVI)

The University was organized as an instrumentality of the Government under Act No. 852 on March 16, 1962, in accordance with Section 16(a) of the Revised Organic Act of 1954, as amended. The University is a higher education institution that offers four-year liberal arts degree and master's degree programs and associate degrees, and occupational programs. The powers of the University are exercised by a board of trustees consisting of 17 members as follows: Chairman of the Board of Education, Commissioner of Education, and the President of the University, all serving as members ex-officio, 9 other members appointed by the Governor with the advice and consent of the Legislature, two other members elected by the board of trustees, one representative of the student body, one alumnus of the University, and another representative of the teaching faculty. The University was not organized as a self-sustaining entity and therefore receives financial and other support from the Government.

The University's financial statements include a blended and discretely presented component unit, the Foundation for the University of the Virgin Islands. This organization operates as a nonprofit corporation whose purpose is to assist and support the University in accomplishing its charitable and educational mission. The Foundation for the Reichhold Center for the Arts is also a discretely presented component unit of the University that supports the arts and provides financial assistance in operating an entertainment complex on the St. Thomas campus of the University.

Virgin Islands Housing Finance Authority (VIHFA)

VIHFA was created as a public corporation and autonomous governmental instrumentality by Act No. 4636 on October 20, 1981, with the purpose of stimulating low and moderate-income housing construction and home ownership through the issuance of revenue bonds to provide low-interest mortgage loans to qualified purchasers of low and moderate-income housing.

On October 31, 2008, VIHFA established the Virgin Islands Housing Management, Inc. (VIHM), a wholly owned nonprofit subsidiary that manages VIHFA's rental properties. The financial statements of VIHM are separately issued, and not blended into the PG. The powers of VIHFA are exercised by a board of directors consisting of the Commissioner of the Department of Housing, Parks, and Recreation (the Chairman), the Director of the Office of Management and Budget, and three persons not employed by the Government appointed by the Governor with advice and consent of the Legislature.

(d) Other Component Units (Nonmajor)

Virgin Islands Economic Development Authority (VIEDA)

VIEDA was created by Act No. 6390 on December 21, 2000, as a public corporation and semiautonomous instrumentality of the Government. VIEDA was created as an umbrella authority of the Economic Development Commission, the Small Business Development Agency, the Government Development Bank, and the Virgin Islands Industrial Development Park Corporation. The powers of EDA are exercised by a board of directors consisting of the members of the Virgin Islands Economic Development Commission, the Director of the Virgin Islands' Bureau of Internal Revenue, and five members not employed by the Government, but appointed by the Governor with the advice and consent of the Legislature.

Magens Bay Authority (MBA)

MBA was created as a corporate instrumentality by Act No. 2085 on December 20, 1967, with the purpose of acquiring, improving, and operating parks and beaches. The powers of MBA are exercised by a board of directors consisting of the Governor and six members initially appointed by the Governor. The board of directors is responsible for the appointment and reappointment of subsequent board members except that the Governor, with the advice and consent of the Legislature may, by appointment, fill any vacancy on the board of directors remaining unfilled for sixty days.

Virgin Islands Public Broadcasting System (VIPBS)

VIPBS was created as a public corporation and autonomous instrumentality by Act No. 2364 on November 15, 1968, with the purpose of advancing the general welfare, education, cultural development, and awareness of public affairs of the population of the U.S. Virgin Islands as well as to provide an effective supplement to the in-school education of children.

The powers of VIPBS are exercised by a board of directors consisting of the Commissioner of Education, the Chairman of the Board of Education, three members appointed by the President of the Legislature, and four members, not more than two of whom should be employed by the Government and appointed by the Governor with the advice and consent of the Legislature.

In addition, the Director of the Office of Management and Budget, the President of the University of the Virgin Islands, and the General Manager of VIPBS are ex-officio members of the board who are not entitled to vote.

Virgin Islands Waste Management Authority (VIWMA)

VIWMA was established as an autonomous instrumentality of the Government by Act No. 6638 and approved by the Governor of the Virgin Islands on January 23, 2004. VIWMA provides environmentally sound management for the collection and disposal of solid waste in the Territory, including operation and closure of landfills and wastewater collection, treatment, and disposal. VIWMA is governed by a Board of Directors consisting of seven members.

University of the Virgin Islands Research and Technology Park Corporation (RTPark)

RTPark was established as an autonomous instrumentality of the Government by Act 6502 on February 21, 2002, as amended by Act 6725, the Protected Cell Amendments Act of 2005. RTPark was organized for internet commerce and technology, providing an enabling environment for research, development, business incubation and technology-driven businesses.

RTPark is governed by a Board of Directors consisting of seven members, including the Chairman of the Board of Trustees of the University, the President of the University, two trustees selected from among the Board of Trustees of the University, and three members selected by the Governor.

Complete audited financial statements of the discretely presented component units can be obtained directly by contacting their administrative offices:

Administrative Offices

Virgin Islands Housing Authority
9900 Estate Thomas
St. Thomas, VI 00802

Virgin Islands Port Authority
P.O. Box 301707
St. Thomas, VI 00803-1707

Virgin Islands Water and Power Authority
P.O. Box 1450
St. Thomas, VI 00804-1450

Virgin Islands Government Hospital and Health Facilities Corporation
9048 Sugar Estate
St. Thomas, VI 00802

University of the Virgin Islands
#2 John Brewer's Bay
St. Thomas, VI 00802-9990

Virgin Islands Housing Finance Authority
3202 Demarara
Frenchtown Plaza, Suite 200
St. Thomas, VI 00802

Virgin Islands Economic Development Authority
8000 Nisky Shopping Center, Suite 620
St. Thomas, VI 00802

Magens Bay Authority
P.O. Box 10583
St. Thomas, VI 00801

Virgin Islands Public Broadcasting System
P.O. Box 7879
St. Thomas, VI 00801

Virgin Islands Waste Management Authority
1 A&B Demarara
St. Thomas, VI, 00802

University of the Virgin Islands Research and Technology Park Corporation
64 West Palm Drive
Kingshill, St. Croix, VI 00850-9781

All discretely presented component units financial statements have a fiscal year end of September 30, except for VIWAPA and VIHA, which have fiscal year-ends of June 30 and December 31, respectively.

(e) Fiduciary Component Unit

The following public benefit corporation is legally separate from the Government, meets the definition of a fiduciary component unit and is presented in the fund financial statements as a fiduciary fund of the Government. Fiduciary funds are not reported in government-wide financial statements.

Employees' Retirement System of the Government of the Virgin Islands (GERS)

GERS was created as an independent and separate agency of the Government with the purpose of administering the Government's and the component units' cost-sharing, multi-employer defined benefit pension plan. GERS was established on October 1, 1959. The responsibility for the operation of GERS is vested in a board of trustees composed of seven members appointed by the Governor with the advice and consent of the Legislature.

Employee and employer contributions to GERS are recognized as additions to net position held in trust for employees' pension benefits in the period in which employee services are performed, except for contributions pursuant to the Early Retirement Act of 1994, which are recorded as the cash is received.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan, except for benefits pursuant to sections 8(a) and 8(b) of the Early Retirement Act of 1994, which are recorded when the subsidy provided by the Government is receivable and payable.

Complete audited financial statements of this component unit can be obtained directly by contacting its administrative office:

Government Employees' Retirement System of the Virgin Islands
3438 Kronprindsens Gade
St. Thomas, VI 00802

Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the PG and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the PG is reported separately from certain legally separate component units for which the PG is financially accountable. The statement of net position presents the reporting entities' non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items are not included among program revenues and are appropriately reported instead, as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(a) Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements have been met.

(b) Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are deemed available when they become susceptible to accrual and are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers most revenue to be available if collected within 90 days of the end of the current fiscal year-end. Specifically, gross receipts taxes, real property taxes, and income taxes are deemed available if collected within 30, 60, and 90 days, respectively, after the end of the current fiscal year-end.

Grant revenue is deemed available if collected within the 12 months after the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences, debt service, other postemployment benefits and pension expenditures are recorded only when payment is due.

Income taxes, gross receipts taxes, real property taxes, and grant funding are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period to the extent they are considered available. All other revenue items are deemed measurable and available only when cash is received by the Government.

(c) Proprietary Funds, Fiduciary Fund, and Discretely Presented Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary fund, and discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting also used in the government-wide financial statements described above.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Accounting

The Government reports its financial position and results of operations in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions. Generally accepted governmental accounting principles establish criteria (percentage of the assets, liabilities, revenue, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Indirect costs are automatically allocated and reported in the program expense for each fund. Non-major funds are combined in a single column in the fund financial statements. The Government reports the following major funds:

(a) Governmental Funds

The Government reports the following major governmental funds:

- General Fund – The general fund is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- PFA Debt Service Fund – PFA debt service fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government.

- MFSPSC Debt Service Fund – the MFSPSC debt service fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by MFSPSC on behalf of the Government.

- PFA Capital Projects Fund – PFA capital projects fund accounts for bond proceeds of debt issued by PFA on behalf of the Government. The bond proceeds have been designated for certain necessary public safety and capital development projects which are accounted for in this fund.

- Federal Grants Fund - The federal grants fund accounts for proceeds and payments that are restricted to expenditures for specified purposes.

(b) Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the public. The Government reports the following major proprietary funds:

- The West Indian Company Limited – WICO, a blended component unit of PFA, accounts for the activities of a cruise ship pier, land and warehouses on the island of St. Thomas.

- Unemployment Insurance Fund – The unemployment insurance fund accounts for the collection of unemployment premiums from employers in the U.S. Virgin Islands, and the payment of unemployment benefits to eligible unemployed recipients.

- viNGN, INC. d/b/a as Virgin Islands Next Generation Network (viNGN) – viNGN, a blended component unit of PFA, accounts for the management of a middle mile wholesale fiber optic network providing reliable high-speed internet access to retail internet service providers and public infrastructure stewards.

(c) Fiduciary Activities

The Government reports the following fiduciary fund:

- Pension Trust Fund – The pension trust fund accounts for the activities of GERS, an independent and separate agency of the Government, responsible for the proper operation of the Government's defined benefit pension plan.

Cash and Cash Equivalents

The Government follows the practice of pooling cash. The balance in the pooled cash accounts is available to meet current operating requirements and any excess is invested in various interest-bearing accounts and time deposits with eligible depository institutions.

Cash equivalents of the proprietary funds and discretely presented component units consist of demand accounts, money market accounts, certificates of deposit with maturities of not more than 90 days from the date of acquisition, money market funds, short-term U.S. government and its agencies' obligations, and repurchase agreements with a U.S. commercial bank maturing within three months. Cash and cash equivalents of the discretely presented component units are maintained in separate bank accounts from those of the PG, in their own names.

By law, banks, or trust companies designated as depositories of public funds of the Government are to maintain corporate surety bonds or pledge collateral satisfactory to the Commissioner of Finance to secure all governmental funds deposited. As of September 30, 2023, the Government had $417.7 million in collateral with Banco Popular de Puerto Rico consisting of U.S. Treasury Notes, and $497.3 million in collateral with First Bank consisting of municipal letters of credit, mortgage-backed securities with the Government National Mortgage Association (GNMA), and deposits insured by FDIC insurance.

For the purpose of the statement of cash flows, cash and cash equivalents are defined to be cash on hand, demand deposits, restricted cash and investments, and highly liquid investments with a maturity of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as cash and investments and restricted cash and investments.

Investments

The PG and its component units follow the provisions of GAAP which establishes and modifies the following disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

Investment policies of the PG, its blended component units, major funds, and major component units are as follows:

- *Primary Government Investment Policies* – Title 33, Chapter 117 of the Virgin Islands Code (V.I. Code) authorizes the Government to invest in U.S. Government and its agencies' obligations, mortgage-backed securities, repurchase agreements, commercial paper, local government obligations, and corporate debt and equity obligations. As of September 30, 2023, the General Fund and the Virgin Islands Lottery had invested in certificates of deposit with two local banks. Investments are reported at fair value as of September 30, 2023.

- *PFA Investment Policies* – Investments of PFA are reported at fair value. Various bond resolutions of PFA restrict investments to direct obligations of the U.S. Government, territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares, or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing.

PFA has retained investment managers and investments are held in trust by a commercial bank on behalf of PFA. PFA handles investments for two major governmental funds of the Government: PFA Debt Service Fund and PFA Capital Projects Fund.

- *TSFC Investment Policies* – Various bond resolutions of this blended component unit restrict investments to direct obligations of the U.S. Government, territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing. TSFC has retained investment managers and investments are held in trust by a commercial bank on behalf of the TSFC. Investments are reported at fair value in the non-major governmental fund of the Government.

- *MFSPSC Investment Policies* – The bylaws of MFSPSC allow the investment of funds or other moneys under the control of MFSPSC in eligible investments pursuant to the terms of the Master Trust Indenture between MFSPSC and its trustee, the Bank of New York Mellon Trust Company. Eligible investments include direct obligations of the United States, or obligations guaranteed as to principal and interest by the United States; general obligations or pre-funded obligations of any state, territory, possession or commonwealth of the United States with a rating at the time of purchase in one of the two highest rating categories as designated by any rating service; obligations issued, or the principal of and interest on which are unconditionally guaranteed by any agency or instrumentality of or a corporation wholly owned by the United States with a rating at the time of purchase of one of the two highest rating categories by any rating service: repurchase agreements with banks, savings and loan associations or trust companies organized under the laws of the Virgin Islands, the United States, or any state, territory or possession of the United States, provided the combined capital and surplus is at least equal to $200.0 million and the obligations are secured by obligations that are not subject to claims and liens of third parties; investment agreements, guaranteed investment contracts or similar funding agreements provided the collateral for such agreements is at least equal to 102% of the amount invested; U.S. dollar denominated bankers acceptances with domestic commercial banks with the highest short-term rating category by a national rating agency; certificates of deposit with domestic commercial banks maturing no more than 360 days after the date of purchase, which have a rating in the two highest rating categories; investments in money market funds in the two highest rating categories; and commercial paper issued by U.S. corporations rated in the two highest rating categories which mature no more than 270 days after the date of purchase.

- *VIHA Investment Policies* – This major component unit is required by the U.S. Department of Housing and Urban Development (HUD) to invest excess funds in obligations of the United States, certificates of deposit, or any other federally insured investment. HUD requires that deposits be fully collateralized and may be held by an unaffiliated bank or trust company for the account of the VIHA.

- *VIWAPA and VIPA Investment Policies* – These major component units are authorized under bond resolutions and the V.I. Code to invest in open accounts, time deposits, non-negotiable certificates of deposit, repurchase agreements, obligations of the U.S. government, and obligations of any state within the United States, mutual funds, and corporate commercial paper. Investments are reported at fair value.

- *VIGHHFC Investment Policies* – The board of trustees of this major component unit has not developed a formal investment policy.

- *University Investment Policies* – The board of trustees of this major component unit is responsible for the management of the University's investments and establishes an investment policy, which is carried out by the Vice President for Administration and Finance. The University and its component unit, the Foundation for the Reichhold Center of the Arts have a formal investment policy approved by their corresponding board of trustees, which contains a requisite section on addressing risks. The University's investments are included in the Foundation for the University of the Virgin Islands' investment portfolio for management and investment purposes.

- *Pension Trust Fund Investment Policies* – The board of trustees of GERS has enacted policies that limit investments in certain investment categories and provide requirements for the institutions managing investments. Under those policies, GERS may invest in U.S. Government and agencies obligations, bonds or notes of any state, territory or possession of the United States, municipal bonds and obligations, foreign bonds, bonds of domestic railroad corporations, public utility bonds, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, mortgage or personal loans to GERS members or retirees, and mortgage and asset-backed securities. Investments in bonds are subject to rating restrictions of BBB and may not exceed 2.0% of the GERS investment portfolio. Investments in stock of a single corporation may not exceed 1.0% of the market value of the fund or exceed 1% of the outstanding stock of the corporation. The aggregate investments in stock may not exceed 60% of the market value of total investments of GERS. Investment in foreign stock should be limited to 10% of the market value of the total investments of GERS. The aggregate amount to be invested in common and preferred stock should be limited to 20.0% of the book value of the total investments of GERS on the date the investment is made.

  Investments in equity securities in the GERS pension trust fund are reported at quoted market values. Shares of mutual funds are reported at the net asset value of shares held by GERS at year-end. Purchases and sales are recorded on a trade-date basis. Realized gains and losses on securities are determined by the average cost method.

  GERS has invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas with an appraised value of $41.0 million as of September 30, 2023.

  GERS invested in two funds of the Mesirow Financial Private Equity Partnership. The funds reported a fair market value of $7.4 million as of September 30, 2023.

  GERS owns administrative facilities on the islands of St. Thomas and St. Croix. Portions of the facilities are leased to government agencies and commercial tenants, and portions of the facilities are utilized for GERS operations. The investment in leased real estate is reported at its appraised value, and the portion used for GERS operations is reported at depreciated cost. The amount of $1.3 million was reported net of depreciation as of September 30, 2023.

Receivables

Taxes receivable represent amounts owed by taxpayers for individual and corporate income taxes, gross receipts taxes, excise taxes, hotel occupancy taxes, and real property taxes. Federal government receivables represent amounts owed to the Government for reimbursement of expenditures/expenses incurred pursuant to federally funded programs.

Accounts receivables are reported net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

The accounts receivable from non-governmental customers of the discretely presented component units are net of estimated uncollectible amounts. These receivables arise primarily from service charges to users.

Interfund and Intra-Entity Transactions

The Government has the following types of transactions among funds:

- *Interfund Transfers* – Legally required transfers are reported as interfund transfers in (out) when incurred. Transfers between the PG and its blended component units are reported as interfund transfers, except for transfers within the same fund type.

- *Intra-entity Transactions* – These are transactions between the PG and its discretely presented component units, and among the component units.

Similarly, receivables and payables between the PG and its blended component units are reported as amounts due from (to) other funds. Transfers between the PG and discretely presented component units (and among those component units) are reported separately as revenue and expenses or expenditures. Amounts owed to and from discretely presented component units by the PG are reported separately from interfund payables and receivables as due from (to) component units, net of allowance for estimated uncollectible amounts.

Restricted Assets

Restricted assets in the PG and discretely presented component units are set aside primarily for the payment of bonds, notes, construction funds, unemployment benefits, and other specific purposes.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, construction in progress, intangibles and infrastructure assets are reported in the applicable governmental, business-type activities, and component unit columns in the government-wide financial statements as well as in the applicable proprietary funds reported in the fund financial statements.

The PG defines capital assets as assets that have an initial, individual cost and useful lives of: (i) $5,000 for personal property with a useful life of five years; (ii) $50,000 for buildings and building improvements with estimated useful lives of 40 and 20 years, respectively; (iii) $100,000 for land improvements with an estimated useful life of 20 years; (iv) $200,000 for intangibles with estimated useful lives between 2 and 15 years; and (v) $200,000 for infrastructure with an estimated useful life of 30 years. All costs of acquiring land are capitalized.

Capital assets purchased or acquired are carried at historical cost or normal cost. The normal costing method to estimate cost based on replacement cost indexed by a reciprocal factor of the price increase from the appraisal date to the actual or estimated acquisition date was used to estimate the historical cost of certain land, buildings, and building improvements because invoices and similar documentation was no longer available in certain instances. Donated capital assets are recorded at acquisition value at the time of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs are capitalized during the construction period only for business-type activities and proprietary component units. The costs of routine maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed as incurred.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

Capital assets of the PG, excluding land and construction in progress, are depreciated on the straight-line method over the assets' estimated useful lives.

The estimated useful lives of capital assets reported by the component units are (i) 4 to 50 years for buildings and building improvements; (ii) 20 to 40 years for airports and marine terminals; (iii) 40 to 100 years for water transmission and distribution mains; (iv) 2 to 75 years for intangible assets; and (v) 3 to 25 years for vehicles and equipment.

The PG and its component units review the carrying value of their capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets.

The PG and its component units have entered certain leasing arrangements that are subject to the guidance found in GASB Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that the PG and its component units were previously reported as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the lease contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Several components have adopted the GASB Statement No. 87, and the Government is in the process of implementing this Statement.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of the net position that applies to future period(s) and is not recognized as an outflow of resources (expense/expenditure) until the future date occurs.

The Government has three items for financial reporting in these categories, as follows:

- Deferred amounts related to pension represent unamortized portion of the difference between expected and actual experience, changes in assumptions, changes in proportion and differences between contributions and proportional share of contributions, and contributions made after measurement date.

- Deferred amounts related to other postemployment benefits consisting of net differences between expected and actual experience and changes in assumptions.

- Deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The Government has three items for financial reporting in this category, as follows:

- Deferred amounts related to pension consist of the unamortized portion of the difference between expected and actual experience, net difference between projected and actual earnings on pension plan investments, changes in assumptions, and changes in proportion and differences between contributions and proportional share of contributions.

- Deferred amounts related to other postemployment benefits consisting of the unamortized portion of the changes in assumptions and other inputs.

- In accordance with GASB Statement No. 87, *Leases*, deferred inflows of resources are recognized for the right to receive lease payments over the lease term. These amounts are recognized as lease revenue on a straight-line basis over the term of the lease. This policy has been adopted as a result of WICO's implementation of GASB Statement No. 87.

- Modified accrual basis of accounting - Unavailable revenues qualify for reporting in this category. The item, *unavailable revenues*, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, gross receipts taxes, and income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Tax Refunds Payable

During the calendar year, the Government collects individual income taxes through withholdings and payments from taxpayers. On September 30th, the Government estimates the amount owed to taxpayers for overpayments during the first nine months of the calendar year. These estimated amounts and the actual tax refunds claimed for current and prior years but not paid at year-end are recorded as tax refunds payable and as a reduction of tax revenue.

Compensated Absences

The vacation policy of the Government provides for the accumulation of four, six, or eight hours for each full biweekly pay period depending on the time of entry into government service. At the beginning of each calendar year, vacation leave is limited to 480 hours (60 days). However, the excess of 480 hours is considered by GERS for service credit towards the employees' retirement.

This vacation policy does not apply to professional educational personnel of the Virgin Islands Department of Education, who receive compensation during the school breaks. Upon retirement, an employee receives compensation for unused vacation leave at the employee's base pay rate.

Employees accumulate sick leave at a rate of four hours for each full biweekly pay period up to a maximum of 180 days. Separated employees do not receive payment for unused sick leave; therefore, a provision for accumulated sick leave is not required.

Compensated absences accumulation policies for the blended component units and discretely presented component units vary from entity to entity, depending upon negotiated bargaining agreements and other factors agreed upon between the management of these entities and its employees.

Long-term Liabilities

The liabilities reported in the government-wide financial statements include the Government's bonds, direct borrowings and placements, pension liabilities and other long-term liabilities including accrued compensated absences, retroactive union arbitration, litigation, landfill closure and post closure costs, postemployment benefits, and workers compensation claims.

Bond premiums, discounts, and amounts deferred on capital appreciation bonds are amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premiums and discounts. Issuance costs are reported as expenses in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position

Net position is reported in three categories:

- *Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Debt pertaining to significant unspent debt proceeds are not included in the calculation of invested in capital assets, net of related debt. The unspent portion of the debt is presented, net of the related debt, as restricted for capital projects.

- *Restricted Net Position* – Constraints placed on the use of assets are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – These consist of assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the Government's policy to use restricted resources first, then the unrestricted resources, as needed.

Fund Balance

GAAP provides a hierarchy of classifications based primarily on the extent to which the Government is bound to honor constraints on the specific purposes for which amounts in funds may be spent. Following are the fund classifications:

- *Restricted Fund Balance* – Fund balances constrained by externally imposed constraints such as constitutional provisions, laws and regulations, debt covenants, and grantors. The Government's policy is to consider restricted amounts to have been spent first when expenditures are incurred for which both restricted and unassigned fund balances are available.

- *Committed Fund Balance* – Fund balances subject to constraints imposed by the Government's highest level of decision-making authority including legislation enacted by the Legislature of the Virgin Islands and resolutions or ordinances enacted by Government elected regulatory boards and authorities. Committed fund balances may be modified or rescinded by enacted legislation, or amendment of resolutions or ordinances.

- *Assigned Fund Balance* – Fund balances subject to budgetary constraints of the Legislature, the Office of Management and Budget, or authorizing boards of the Government, which are not restricted or committed.

  Budgetary authority of the Office of Management and Budget is provided by Title 2, Sections 22, 23, 26 and 27 VIC, and Executive Order No. 371-1997. The Government's policy is to expend assigned or committed amounts, before unassigned amounts, when an expenditure is incurred.

- *Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The residual deficit of the Federal Grants Fund and other governmental funds are also reported as unassigned fund balance.

Risk Management

With some exceptions, the Government does not carry general liability insurance coverage on its properties or the acts of its employees, relying instead on self-insurance and/or statutory liability limitations. The Government purchases commercial insurance for physical losses or damages to its property. The limit of liability for all risks, excluding earthquake, windstorm, and flood, is $1.0 million for each occurrence except for windstorm and flood losses, which has a $45.0 million limit. For physical losses arising from earthquake, the insurance policy has a limit of $100.0 million for each occurrence and in the annual aggregate.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Pronouncements

In September 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers of bonds and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for the Government's financial statements for periods beginning after December 15, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period in an exchange or exchange-like transaction. The requirements of this Statement are effective for the Government's financial statements for fiscal years beginning after June 15, 2022. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users. The requirements of this Statement are effective for the Government's financial statements for fiscal year beginning after June 15, 2022. The Government is in the process of implementing this Statement for future fiscal years.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements, and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for the Government's financial statements during various fiscal years beginning after June 15, 2022. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

Following are statements issued by GASB that are effective in future years:

GASB Statement No.		Adoption in Fiscal Year
100	Accounting Changes and Error Corrections – an amendment of GASB Statement 62	2024
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026
105	Subsequent Events	2027

Earlier application of all standards is permitted to the extent specified in each pronouncement as originally issued. The Government is currently evaluating the impact of these statements.

2. Component Units

The basic financial statements include the financial statements of the following discretely presented component units:

Major Component Units

- Virgin Islands Housing Authority
- Virgin Islands Port Authority (unaudited)
- Virgin Islands Water and Power Authority (unaudited)
- Virgin Islands Government Hospital and Health Facilities Corporation (unaudited)
- University of the Virgin Islands (unaudited)
- Virgin Islands Housing Finance Authority (unaudited)

Other Component Units (Nonmajor)

- Virgin Islands Economic Development Authority (unaudited)
- Magens Bay Authority (unaudited)
- Virgin Islands Public Broadcasting System
- Virgin Islands Waste Management Authority
- University of the Virgin Islands Research and Technology Park Corporation (unaudited)

For fiscal year ended September 30, 2023, the Virgin Islands Housing Authority has provided financial information as of December 31, 2022, and the Virgin Islands Public Broadcasting System and Virgin Islands Waste Management Authority have provided financial information September 30, 2023. Accordingly, condensed financial information (expressed in thousands) for these component units is presented on the following page as of those respective dates. For all other discretely presented, prior-year condensed financial information (expressed in thousands) is presented on the following page.

September 30, 2023	Virgin Islands Housing Authority	Virgin Islands Port Authority*	Virgin Islands Water and Power Authority*		Hospital and Health Facilities Corporation*		University of the Virgin Islands*	Virgin Islands Housing Finance Authority*	Other Component Units**	Total Component Units
			Electric System	Water System	Schneider Regional Medical	Juan F. Luis Hospital				
Assets and deferred outflows										
Current assets	$ 32,690	$ 56,965	$ 59,593	$ 13,053	$ 19,593	$ 9,218	$ 36,019	$ 164,593	$ 47,016	$ 438,740
Due from primary government	-	-	21,923	3,645	1,556	2	-	199	6,509	33,834
Due from federal government	-	19,652	12,244	359	-	-	-	-	6,479	38,734
Restricted assets	586	10,428	52,291	870	211	-	24,198	48,383	19,205	156,172
Capital assets, net	58,692	328,256	1,548,775	80,246	31,258	122,106	99,102	46,476	117,363	2,432,274
Lease assets, net	-	-	-	-	-	-	-	-	615	615
Other noncurrent assets	5,879	-	88,726	-	-	-	-	38,686	38	133,329
Deferred outflows of resources	19,994	31,525	51,920	10,489	42,526	81,797	29,247	22,498	19,475	309,471
Total assets and deferred outflows of resources	117,841	446,826	1,835,472	108,662	95,144	213,123	188,566	320,835	216,700	3,543,169
Liabilities and deferred inflows										
Current liabilities	6,011	39,661	493,668	1,088	44,169	77,809	4,553	151,216	62,477	880,652
Due to primary government	21	-	20,322	-	5,077	377	-	6,386	635	32,818
Due to Federal government	-	-	4,142	-	375	525	-	-	-	5,042
Bonds payable - long-term	-	26,239	181,176	-	-	-	-	-	-	207,415
Notes payable - long-term	-	-	-	-	-	-	2,295	525	3,377	6,197
Line of credit – long-term	-	-	-	2,740	-	-	-	-	-	2,740
Net pension liability	79,967	156,226	243,071	49,786	153,062	197,173	87,799	43,426	80,782	1,091,292
Other postemployment benefits	21,641	32,647	48,281	9,724	-	-	12,011	-	-	124,304
Other noncurrent liabilities	625	1,171	109,200	-	-	-	5,701	9,351	2,805	128,853
Unearned revenue - long-term	-	-	-	-	-	-	-	3,490	10,245	13,735
Deferred inflows of resources	28,186	23,786	72,050	14,757	33,114	16,868	17,808	6,491	26,361	239,421
Total liabilities and deferred inflows of resources	136,451	279,730	1,171,910	78,095	235,797	292,752	130,167	220,885	186,682	2,732,469
Net assets (deficit):										
Net investment in capital assets	58,692	357,560	1,310,947	102,313	35,550	90,490	(17,628)	23,962	117,362	2,079,248
Restricted	147	16,348	60,991	(126)	920	-	41,562	58,063	18,014	195,919
Unrestricted deficit	(77,449)	(206,812)	(708,376)	(71,620)	(177,123)	(170,119)	34,465	17,925	(105,358)	(1,464,467)
Total net position (deficit)	$ (18,610)	$ 167,096	$ 663,562	$ 30,567	$ (140,653)	$ (79,629)	$ 58,399	$ 99,950	$ 30,018	$ 810,700

**Unaudited*

***University of the Virgin Islands Research and Technology Park Corporation, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)*

Information on Statement of Activities	Expenses	Program revenue Year Ended September 30, 2023 Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Component Units
Virgin Islands Port Authority*	$ 79,431	$ 61,557	$ -	$ 35,678	$ 17,804
Virgin Islands Housing Authority	59,136	8,051	45,742	10,631	5,288
Virgin Islands Water and Power Authority:					
Electric System*	338,725	317,383	-	289,675	268,333
Water System*	33,058	35,375	-	2,786	5,103
Virgin Islands Government Hospital and Health Facilities Corporation:					
Roy L. Schneider Hospital*	98,347	73,513	35,772	4,656	15,594
Juan F. Luis Hospital*	69,681	36,620	26,771	10,878	4,588
University of the Virgin Islands*	114,368	14,062	89,728	4,607	(5,971)
Virgin Islands Housing Finance Authority*	94,106	5,311	88,118	-	(677)
Other component units**	76,647	17,468	68,623	75	9,519
Total activities	$ 963,499	$ 569,340	$ 354,754	$ 358,986	$ 319,581
General revenue:					
Interest and other					31,590
Special item - insurance recoveries					113
Changes in net position					351,284
Net position, beginning of year, as restated					459,416
Net position, end of year					$ 810,700

**Unaudited*

***University of the Virgin Islands Research and Technology Park Corporation, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)*

The summary of due to/due from primary government and component units as of September 30, 2023, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	$ 29,393	$ 26,073
PFA capital projects	-	418
Other governmental funds	7,376	-
Discretely presented component units:		
WAPA – Electric System*	21,923	20,322
WAPA – Water System*	3,645	-
Hospital and Health Facilities Corporation*	1,558	5,454
Virgin Islands Housing Finance Authority*	199	6,386
Virgin Islands Housing Authority	-	21
Other component units*^	6,509	635
	$ 70,603	$ 59,309

**Unaudited*

***University of the Virgin Islands Research and Technology Park Corporation, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)*

The amounts reported as due to/due from the Government and the discretely presented component units may not agree due to reporting on different fiscal year-ends.

3. Cash and Cash Equivalents

Primary Government

As of September 30, 2023, the PG reported $742.9 million in unrestricted cash and cash equivalents and $33.3 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for $7.9 million held in various bank accounts for WICO that exceeded FDIC coverage or were not insured.

Pension Trust Fund

GERS considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. As of September 30, 2023, GERS held $35.3 million in cash and cash equivalents consisting of: $1.6 million in money market accounts and $33.7 million in operational accounts.

Component Units

As of September 30, 2023, discretely presented component units reported $156.9 million in unrestricted cash and cash equivalents and $53.8 million in restricted cash and cash equivalents. Bank balances not insured or collateralized amounted to $61.2 million, including unaudited information for the fiscal year ended September 30, 2023.

4. Investments

Fair Value Measurements

The Government categorizes the fair market measurements of its investments within the fair value hierarchy established by GAAP. GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs are other than quotes prices included within Level 1 that are observable for an asset or liability, which are either directly or indirectly observable.

Level 3: Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the Government is using to measure assets at fair value:

Level 1: Investments classified within Level 1 are valued based on quotes obtained from active public exchanges or reported on the national market and are stated at the last reported sales price on the day of valuation. The fair value of exchange-traded contracts is based upon exchange settlement prices.

Level 2: Investments classified within Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The commercial paper, certificates of deposit, U.S. government, agency and state obligations, U.S. Treasury notes, debt securities are classified as Level 2 instruments as their fair value is based on quoted values stated by the bank's mark-to-market estimate using a stated fixed rate. The interest rate is observable at commonly quoted indexes for the full term of the instruments.

Level 3: Investments in limited partnerships and private debt/direct lending are classified within Level 3 of the fair value hierarchy. Given the absence of market quotations, fair value is estimated using the information provided by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for the fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds.

Individual holdings within alternative investments may include instruments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. While these financial instruments contain varying degrees of risk, the Government's exposure with respect to each such investment is limited to carrying amount (fair value as described above).

Assets using net asset value per share as fair value are not required to be categorized using the fair value hierarchy levels.

As of September 2023, the Government's investment included a non-negotiable certificate of deposit, commercial papers, money market investments and advances for securities, which are not subject to fair value hierarchy.

Primary Government

Following are the investments of the PG categorized within the three-level fair value hierarchy:

		(In thousands)		
	September 30, 2023	Level 1	Level 2	Level 3
Investments with contractual maturities:				
Certificates of deposit	$ 137,509	$ -	$ 137,509	$ -
U.S. government, agency, and state obligations	103,636	-	103,636	-
Subtotal	241,145	$ -	$ 241,145	$ -
Investments, at cost:				
Money market funds	114,967			
Commercial Paper	2,987			
Non-negotiable certificate of deposit	10,345			
Other	21			
Total	$ 369,465			

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2023, (expressed in thousands):

		Maturity (in years)		
	Fair Value	Less Than 1 Year	1 to 5 Years	Over 5 Years
Investments with contractual maturities				
Certificates of deposit	$ 147,854	$ 147,854	$ -	$ -
U.S. government, agency, and state obligations	103,636	57,783	42,828	3,025
Portfolio investments				
Commercial paper	2,987	2,987	-	-
Other investments	21	21	-	-
Total investments with contractual maturities	254,498	$ 208,645	$ 42,828	$ 3,025
Investments without contractual maturities				
Money market funds	114,967			
Total	$ 369,465			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The PG does not have a formal investment policy that limits investment maturities as a means of managing such exposure. As a means of keeping the interest rate risk low, investments held by the PG are virtually less than five years in nature.

Credit Risk – The authorizing legislation of the PG does not limit investments by credit rating categories. Authorizing legislation does limit the investment choices of the PG to direct obligations or obligations guaranteed by the United States, obligations of states, territories, possessions and commonwealths of the United States, obligations of international banking institutions, repurchase agreements, investment contracts, certificates of deposit, guaranteed investment contracts, shares in mutual funds, investment companies, corporate commercial paper, money market portfolio investments, and investment pools.

As of September 30, 2023, the PG's investments in money market funds were rated AAAm by Standard & Poor's, and Aaa-mf by Moody's Investors Service. The PG's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The PG's investments in government, agency and state obligations were rated AAA to AA- by Standard & Poor's and Aaa to Aa3 by Moody's Investors Service. The PG's investments in certificates of deposit in the amount of $147.9 million were not rated by Moody's Investor Services or by Standard & Poor's.

Concentration of Credit Risk – The PG places no limit on the amount that may be invested in one issuer. As of September 30, 2023, more than 5% of the PG's investments were invested in: Certificates of Deposit issued by First Bank (36.65%), Federated Government Obligation No. 5 (17.74%), Federal Home Loan Mortgage Corporation (9.24%), Federal Home Loan Bank (7.74%), Goldman Financial Square No. 465 (5.84%) and Invesco Treasury No. 1931 (5.22%).

Custodial Credit Risk – The PG does not have a custodial risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the PG will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of September 30, 2023, $221.6 million of investments were held in the name of the Bank of New York Trust Company, N.A, as trustee for the Government, $135.4 million of certificates of deposit were issued by First Bank, and $12.4 million of certificates of deposit were issued by Banco Popular de Puerto Rico.

Pension Trust Fund

Following are the investments of the Pension Trust Fund categorized within the three-level fair value hierarchy:

		(In thousands)		
	September 30, 2023	Level 1	Level 2	Level 3
Debt securities:				
Corporate bond	$ 1	$ -	$ 1	$ -
Limited partnerships-private fund of funds	7,618	-	-	7,618
Private lending	7,693	-	-	7,693
Real estate/other real assets	64,223	-	-	64,223
Subtotal	79,535	$ -	$ 1	$ 79,534
Investment, as cost:				
Money market funds	1,632			
System cash	24,354			
Havensight cash	9,324			
Investments measured at net asset value (NAV):				
Commingled equity funds	231,777			
Commingled bond funds	112,743			
Total	$ 459,365			

Pension trust funds investments which are measured at NAV per share, or equivalent are presented in the table below (expressed in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value (NAV):				
Commingled equity funds	$ 231,777	$ -	Daily	None
Commingled bond funds	112,743	-	Daily	None
Total	$ 344,520	$ -		

Commingled equity and bond funds - This type includes seven commingled funds that invest in publicly traded domestic and global stocks, and domestic and global fixed income securities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. The total commingled funds can be liquidated daily. All the underlying securities within the commingled funds carry a recurring fair value measurement Level of 2. There are no unfunded commitments to commingled funds as of September 30, 2023.

Securities lending collateral - GERS' custodian is the agent in lending GERS' securities for collateral and investments which are in a commingled fund.

Following is a summary of the investments of the pension trust fund, categorized by investment type and weighted average maturity, as of September 30, 2023, (expressed in thousands):

		Maturity (in years)				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	No Stated Maturity
Investments with contractual maturities						
Commingled and mutual funds	$ 344,520	$ -	$ -	$ -	$ -	$ 344,520
Corporate obligations	1	1	-	-	-	-
Limited partnerships	7,618	-	-	-	-	7,618
Total investments with contractual maturities	352,139	$ 1	$ -	$ -	$ -	$ 352,138
Investments without contractual maturities						
Money market funds	1,632					
System cash	24,354					
Havensight cash	9,324					
Real estate investments:						
Havensight Mall - U.S. Virgin Islands	41,000					
GERS Complex - U.S. Virgin Islands and other real estate	21,895					
Debt lending - member loans	7,693					
Other real assets	1,328					
Total	$ 459,365					

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. GERS does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by GERS follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from GERS' board of trustees.

Credit Risk – GERS investment policy is designed to minimize credit risk by restricting authorized investments to only those investments permitted by statute, subject to certain additional limitations. These additional limitations consist of prohibitions against investments in derivative securities, options, futures, or short positions. GERS investment policy allows investments in mortgage pass-through securities.

The credit ratings of GERS' debt securities as of September 30, 2023, include (expressed in thousands):

	Standard & Poor's Credit Ratings		Moody's Investors Service Credit Ratings	
	Fair Value	Credit Ratings	Fair Value	Credit Ratings
Corporate obligations	$ 1	Not Rated	$ 1	Not Rated
U.S. equity commingled and mutual funds	161,049	Not Rated	161,049	Not Rated
International equity commingled and mutual funds	70,728	Not Rated	70,728	Not Rated
Domestic fixed income commingled and mutual funds	112,743	Not Rated	112,743	Not Rated
Total	$ 344,521		$ 344,521	

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of GERS' investments in a single issuer of securities. GERS' investment policy establishes limitations on portfolio composition by investment type to limit its exposure to concentration of credit risk.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, GERS will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. Other than underlying securities on loans secured by noncash collateral, the System's entire investment portfolio was held with a single third-party custodian in the System's name as of September 30, 2023. As of September 30, 2023, the System had no underlying securities on loan secured by noncash collateral.

Stock and cash collateral held for securities lending transactions is invested in a collective investment pool maintained by the securities lending agent.

Foreign Currency Risk – Foreign currency risk is the risk of holding investments in foreign currencies and the risk that those foreign currencies may devalue. GERS has no general investment policy with respect to foreign currency risk. Risks associated with foreign exchange contracts include the movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform in accordance with the terms of the contract. Changes in the market value of open and closed forward contracts are recorded with interest, dividends, and other income or losses reported at fair value. During the fiscal year ended September 30, 2023, GERS did not engage in any foreign currency exchange contracts.

Securities Lending Transactions – The Government's statutes permit GERS to participate in securities lending transactions, and GERS has, via a securities lending authorization agreement (the Agreement), authorized State Street Bank and Trust Company (the Custodian) to lend its securities to broker-dealers and banks pursuant to a form of a loan agreement. Lent securities are collateralized with cash, securities issued or guaranteed by the U.S. government, or irrevocable bank letters of credit.

GERS does not have the ability to pledge or sell collateral securities delivered absent a borrower default. No restrictions were imposed during 2023 as to the amount of loans the Custodian can make on behalf of GERS. Under the terms of the Agreement, the Custodian must indemnify the Government for losses attributable to violations by the Custodian under the "standard of care" clause described in the Agreement. There were no such violations during fiscal year 2023, or losses resulting from the default of the borrowers or the Custodian.

Loans are generally terminable on demand. The collateral received shall, (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. or sovereign debt issued by foreign governments, have a market value of 102% of the market value of the loaned securities; (ii) in the case of loaned securities which are not denominated in U.S. dollars or whose primary trading market is not located in the United States, have a market value of 105% of the market value of the loaned securities; or (iii) have a higher value as may be applicable in the jurisdiction in which the loaned securities are customarily traded. Such collateral should be kept at a minimum, at 100% of the market value of the security for all borrowers throughout the outstanding period of the loans.

As of September 30, 2023, GERS had no risk exposure to borrowers because the amounts GERS owed the borrowers exceeded the amounts the borrower's owed GERS. Loans through securities lending transactions were insignificant, and the difference between the fair value of the securities on loan and collateral held was insignificant.

Component Units

Following are the investments of the discretely presented component units categorized within the fair value hierarchy presented as of the prior fiscal year. The component units have not provided information for the fiscal year ended September 30, 2023.

		(In thousands)		
	September 30, 2022	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value:				
U.S. Government agencies and notes	$ 46,275	$ 46,275	$ -	$ -
Mutual funds	116	116	-	-
Subtotal	46,391	$ 46,391	$ -	$ -
Investments, at cost:				
Certificate of deposits	26,269			
Investments measured at net asset value (NAV):				
Alternative investments	23,480			
Total*	$ 96,140			

**Include balances of unaudited component units - see Note 2*

Following is a summary of the investments of the discretely presented component units, categorized by investment type, and weighted average maturity (expressed in thousands) for the prior fiscal year:

		Maturity (in years)			
September 30, 2022	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Investments with contractual maturities					
Certificates of deposit	$ 26,269	$ 20,073	$ 6,196	$ -	$ -
U.S. Government agencies and notes	46,275	46,275	-	-	-
Total investments with contractual maturities	72,544	$ 66,348	$ 6,196	$ -	$ -
Investments without contractual maturities					
Mutual funds	116				
Other investments	23,480				
Total*	$ 96,140				

**Include balances of unaudited component units – see Note 2*

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units of the Government have not established formal policies which limit investment maturities as a means of managing such exposure and have some exposure to interest rate risk.

Credit Risk and Concentration of Credit Risk – The authorizing legislation of the component units does not limit investments by credit rating categories. Authorizing legislation limits the investments choices of the component units, as described in Note 1.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the component units will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The component units of the Government do not have custodial credit risk policies.

5. Receivables

Primary Government

Receivables for governmental funds on September 30, 2023, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 265,323	$ -	$ -	$ 265,323
Real property taxes	134,692	-	-	134,692
Hotel occupancy taxes	4,693	-	-	4,693
Gross receipts taxes	-	291,113	-	291,113
Subtotal taxes receivables	404,708	291,113	-	695,821
Less allowance for doubtful accounts	(235,869)	(262,705)	-	(498,574)
Taxes receivables, net	168,839	28,408	-	197,247
Other	$ 250	$ -	$ 116	366
Tobacco settlement rights				796
Total				$ 198,409

(a) Tax Receivables

The Naval Appropriations Act created a separate tax structure for the U.S. Virgin Islands that mirrors the Internal Revenue Code (IRC) of 1986, as amended. Income taxes are due from every corporation, partnership, individual, association, estate, or trust that meets the filing requirements of the U.S. Internal Revenue Code. A U.S. taxpayer who is a permanent resident of the U.S. Virgin Islands satisfies his/her Virgin Islands income tax obligations by filing his/her return with and paying income taxes to the Government.

Bona fide residents of the Virgin Islands are taxed by the Virgin Islands on their world-wide income. A nonresident of the U.S. Virgin Islands pays income taxes on his/her U.S. Virgin Islands source income to the Government.

The revenue is recognized in the general fund in the fiscal period for which the income tax return was filed. The revenue from income tax withholding and estimated payments are recognized in the general fund as collected, net of estimated tax refunds. Subchapter S and C corporate income tax returns are due by the 15th day of the fourth month following the close of the calendar year and become delinquent if not paid on or before the due date. Partnership income taxes are due by April 15 of the following year and trust income taxes are due by April 15 of the following year for which the income tax was levied. Trust income taxes must be paid by the tax filing date.

Property taxes are assessed each calendar year on all taxable real property located in the U.S. Virgin Islands. The receivable is recognized, net of estimated uncollectable amounts, in the general fund in the fiscal period for which the tax is assessed.

The revenue is recognized in the general fund in the fiscal period for which the property tax is levied, provided the tax is collected within 60 days after fiscal year-end, unless the facts justify a period greater than 60 days. Receivables collected after that period, are recorded as unavailable property tax revenue.

The Office of the Tax Assessor is responsible for the assessment of all taxable real property. Noncommercial real property subject to taxation is reassessed once every five years and commercial real property subject to taxation is reassessed biannually. The Tax Assessor prepares an annual assessment roll and schedule of collections for each parcel of real property that is used by The Office of the Tax Collector, as the basis for issuing tax bills to all taxpayers in the U.S. Virgin Islands.

Property taxes are to be levied by May 15 of each year in the name of the record owner on January 15 of the same year. The taxes are due on June 30 and become delinquent if not paid by August 31st in fiscal year 2023.

For businesses with gross receipts of $225,000 per annum or less, gross receipts taxes are levied on an annual basis based on the amount by which gross receipts exceed $9,000 per month. Businesses with annual gross receipts of more than $225,000 are levied monthly with no $9,000 per month exemption. The gross receipts tax rate is 5.0% of sales and service revenue.

Monthly gross receipts tax filings are due within 30 calendar days following the last day of the calendar month collected. Annual gross receipts tax filings are due within 30 calendar days following the last day of the calendar year.

(b) Other Receivables

In addition to tax receivables, the PG receives tobacco settlement right payments in connection with a Master Settlement Agreement with certain participating cigarette manufacturers. Under the terms of the agreement, the U.S. Virgin Islands receives .0173593% of annual payments made under the agreement. As of September 30, 2023, the PG reported a receivable of $796,000 for tobacco settlement right payments as included in the accompanying statement of net position.

Component Units

Receivables for the discretely presented component units consist of the following (expressed in thousands) for the year ended September 30, 2023:

Utility service charges	$	23,415
Patients		7,275
Students		18,453
Port fees		7,470
Other		162,505
Total*	$	219,118

**Includes balances of unaudited component units - See Note 2*

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2023, consist of the following (expressed in thousands):

Personal loans	$	5,403
Mortgage loans		3,242
Less allowance for losses		(952)
Total	$	7,693

(c) Notes Receivable

On July 30, 2018, the Government under an amended Terminal agreement entered a 10-year nontransferable promissory note receivable with Limetree Bay Terminals, LLC (Limetree) for $10.0 million secured by a purchase money lien on land, buildings, and other properties at the terminal in St. Croix. The note maturity is November 30, 2028, with an interest rate of 10.0% due on June 30 and December 31 of each year, beginning June 30, 2019. Prior to the restart of the refinery, the interest to be added to the principal amount due. At September 30, 2023, principal, and interest amounted to $9.7 million.

Component Units

Notes receivables for the discretely presented component units as of September 30, 2023, consist of the following (expressed in thousands):

Land and mortgage*	$	1,632
Moderate income*		2,479
Loan made to homeowners		3
Loan with Louis E. Brown I, Ltd.		3,629
Loan with Louis E. Brown II, Ltd.		2,250
Less: current portion		2
Total	$	9,991

**Includes balances of unaudited component units - See Note 2*

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2023, consist of the following (expressed in thousands):

	General	PFA Debt Service	Total
Property taxes	$ 24,862	$ -	$ 24,862
Income taxes	90,127	-	90,127
Gross receipts taxes		13,533	13,533
Total	$ 114,989	$ 13,533	$ 128,522

7. Interfund Transfers

Interfund transfers for the year ended September 30, 2023, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	PFA Capital Projects	Other Governmental	Total
General	$ -	$ 140,964	$ -	$ 2,395	$ 143,359
PFA Debt Service	123,997	-	642	-	124,639
Other Governmental	17,282	-	3,395	-	20,677
Other Business-Type	1,000	-	-	-	1,000
Total	$ 142,279	$ 140,964	$ 4,037	$ 2,395	$ 289,675

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The most significant transfer to the general fund from other governmental funds included a $141.0 million transfer from PFA debt service fund (a major governmental fund) representing gross receipt tax revenues available after bond debt service requirements.

Significant transfers made from the general fund include a transfer of $124.0 million to PFA Debt Service Fund (a major governmental fund); a transfer of $5.0 million to Budget Stabilization Fund (a non-major governmental fund); a transfer of $9.5 million to PFA Operating Fund (a non-major governmental fund); and a transfer of $2.0 million to the PFA Office of Disaster Recovery (a non-major governmental fund).

The PFA capital projects fund (a major governmental fund) made a transfer of $3.4 million to the Communities Facilities Trust (a non-major governmental fund). The Communities Facilities Trust made a transfer of $2.4 million to the General Fund.

Due From/To Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Business-Type	Total
General	$ -	$ -	$ 32,807	$ 300	$ 33,107
Other Governmental Funds	51,373	-	-	-	51,373
Total Governmental	51,373	-	32,807	300	84,480
WICO	10,588	-	-	-	10,588
viNGN	-	36,804	-	-	36,804
Other Business-Type	459	324	2,419	-	3,202
Total Proprietary Funds	11,047	37,128	2,419	-	50,594
Total	$ 62,420	$ 37,128	$ 35,226	$ 300	$ 135,074

The due from/to other funds includes the following amounts the general fund owes to other funds: $16.0 million to St. Croix Capital Improvement Fund for capital improvement projects, $7.8 million due to PFA operating fund (a non-major governmental fund) for unpaid transfers from gross receipts collections; $4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations, and $1.9 million due to the Elected Governor Retirement Fund.

The amount due from other funds by the general fund is mainly composed of $42.2 million due from the District Street Lighting Fund (a non-major governmental fund), $6.0 million due from the Recovery Grant Management program for an ARPA grant returned, and $2.7 million from the Bond Proceeds Fund (a non-major governmental fund). The due to PFA Capital Projects funds includes $36.8 million due from the Virgin Islands Next Generation Network (viNGN), a major business-type fund in connection with start-up costs of the broadband project. The amount due to other governmental funds by the other enterprise includes $1.0 million due from the Virgin Islands Lottery to the Pharmaceutical Assistance to the Aged Fund and $1.1 million due from the Virgin Islands Lottery to the Virgin Islands Educational Initiative Fund consisting primarily of 15.0% of revenue derived from lottery games under contract between the Virgin Islands Lottery and private contractors be transferred to these funds.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2023, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$ 24,546
WICO debt service funds	8,791
Total	$ 33,337

These funds were restricted to repay loans payable to the U.S. Treasury and WICO debt service accounts restricted by loan covenants.

Component Units

Restricted assets of discretely presented component units as of September 30, 2023, including cash and cash equivalents, investments, and receivables as follows (expressed in thousands), including prior year data for certain component units:

Cash and cash equivalents:		
Debt service and sinking fund requirements	$	6,886
Endowment funds		680
HUD project funds		586
Revolving loan funds		40,858
Other		4,794
Total restricted cash and cash equivalents		53,804
Investments:		
Debt service and sinking fund requirements		56,703
Endowment funds		23,480
Revolving loan funds		6,312
Total restricted investments		86,495
Other:		
Pledged funds		15,873
Total*	$	156,172

**Includes balances of unaudited component units – See Note 2*

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 216,024	$ -	$ -	$ -	$ 216,024
Construction in progress	220,218	138,976	(109,173)	(1,674)	248,347
Total capital assets not being depreciated	436,242	138,976	(109,173)	(1,674)	464,371
Capital assets being depreciated and amortized:					
Land improvements	14,586	-	6,763	-	21,349
Infrastructure	284,641	1,844	79,202	-	365,687
Buildings and improvements	654,013	-	14,970	-	668,983
Machinery and equipment	285,138	18,647	8,238	(52)	311,971
Total capital assets being depreciated, and amortized	1,238,378	20,491	109,173	(52)	1,367,990
Land improvements	(7,030)	(853)	-	-	(7,883)
Infrastructure	(69,902)	(11,716)	-	-	(81,618)
Buildings and improvements	(321,183)	(30,708)	-	-	(351,891)
Machinery and equipment	(235,174)	(20,179)	-	52	(255,301)
Total accumulated depreciation and amortization	(633,289)	(63,456)	-	52	(696,693)
Total capital assets being depreciated and amortized, net	605,089	(42,965)	109,173	-	671,297
Total Governmental activities capital assets, net	$ 1,041,331	$ 96,011	$ -	$ (1,674)	$ 1,135,668

Depreciation and amortization expense are charged to functions of the PG for the year ended September 30, 2023, as follows (expressed in thousands):

Governmental Activities:	
General government	$ 17,143
Public safety	4,502
Health	2,492
Education	24,433
Public housing and welfare	1,038
Culture and recreation	700
Transportation and communication	13,148
Total	$ 63,456

Capital assets activity for business-type activities for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,178	$ 1,200	$ -	$ -	$ 6,378
Construction in progress	6,936	5,687	(1,552)	-	11,071
Total capital assets not being depreciated	12,114	6,887	(1,552)	-	17,449
Capital assets being depreciated and amortized:					
Land improvements	705	-	-	-	705
Buildings and improvements	80,864	665	911		82,440
Machinery and equipment	83,108	540	641	(39)	84,250
Right-to-use building and improvements	2,139	393	-	(1,203)	1,329
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	197,590	1,598	1,552	(1,242)	199,498
Less accumulated depreciation and amortization for:					
Land improvements	(442)	(34)	-	-	(476)
Buildings and improvements	(53,691)	(3,093)	-	-	(56,784)
Machinery and equipment	(43,978)	(4,021)	-	39	(47,960)
Right-to-use building and improvements	(1,620)	(264)	-	1,203	(681)
Intangible assets	(11,167)	(1,012)	-	-	(12,179)
Total accumulated depreciation and amortization	(110,898)	(8,424)	-	1,242	(118,080)
Total capital assets being depreciated and amortized, net	86,692	(6,826)	1,552	-	81,418
Total Business-type activities capital assets, net	$ 98,806	$ 61	$ -	$ -	$ 98,867

Depreciation and amortization expense are charged for the year ended September 30, 2023, as follows (expressed in thousands)

Business-type Activities:	
WICO	$ 3,120
viNGN	4,473
Other enterprise funds	831
Total	$ 8,424

Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 129,911	$ 773	$ -	$ -	$ 130,684
Construction in progress	584,453	1,292	-	-	585,745
Total capital assets not being depreciated	714,364	2,065	-	-	716,429
Capital assets being depreciated and amortized:					
Buildings and improvements	2,840,813	13,675	-	-	2,854,488
Airport and marine terminal facilities	193,449	-	-	-	193,449
Personal property and equipment	163,983	4,651	-	-	168,634
Right to use lease assets	226	-	-	226	-
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	3,201,390	18,326	-	226	3,219,490
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,201,965)	(11,870)	-	-	(1,213,835)
Airport and marine terminal facilities	(168,369)	-	-	-	(168,369)
Personal property and equipment	(116,295)	(2,541)	-	-	(118,836)
Right to use lease assets	(57)	-	-	(57)	-
Intangible assets	(2,605)	-	-	-	(2,605)
Total accumulated depreciation and amortization	(1,489,291)	(14,411)	-	(57)	(1,503,645)
Total capital assets being depreciated and amortized, net	1,712,099	3,915	-	169	1,715,845
Total component units' capital assets, net*	$ 2,426,463	$ 5,980	$ -	$ 169	$ 2,432,274

**Includes balances of unaudited component units - See Note 2*

Depreciation and amortization expense (expressed in thousands):

Virgin Islands Housing Authority	$ 6,894
Other component units*	7,517
Total	$ 14,411

**Includes balances of unaudited component units - See Note 2*

10. Long-Term Liabilities

Primary Government

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Gross Receipts Revenue Bonds						
Series 2014 D Revenue Bonds	$ 4,355	$ -	$ 255	$ 4,100	$ 270	$ 3,830
Series 2014 C Revenue and Refunding Bonds	208,510	-	6,705	201,805	7,045	194,760
Series 2014 A Revenue Bonds	37,535	-	2,100	35,435	2,210	33,225
Series 2012 A and B Revenue and Refunding Bonds	134,335	-	3,720	130,615	9,195	121,420
Series 2012 C Revenue Bonds	21,215	-	1,955	19,260	430	18,830
Series 2006 A Revenue Bonds	153,970	-	16,895	137,075	17,515	119,560
Total	559,920	-	31,630	528,290	36,665	491,625
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	7,290	-	2,463	4,827	-	4,827
Series 2001 A Tobacco Bonds	1,215	-	1,215	-	-	-
Total	8,505	-	3,678	4,827	-	4,827
Matching Fund Special Purpose Securitization Corporation						
Series 2022 A Securitization Bonds	930,315	-	-	930,315	-	930,315
Series 2022 B Securitization Bonds	22,510	-	-	22,510	-	22,510
Total	952,825	-	-	952,825	-	952,825
Federal-Aid Highway Bonds						
Series 2015 Bonds	62,905	-	4,430	58,475	4,650	53,825
Other Direct Placement Bonds						
Series 2019 A TIF Revenue and Refunding Bonds	9,573	-	3,162	6,411	605	5,806
Total bonds payable	1,593,728	-	42,900	1,550,828	41,920	1,508,908
Plus (less):						
Bond premium	47,773	-	5,716	42,057	-	42,057
Bond discount	(234)	-	(45)	(189)	-	(189)
Bond accretion	13,876	874		14,750	14,750	-
Total bonds payable, net	$ 1,655,143	$ 874	$ 48,571	$ 1,607,446	$ 56,670	$ 1,550,776

Loans, Lines of Credit, and Notes Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
2019 A TIF Project Developer Note	$ 1,551	$ -	$ 14	$ 1,537	$ 16	$ 1,521
Series 2023 Note	-	55,909	-	55,909	-	55,909
Total	1,551	55,909	14	57,446	16	57,430
Total governmental activities bonds and direct borrowings and placements	$ 1,656,694	$ 56,783	$ 48,585	$ 1,664,892	$ 56,686	$ 1,608,206

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 38,944	$ 8,639	$ -	$ 47,583	$ 16,735	$ 30,848
Retroactive union arbitration	151,064	-	4,546	146,518	2,408	144,110
Accrued 8.0% salary reduction	1,583	-	1,583	-	-	-
Litigation	7,873	-	1,188	6,685	1,664	5,021
Landfill closure and post closure	129,542	35,702	-	165,244	-	165,244
Total	$ 329,006	$ 44,341	$ 7,317	$ 366,030	$ 20,807	$ 345,223

Accrued compensated absences, retroactive union arbitration, litigation, landfill closure, and post-closure costs, are generally expected to be liquidated with resources derived from the general fund.

The change in tax refunds payable for governmental activities is as follows for the year ended September 30, 2023 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Tax refunds payable	$ 114,370	$ 45,632	$ 38,585	$ 121,417	$ 117,332	$ 4,085

On September 30, 2023, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of $976.6 million. The OPEB liability is valued by an actuarial valuation as of October 1, 2019, with a roll forward through October 1, 2021.

The change in OPEB liabilities for governmental activities is as follows for the fiscal year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Total OPEB liability	$ 976,613	$ -	$ -	$ 976,613	$ -	$ 976,613

Due to the delays in receiving census data necessary to prepare actuarial valuations, the PG is not in compliance with governmental accounting standards requiring a full valuation of OPEB every other year.

As of September 30, 2023, the PG reported a net pension liability of $3.1 billion for its proportionate share of the net defined benefit pension liability administered by GERS. The net pension liability is valued as of September 30, 2022, determined by an actuarial valuation as of that date.

The change in pension liabilities for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$ 4,091,016	$ -	$ 965,436	$ 3,125,580	$ -	$ 3,125,580

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
WAPA utilities - WICO	$ -	$ 183	$ -	$ 183	$ -	$ 183
Workers' compensation claims	46,387	-	4,426	41,961	2,632	39,329
Lease liability - viNGN	559	298	177	680	219	461
Note payable - viNGN	-	450	-	450	11	439
Compensated absences - WICO	1,338	372	338	1,372	64	1,308
WICO Port Facilities Revenue Bonds	51,586	45	-	51,631	-	51,631
Total	$ 99,870	$ 1,348	$ 4,941	$ 96,277	$ 2,926	$ 93,351

Debt Margin

Pursuant to 48 U.S.C. Section 1574(b)(i) of the Revised Organic Act, the Government may issue revenue bonds for public improvements or undertakings authorized by an act of the Legislature of Virgin Islands, without limitation as to principal amount. Such revenue bonds are payable solely from the revenue directly derived from and attributable to such public improvements or undertakings. Pursuant to 48 U.S.C. Section 1574(b)(ii), the Government is authorized to issue general obligation bonds for any public purpose provided that no such indebtedness is more than 10.0% of the aggregate assessed valuation of the taxable real property in the U.S. Virgin Islands.

In addition, pursuant to 48 U.S.C. Section 1574(a) (Public Law 94-932), the U.S. Virgin Islands is authorized to issue bonds or other obligations in anticipation of the matching funds to be received from the federal government pursuant to 26 U.S.C. Section 7652(b)(3). There is no legal limit on the value of bonds that the Government may issue pursuant to 48 U.S.C. Section 1574(a). The Legislature of the U.S. Virgin Islands must authorize all bond issuances. PFA is authorized to issue bonds for financing any project or for the purpose authorized by the Legislature of V.I. Given that PFA's powers to issue bonds are derived from 48 U.S.C. Section 1574(b), the bonds issued by PFA are subject to the limitations of said 48 U.S.C. Section 1574(b).

On August 23, 1999, the Legislature of the Virgin Islands amended the V.I. Code to add a Mandatory Balanced Budget Provision. Such provisions, specifically Title 2 of the V.I. Code Section 256, provide that the amount of debt of the Government existing on October 1, 2000, shall be the debt limit of the Government, exclusive of bond principal and interest that may become due. The debt limit specified under Title 2 of the V.I. Code Section 256 does not include bonds authorized by law for which a specific source of revenue is identified and committed to retiring those bonds. As used in Title 2 of the V.I. Code Section 256, the term "debt" means the total accumulated unpaid obligations that are due and payable, including unpaid income tax refunds, amounts owed to vendors, and current year unpaid debt service obligations, if any. As used in the statute, the term "debt" does not include that portion of principal or interest on bonds that is not yet due and payable.

(a) Bonds Payable

Bonds payable outstanding on September 30, 2023, are comprised of the following (expressed in thousands):

	Maturity	Interest Rate (%)	Balance
Gross Receipts Revenue Bonds			
Series 2014 D Revenue Bonds	2015 - 2033	6.03	$ 4,100
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 – 5.00	201,805
Series 2014 A Revenue Bonds	2015 - 2034	5.00	35,435
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25	130,615
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00	19,260
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00	137,075
Total			528,290
Tobacco Settlement Bonds			
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	4,827
Matching Fund Special Purpose Securitization Bonds			
Series 2022 A Securitization Bonds	2039	4.05 – 4.73	930,315
Series 2022 B Securitization Bonds	2025	6.00	22,510
Total			952,825
Federal-Aid Highway Bonds			
Series 2015 Bonds	2016 - 2033	3.00 – 5.00	58,475
Other Direct Placement Bonds or Borrowings			
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	6,411
Total bonds payable			1,550,828
Plus (Less):			
Bonds premium			42,057
Bonds discount			(189)
Bonds accretion			14,750
Total bonds payable, net			$ 1,607,446

Gross Receipts Revenue Bonds

Series 2014 D Revenue Bonds

On December 3, 2014, PFA issued the Series 2014 D Revenue Bonds, the proceeds of which amounted to $5,765,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2014 D Revenue Bonds were issued to (i) finance certain costs associated with the broadband expansion program, (ii) fund the debt service reserve of the Series 2014 D Bonds in an amount necessary to meet debt service requirements, and (iii) pay the costs of issuance related to the Series 2014 D Bonds accounts. The Series 2014 D Bonds mature in 2033 at an interest rate of 6.03%.

Interest on the Series 2014 D Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable in total on October 1, 2033. The Government is responsible for all principal and interest payments on the Series 2014 D Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 D Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2014 D Revenue Bonds	Price
Any time prior to maturity	100% Make-Whole Redemption Price

Series 2014 C Revenue and Refunding Bonds

On November 14, 2014, PFA issued the Series 2014 C Revenue and Refunding Bonds, the proceeds of which amounted to $247,050,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2014 C Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 2003 A Bonds, (ii) finance all or a portion of the costs of certain capital projects, and (iii) pay the costs of issuance related to the Series 2014 C Bonds. The Series 2014 C Bonds mature from 2015 to 2044 at an interest rate of 4.5% to 5.0%.

The proceeds of the Series 2014 C Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2016 to 2034 maturities of the Series 2003 A Bonds. Approximately $235,249,196 of bond proceeds were deposited into the Escrow Fund accounts. On December 1, 2014, the Series 2003 A bonds were defeased through the exercise of call redemptions.

Interest on the Series 2014 C Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2014 C Revenue and Refunding Bonds.

The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 C Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2014 C Revenue and Refunding Bonds	Price
October 1, 2024, and thereafter	100%

Series 2014 A Revenue Bonds

On September 5, 2014, PFA issued the Series 2014 A Revenue Bonds, the proceeds of which amounted to $49,640,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) finance all or a portion of the costs of certain capital projects, as authorized by the Virgin Islands Legislature in 2013 V.I. Act 7499, as amended by 2014 V.I. Act 7631 as further amended by 2014 V.I. Act 7637 and approved by PFA by resolution, (ii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve Requirement, and (iii) pay the costs and expenses of issuing and delivering the Series 2014 A Bonds. The Series 2014 A Revenue Bonds mature from 2015 to 2034 at an interest rate of 5.0%.

Interest on the Series 2014 A Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2014 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 A Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2014 A Revenue Bonds	Price
October 1, 2024, and thereafter	100%

Series 2012 A and B Revenue and Refunding Bonds

On November 20, 2012, PFA issued the Series 2012 A and B Revenue and Refunding Bonds, the proceeds of which amounted to $228,805,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2012 A Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 1999 A Bonds, (ii) refund the outstanding 2010 A1 and A2 Notes, (iii) pay the costs and expenses of issuing and delivering the Series 2012 A Revenue and Refunding Bonds, and (iv) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 A Revenue and Refunding Bonds. The Series 2012 A Bonds mature from 2017 to 2032 at an interest rate of 2.3% to 5.0%.

The Series 2012 B Revenue and Refunding Bonds were issued to (i) refinance the outstanding 2011 A Notes, which initially financed the Broadband Project, (ii) pay the costs and expenses of issuing and delivering the Series 2012 B Revenue and Refunding Bonds, and (iii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 B Revenue and Refunding Bonds. The Series 2012 B Revenue and Refunding Bonds mature in 2027 at an interest rate of 5.3%.

The refunding of the Series 1999 A Bonds, on November 20, 2012, was made to obtain lower interest rates. The economic gain obtained by this current refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately $11.9 million and an economic gain of approximately $7.7 million.

Interest on the Series 2012 A and B Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2012 A and B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The 2012 Series A and B Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2012 A and B Revenue and Refunding Bonds	Price
October 1, 2032 (Series 2012 A)	100%
October 1, 2027 (Series 2012 B)	Make-Whole Redemption Price

Series 2012 C Revenue Bonds

On December 19, 2012, PFA issued the Series 2012 C Revenue Bonds, the proceeds of which amounted to $35,115,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) provide a loan to the Government to be used to finance certain operating expenses and other obligations of the Government, (ii) fund capitalized interest on a portion of the Series 2012 C Bonds, and (iii) pay the costs and expenses of issuing and delivering the Series 2012 C Bonds. The Series 2012 C Revenue Bonds mature from 2017 to 2042 at an interest rate of 3.0% to 5.0%.

Interest on the Series 2012 C Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2012 C Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2012 C Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2012 C Revenue Bonds	Price
October 1, 2030, and thereafter	100%

Series 2006 A Revenue Bonds

On September 28, 2006, PFA issued the Series 2006 A Revenue Bonds, the proceeds of which amounted to $219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government under the same terms as the Bonds. The bonds are limited special obligations of PFA. The bonds bear interest at 3.5% to 5.0% and mature from 2007 to 2029. The proceeds of the bonds were issued to: (i) refund a portion of PFA's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the Debt Service Reserve Account, (v) pay certain costs of issuing the Series 2006 A Revenue Bonds and (vi) fund a net payment reserve account for a new swap agreement. The Series 2006 A Revenue Bonds maturing on or before October 1, 2016, are not subject to optional redemption. The advance refunding of the 2024 and 2029 maturities of the Series 1999 A Bonds was made to obtain lower interest rates.

The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately $40.8 million and an economic gain of approximately $25.6 million.

The proceeds of the Series 2006 A Revenue Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2024 to 2029 maturities of the Series 1999 A Bonds. Approximately $175,125,168 of funds was deposited into the Escrow Fund accounts. The Series 1999A Revenue Bonds are fully defeased.

Interest on the Series 2006 A Revenue Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2006 A Revenue Bonds. The principal and interest payments on October 1 are funded by Gross Receipts taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts taxes.

The Series 2006 A Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2006 A Revenue Bonds	Price
October 1, 2016, and thereafter	100%

Pledged Funds, Covenants and Collateral

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit, and the TIF special escrow agreement, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019A TIF Revenue and Refunding Bonds, Series 2019A TIF Project Developer Loan Note, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and the Series 2006 A Revenue Bonds.

The Government's auditor provides quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

In fiscal year 2023, pledged gross receipts tax revenues represented 29.86% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to $58.7 million for bonds and $4.0 million for notes, respectively.

Tobacco Settlement Bonds

2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds

On March 15, 2006, TSFC issued the 2006 Tobacco Settlement Financing Corporation Asset-Backed Bonds, Subordinated Series 2006 (Turbo Capital Appreciation Bonds) amounting to $48,145,000, with an issue value of $7,290,009 net of accretion of $40,854,991. The bonds are secured and payable from collections including all Tobacco Settlement Revenues to be received by TSFC, reserves, amounts held in other accounts established by the indenture and TSFC's rights under the purchase agreement. The proceeds have been used for the purpose of (i) to finance several capital, hospital, and health development projects for the benefit of the Virgin Islands and its residents, (ii) to pay certain costs of issuing the Series 2006 Bonds, and (iii) to fund operating costs associated with the Series 2006 Bonds.

Interest on the Series 2006 Bonds is not paid currently but accretes from the date of delivery, compounded every May 15 and November 15, commencing May 15, 2006, and is paid at maturity or upon prior redemption, provided however that the 2001 Series Bonds have been paid in full.

2001 Series A Tobacco Bonds

On November 20, 2001, TSFC issued the 2001 Tobacco Settlement Financing Corporation Asset-Backed Bonds (Term and Capital Appreciation Bonds) amounting to $23,685,000, with an issue value of $21,709,862 net of accretion of $1,975,138. The bonds were secured and payable from collections including all Tobacco Settlement Revenues to be received by TSFC, reserves, amounts held in other accounts established by the indenture, and TSFC's rights under the purchase agreement. The proceeds were used for the purpose of (i) purchasing all rights, title, and interest in certain litigation awards under the MSA entered into by participating cigarette manufacturers, (ii) issuing Tobacco Settlement Asset-Backed Bonds to pay the purchase price for the rights, and (iii) providing funds for hospital and healthcare projects in the United States Virgin Islands. Interest on the Series 2001 Bonds is payable semi-annually on each May and November 15, beginning with May 2002 for the Term Bonds.

TSFC is responsible for all principal and interest payments on the bonds. The convertible Capital Appreciation Bonds will accrete interest prior to November 15, 2007, and will accrue interest after that date. Interest will compound on May 15 and November 15. The bonds were fully defeased through turbo redemptions during the fiscal year ended September 30, 2023.

2022 Matching Fund Special Purpose Securitization Bonds

On April 6, 2022, MFSPSC issued the Series 2022 A Securitization Bonds and the Series 2022 B Taxable Securitization Bonds (Series 2022 A and Series 2022 B Bonds), the proceeds of which amounted to $952,825,000. The bonds are secured by a pledge of matching fund receipts. Matching fund receipts are received from the Department of Interior as an advance of distilled spirits excise tax on rum products shipped by Virgin Islands rum producers to the United States.

The Series 2022A and B Bonds were issued to: (i) purchase from the Government all of its right, title and interest in and to the MFRs, (ii) pay capitalized interest on the Series 2022 Bonds, (iii) pay the costs of issuance of the bonds, and (iv) transfer to the GERS Funding Note Trustee an amount sufficient to fund the annual GERS Funding Note payment obligations. The Series 2022A Bonds were issued with an original issue premium of $28,061,333.

Interest on the Series 2022 A and Series 2022 B bonds is payable semi-annually on April 1 and October 1, beginning October 1, 2022, with principal payments due October 1, beginning October 1, 2025. Capitalized interest was funded as part of the issuance of the bonds in the amount of $112.2 million. Capitalized interest is applied to semi-annual interest payments with an initial payment of $18.8 million on October 1, 2022. Transfers of capitalized interest during the current fiscal year amounted to $37.7 million.

The Series 2022 A bonds maturing after the dates below are redeemable at the option of MFSPSC, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2022 A Securitization Bonds	Price
October 1, 2032, and thereafter	100%

The Series 2022 B bonds are subject to redemption prior to maturity, at the election of MFSPSC, on any date at a redemption price equal to the greater of (i) the principal amount of the bonds to be redeemed, or (ii) the "make-whole option redemption" amount. The make-whole optional redemption is the sum of the present values of the remaining scheduled payments of principal, interest, not including any portion of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury rate plus 50 basis points plus accrued interest. The make-whole optional redemption amount is to be calculated by an independent accounting firm or advisor retained by MFSPSC.

Federal-Aid Highway Bonds

On December 15, 2015, PFA issued the Series 2015 Federal-Aid Highway Bonds (Series 2015 Bonds), the proceeds of which amounted to $89,880,000.

These bonds are secured by a lien on a security interest in, the Trust Estate, which includes, all rights and interests in (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund, and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including Debt Service Reserve Fund and (iv) the Loan Agreement and the Loan Note. The bonds are limited special obligations of PFA. The Series 2015 Bonds were issued to (i) finance costs of certain highway capital projects, (ii) establish debt service reserves, and (iii) pay the costs of issuance related to the Series 2015 Bonds. The Series 2015 Bonds mature from 2016 to 2033 at an interest rate of 3.0% to 5.0%.

Interest on the Series 2015 Bonds is payable semi-annually on March 1 and September 1, and principal is payable annually on September 1. The Government is responsible for all principal and interest payments on the Series 2015 Bonds. The principal and interest payments on September 1 are funded by the Federal Highway Grant Revenues, and the required investment to meet the March 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Federal Highway Grant Revenues.

The Series 2015 Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2015 Bonds	Price
September 1, 2025, and thereafter	100%

Pledged Funds, Covenants and Collateral

The Government has pledged the Federal Highway Grant Revenues, as described below, to the timely payment of principal and interest on the Series 2015 Bonds. The Federal Highway Administration's Puerto Rico Division and the Government's Department of Public Works and PFA, have entered into a Memorandum of Understanding, dated December 9, 2015, documenting the procedures, roles, and responsibilities for (i) programming and authorizing the Approved Projects, (ii) supervising the construction of the Approved Projects, (iii) paying debt service on the Bonds and other Bond Related Charges, and (iv) establishing the funding, transfer, and disbursement process for the proceeds of the Bonds.

Other Direct Placement Bonds or Borrowings – Series 2019 A TIF Revenue and Refunding Bonds

On November 14, 2019, PFA issued the Series 2019 A TIF Revenue and Refunding bonds with a local bank in the amount of $12.0 million. The proceeds of the bonds were used to: (i) defease the Series 2012 A TIF Notes with outstanding principal of approximately $11.0 million and accrued interest of $104,000, (ii) make a settlement payment to the developer of the Island Crossings Shopping Center, (iii) fund certain debt service reserves and (iv) pay the costs of the issuance. The Series 2019 A Bonds bear an interest rate of 6.9% over a term of 10 years.

Interest on the Series 2019 A TIF Revenue and Refunding Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds.

The monthly principal and interest payments are funded by pledged Gross Receipts Taxes. In the year ended September 30, 2023, the Government made an additional principal redemption of $2.6 million.

The Series 2019 A TIF Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of the PFA, at prescribed redemption prices expressed as a percentage of the principal amount as follows:

Series 2019 A TIF Revenue and Refunding Bonds	Price
December 1, 2019, and thereafter	100%

Pledged Funds, Covenants and Collateral

The Government has pledged the Gross Receipts Taxes of the TIF Developer Project subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019 A TIF Revenue and Refunding Bonds. The Government has contracted with its auditor to provide quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

The Tax Increment Revenue Loan Agreement entered into with the Government and Trustee in connection with the issuance of the Series 2019 A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31st of each fiscal year). The ratio is the Islands Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019 A TIF Revenue and Refunding Bonds. PFA is required to maintain a Loan to Value Ratio (LTV) of no more than 65.0%. In any fiscal year in which the LTV shall exceed 65.0%, the DSCR shall be 1.35, and, upon certification thereof by the TIF Calculation Agent, any amounts then available in the Surplus Account may be made first to interest and then to principal due on the 2019A TIF Project Developer Note. No payments may be made on the 2019 A TIF Project Developer Note until the DSCR and LTV requirements have been met. For the year ended September 30, 2023, the DSCR amounted to 2.12 and the LTV was 36%, meeting the requirements of the Tax Increment Revenue Loan Agreement.

To provide additional security for the payment of the principal and interest due on the Series 2019 A Bonds, the TIF Project Developer has entered into the Purchaser Collateral Documents for the benefit of the lender, to further secure the payment of the Bonds. During the time that the Series 2019 A Bonds are outstanding, the Economic Development Authority shall obtain an independent report on the financial statements of the Islands Crossings Project, determining if the incremental pledged funds are equal to estimates, and if the Island Crossings Project is economically viable for the repayment of the Series 2019 A TIF Revenue and Refunding Bonds.

The bonds contain a provision that in an event of default, the lender may at any time declare the entire balance of the Series 2019 A Bond and any indebtedness of PFA to the lender to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest, or notice.

WICO Port Facilities Revenue Bonds

In June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A and Series 2022B (the Series 2022 Bonds). The Series 2022 Bonds were issued at a nominal value of $52.6 million and a discounted value of $51.6 million. The Series 2022A and 2022B Bonds are privately placed and were offered exclusively to qualified institutional buyers and were not registered under the Securities Act, or any state securities laws. The bonds are limited obligations of the Company and are not the debts of PFA or the Government.

The Series 2022 Bonds were issued to: (i) prepay the WICO's loan (ii) fund a capitalized interest fund in an amount equal to interest accrued through December 31, 2022, (iii) fund the debt service reserve fund, (iv) finance certain capital improvements to docks, wharves, and ancillary facilities, (v) acquire a twenty-foot skiff for port operations, and (vi) pay certain costs of issuing the bonds. The Series 2022 Bonds are due from October 1, 2033, to October 1, 2052, with interest rates from 5.875% to 6.500%. Interest is payable annually on April 1st.

The Series 2022A and Series 2022 B Bonds maturing after the dates below are redeemable at the option of WICO, at the prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2022 Bonds	Price
October 29, 2029, to September 30, 2032	104% - 102%
October 1, 2033, and thereafter	100%

Pledged Funds, Covenants, and Collateral

WICO has pledged port revenues, including debt issuances and insurance proceeds, for the payment of the bonds. The bonds are secured by a first priority mortgage on the property of WICO (excluding the Estate Catherineberg property), a security collateral agreement, assignment of leases and rents, and the pledge of all funds and accounts established through an Indenture of Trust Agreement with UMB Bank, N.A.

WICO entered into a continuing disclosure agreement with the Trustee requiring audited financial statements to be provided within 120 days of the fiscal year-end and unaudited financial information, and operating data, to be provided within 45 days of the close of each fiscal quarter.

Future debt service requirements for bonds for which gross receipts taxes have been pledged are as follows (expressed in thousands):

	Governmental Activities - Gross Receipts Revenue Bonds											
	2006 Series A Revenue Bonds		2012 Series A Revenue Bonds		2012 Series B Revenue Bonds		2012 Series C Revenue Bonds		2014 Series A Revenue Bonds		2014 Series C Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2024	$ 17,515	$ 6,253	$ 6,780	$ 5,689	$ 2,415	$ 642	$ 430	$ 952	$ 2,210	$ 1,717	$ 7,045	$ 9,855
2025	18,165	5,361	7,395	5,335	2,545	512	455	930	2,325	1,603	7,385	9,494
2026	18,840	4,435	8,040	4,949	2,680	375	475	907	2,440	1,484	6,595	9,145
2027	19,530	3,476	8,735	4,529	2,825	231	500	883	2,565	1,359	6,920	8,807
2028	20,250	2,482	9,470	4,074	2,980	78	525	857	2,700	1,227	7,270	8,452
2029-2033	42,775	1,913	76,750	10,078	-	-	3,680	3,820	15,720	3,912	112,645	31,116
2034-2038	-	-	-	-	-	-	5,775	2,606	7,475	378	39,340	4,905
2039-2043	-	-	-	-	-	-	7,420	964	-	-	7,555	2,482
2044-2048	-	-	-	-	-	-	-	-	-	-	7,050	321
Total	$ 137,075	$ 23,920	$ 117,170	$ 34,654	$ 13,445	$ 1,838	$ 19,260	$ 11,919	$ 35,435	$ 11,680	$ 201,805	$ 84,577

	2014 Series D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest
Maturity Year:				
2024	$ 270	$ 239	$ 36,665	$ 25,347
2025	290	222	38,560	23,457
2026	305	204	39,375	21,499
2027	325	185	41,400	19,470
2028	345	165	43,540	17,335
2029-2033	2,075	476	253,645	51,315
2034-2038	490	15	53,080	7,904
2039-2043	-	-	14,975	3,446
2044-2048	-	-	7,050	321
Total	$ 4,100	$ 1,506	$ 528,290	$ 170,094

Future debt service requirements for bonds for which tobacco settlement revenues have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ 1,059	$ -
2025	-	-
2026	-	-
2027	-	-
2028	-	-
2029-2033	-	-
2034-2035	44,622	-
Plus Accretion:	(26,104)	-
Total	$ 19,577	$ -

Future debt service requirements for bonds for which matching fund receipts have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ -	$ 47,866
2025	-	47,866
2026	39,985	46,754
2027	54,710	44,274
2028	57,515	41,469
2029-2033	334,930	159,960
2034-2038	417,700	65,124
2039-2040	47,985	1,356
Total	$ 952,825	$ 454,669

Future debt service requirements for bonds for which federal-aid highway grant revenues have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ 4,650	$ 2,924
2025	4,880	2,691
2026	5,125	2,447
2027	5,380	2,191
2028	5,650	1,922
2029-2033	32,790	5,079
Total	$ 58,475	$ 17,254

Future debt service requirements for the 2019A TIF Bonds are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ 604	$ 680
2025	650	634
2026	697	588
2027	747	537
2028	799	485
2029-2033	2,914	492
Total	$ 6,411	$ 3,416

Future debt service requirements for the WICO Port Facilities Revenue Bonds are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ -	$ 3,338
2025	-	3,338
2026	185	3,338
2027	360	3,327
2028	380	3,306
2029-2033	3,620	16,052
2034-2038	5,230	14,742
2039-2043	7,070	12,902
2044-2048	9,605	10,367
2049-2053	26,175	6,319
Total	$ 52,625	$ 77,029
Less:		
Bond discount	(994)	
Total bonds payable, net	$ 51,631	

(b) Loans and Notes Payable

Series 2023 Note

On June 15, 2023, PFA and the Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico authorized by Act 8701 issued by the Legislature in April 2023. Under the terms of the Series 2023 Note the Government may take draws on the loan of up to $100.0 million. The Series 2023 Note is secured by a certificate of deposit in the amount of $134.0 million deposited with FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes, and (iii) interest earned on the Certificate of Deposit. Interest expense on the Series 2023 Note is computed as 200 basis points above the certificate of deposit rate, provided that the interest rate shall not be less than 2.0% or exceed 9.0% per annum.

At the date of the Revenue Anticipation Note Purchase Agreement the certificate of deposit rate was 4.500% and the interest on the loan is 6.500%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365. Interest earned on the certificate of deposit will be deposited into a debt service reserve account. Interest accrues and is paid quarterly on or before the fifteenth day of the next succeeding month, with a final payment due at the maturity of the note.

The maturity date of the Series 2023 Note is the earlier of forty-two (42) months from the date of the Note Purchase Agreement, or September 30, 2026, whichever is the first to occur. Advances on the Series 2023 Note taken as of September 30, 2023 amounted to $55.9 million. On October 10, 2023, the Legislature amended Act 8701 to authorize an increase in the amount of the Series 2023 Note to $150.0 million, to provide $50.0 million for the payment of vendors, retroactive wage payments, and address other critical needs of the territory.

Future debt service requirements for the Series 2023 Note are as follows (expressed in thousands):

Maturity Year	Principal
2024	$ -
2025	-
2026	55,909
Total	$ 55,909

2022 GERS Funding Note, Taxable

On April 6, 2022, PFA issued the GERS Funding Notes Taxable, (GERS Funding Note) to GERS in the amount of $3.8 billion. The GERS Funding Note was issued to provide additional financial resources for the stability and liquidity of the Government's retirement system. The issuance of the GERS Funding Note was authorized by Act 8540 enacted by the Legislature in February 2022. This Act also authorized the formation of the MFSPSC. The Indenture of Trust pledges the residual matching fund receipts deposited into the Residual Fund Escrow by the MFSPSC for the payment of the note.

The non-interest-bearing GERS Funding Note was issued for a thirty-year term with annual principal payments ranging from $73.6 million to $158.0 million, due on October 1st of each year. An initial payment of principal of $89.2 million was made to GERS on April 7, 2022, from proceeds of the issuance of the Series 2022 A and Series 2022 B Securitization Bonds, and a second payment was made on October 1, 2022 in the amount of $158.0 million. The GERS Funding Note may not be sold or transferred without registration under the Securities Act of 1933, or an exemption obtained therefrom.

The GERS Funding Note does not constitute a general obligation of the PFA or of the Government and may not be called for redemption by the PFA. Principal payments made under the GERS Funding Note are deemed in-kind contributions by the Government to the retirement system.

Future debt service requirements for the 2022 GERS Funding Note are as follows (expressed in thousands):

Maturity Year	Principal
2024	$ 157,997
2025	157,996
2026	81,537
2027	73,616
2028	82,424
2029-2033	412,142
2034-2038	424,199
2039-2043	746,220
2044-2048	789,982
2049-2052	631,986
Total	$ 3,558,099

2019 A TIF Project Developer Note

On November 14, 2019, PFA issued the Series 2019 A TIF Project Developer Note. As part of the Tax Increment Financing Agreement entered into in 2009, the TIF Project Developer was entitled to a fee in the amount of $3.4 million to be paid through a non-transferable special limited obligation of PFA secured by a subordinate pledge of the Island Crossings incremental revenues collected under a special escrow agreement. The TIF Project Developer Note was issued in the amount of $1.6 million, with a maturity date of November 1, 2049, to pay the remaining balance of the Project Developer fee. Interest on the Project Developer bonds is 8.5% with payments made annually on October 1 over a thirty (30) year term. The first payment was made on October 1, 2020.

The 2019A TIF Project Developer Note was issued under the Tax Increment Revenue Loan Agreement dated November 1, 2019, between the Government, PFA, and Trustee. Under the Tax Increment Revenue Loan Agreement, the Note may not be transferred to secure payment of the Series 2019 A TIF Revenue and Refunding Bonds (Series 2019 A Bonds). In the event the Series 2019 A Bonds are prepaid, the 2019 A TIF Project Developer Note shall be prepaid in the same proportion as the Series 2019 A Bonds.

Future debt service requirements for the 2019 A TIF Project Developer Loan Note are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2024	$ 16	$ 131
2025	18	129
2026	19	128
2027	21	126
2028	22	124
2029-2033	145	590
2034-2038	217	517
2039-2043	327	407
2044-2048	492	242
2049-2050	260	34
Total	$ 1,537	$ 2,428

(c) Loan Payable – U.S. Treasury

In August 2009, the Territory reserve balance of the Unemployment Trust Fund (UTF) became inadequate to cover expenditures for unemployment compensation (UC) benefits. UC benefits are an entitlement program administered through the U.S. Treasury and the PG is legally liable to pay benefits even if the UTF becomes insolvent. As of September 30, 2023, the PG owed $87.4 million to the U.S. Treasury.

States and territories with outstanding loans from the UTF must repay them fully by the November 10 following the second consecutive January 1 on which the state or territory has an outstanding loan. If a state or territory does not repay a UTF loan by November 10 of the second year, it becomes subject to a reduction in the amount of state unemployment tax credit applied against the federal unemployment tax beginning with the preceding January 1 until the state repays the loan fully. For 2023, the credit reduction rate increased from 3.6% to 3.9%.

During the year ended September 30, 2023, the PG paid $1.5 million in interest on the loan. The interest rate charged on the loan was 1.59% from October 1, 2022, through December 31, 2022, and 1.68% from January 1, 2023, through September 30, 2023.

(d) Note Payable – Virgin Islands Next Generation Network (viNGN)

In September 2023, viNGN entered into a term loan agreement with a local bank in the amount of $450,000 to purchase an office building for $625,000 on the island of St. Croix. Interest on the loan is the Wall Street Journal prime rate plus 125 basis points. The loan is payable in monthly installments over a term of five years based on a fifteen-year amortization period with a maturity date of October 5, 2028, or earlier if the local bank accelerates payment due to an event of default.

Future debt service requirements for the Promissory Note are as follows (expressed in thousands):

Maturity Year	Principal
2024	$ 11
2025	18
2026	19
2027	21
2028	23
2029	358
Total	$ 450

(e) Loans Payable – The West Indian Company Limited

Paycheck Protection Program Loans

In April 2021, WICO received a Paycheck Protection Program loan in the amount of $717,000, subject to a fixed interest rate of 1.0%. In October 2022, the loan was forgiven by the Small Business Administration and the bank was paid the principal amount of $717,000 plus interest of $10,000. Under the terms of the loan forgiveness, WICO must retain all records relating to the loan for six years from the date the loan is forgiven.

(f) Insurance Guaranty Fund Minimum Balance Requirement

Under Title 22, Chapter 10 of the VIC, the Virgin Islands Insurance Guaranty Fund is required to maintain a minimum balance of $50.0 million for claimant payments in the event of a failure of an insurance carrier. On February 10, 2012, legislation was enacted authorizing a reduction in the minimum balance to be held by the Virgin Islands Insurance Guaranty Fund from $50.0 million to $10.0 million. In October 2019, the Legislature increased the minimum balance to $20.0 million through September 30, 2020, and was subsequently increased to $40.0 million. On September 22, 2022, Act 8642 increased the minimum balance to $50.0 million effective September 30, 2022.

Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable, outstanding on September 30, 2023, (expressed in thousands), including certain component units presenting prior year data include:

	Maturity	Interest Rate (%)	Balance
Bonds Payable			
Virgin Islands Water and Power Authority (Electric System):			
Bonds and Bond Anticipation Notes*	2025-2035	1.62 – 6.85	$ 235,910
Virgin Islands Port Authority:			
Series A Revenue Bonds of 2014*	2033	4.00 – 5.00	14,400
Series B Revenue Bonds of 2014*	2044	3.00 – 5.00	10,370
Series C Revenue Bonds of 2014*	2025	2.00 – 5.00	3,920
Subtotal			264,600
Plus, unamortized premium			614
Bonds payable, net			265,214
Less amount due within one year			(57,799)
Bonds payable, due in more than one year*			$ 207,415

**Unaudited*

The changes in bonds payable for discretely presented component units for are as follows for the year ended September 30, 2023 (expressed in thousands):

Component Unit	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority:						
Electric System*	$ 233,953	$ 1,957	$ -	$ 235,910	$ 54,734	$ 181,176
Water System*	75,000	-	75,000	-	-	-
Virgin Islands Port Authority*	32,674	-	3,370	29,304	3,065	26,239
Total	$ 341,627	$ 1,957	$ 78,370	$ 265,214	$ 57,799	$ 207,415

**Unaudited*

The changes in notes payable, line of credit payable, and other long-term liabilities for discretely presented component units are as follows (expressed in thousands):

September 30, 2023	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Notes payable						
Virgin Islands Port Authority*	$ 7,381	$ 1,228	$ -	$ 8,609	$ 8,609	$ -
University of the Virgin Islands*	21,686	-	19,391	2,295	-	2,295
Virgin Islands Housing Finance Authority*	694		84	610	85	525
Other component units*	4,012	-	26	3,986	609	3,377
Total notes payable:	$ 33,773	$ 1,228	$ 19,501	$ 15,500	$ 9,303	$ 6,197
Line of credit payable						
Virgin Islands Water and Power Authority:						
Electric System*	$ 33,262	$ -	$ -	$ 33,262	$ 33,262	$ -
Water System*	2,740	-	-	2,740	-	2,740
Total line of credit payable	$ 36,002	$ -	$ -	$ 36,002	$ 33,262	$ 2,740
Other long-term liabilities:						
Virgin Islands Housing Authority	$ 3,470	$ 4,246	$ 2,696	$ 5,020	$ 4,395	$ 625
Virgin Islands Port Authority*	2,538	-	-	2,538	1,367	1,171
Virgin Islands Water and Power Authority:						
Electric System*	109,200	-	-	109,200	-	109,200
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,653	-	-	4,653	4,653	-
University of the Virgin Islands*	5,701	-	-	5,701	-	5,701
Virgin Islands Housing Finance Authority*	10,353	-	-	10,353	1,002	9,351
Other component units**	4,490	516	291	4,715	1,910	2,805
Total	$ 140,405	$ 4,762	$ 2,987	$ 142,180	$ 13,327	$ 128,853

**Unaudited*

***University of the Virgin Islands Research and Technology Park Corporation, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)*

(a) Bonds Payable

Virgin Islands Water and Power Authority – Electric System Bond Anticipation Note of 2018C & 2020A (unaudited)

On November 28, 2018, the Electric System's Board authorized the issuance of Bond Anticipation Notes in a principal amount not to exceed $30.0 million, the Series 2018 C Bond Anticipation Notes. The 2018 C BANs were being issued to evidence the debt in respect of a Community Disaster Loan made by United States of America, acting through FEMA. The form of the Series 2018 C BANs allows for multiple draws by the Electric System.

During the year ended June 30, 2019, the Electric System drew down $17.5 million to provide additional working capital for fuel invoices, payroll, and other critical operating expenses. No additional draws were made in fiscal year 2021. The rate on the BANs was 2.4% to 2.9%, maturing July 1, 2033.

The Community Disaster Loans made through FEMA were subsequently cancelled on September 30, 2021, with the passage of H.R. 5305, the "Extending Government Funding and Delivering Emergency Assistance Act."

On October 22, 2020, the Electric System's Board authorized the issuance of Bond Anticipation Notes in a principal amount of $38.4 million, the Series 2020 A Bond Anticipation Notes. The proceeds of the Series 2020 A Bond Anticipation Notes were used to (i) refund the Electric System's Series 2018 B Bond Anticipation Notes, (ii) make deposits into reserve accounts to satisfy the Series 2020 A Note Reserve Requirement, and (iii) pay certain costs in connection with the issuance of the Series 2020 A Bond Anticipation Notes.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2012 (unaudited)

In May 2012, the Electric System issued $69.1 million in bonds made up as, $17.4 million in 2012 A Electric System Revenue Refunding Bonds, $19.7 million in 2012 B Electric System Subordinated Revenue Bonds, and $32.0 million in 2012 C Electric System Subordinated Revenue Bonds. The proceeds of the Series 2012A Bonds were used to (1) refund the Electric System's Electric System Revenue Refunding Bonds, Series 1998 and (2) pay certain costs of issuance of the Series 2012 A Bonds. The proceeds of the Series 2012 B Bonds were used to (1) refinance a portion of the Electric System's Electric System Term Loan, (2) make a deposit into the Subordinated Debt Service Reserve Fund sufficient to satisfy the Series 2012 B Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012 B Bonds. The proceeds of the Series 2012 C Bonds were used to (1) refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, (2) make a deposit into the Series 2012 C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012C Bonds.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2010 (unaudited)

In March 2010, the Electric System issued $85.3 million in bonds made up as, $39.1 million in 2010 A Electric System Revenue Refunding Bonds, $8.9 million in 2010 B Electric System Revenue Bonds, and $37.3 million in 2010 C Electric System Revenue Bonds. The proceeds of the Series 2010 A Bonds were used to refund a portion of the Electric System Revenue Refunding Bonds, Series 1998. The proceeds of the Series 2010 B Bonds were used to finance certain capital expenditures temporarily funded through draws on a line of credit ($9.0 million) and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Reserve Fund requirement.

The proceeds of the Series 2010 C Bonds were used to fund a portion of the costs of certain capital improvements to the Electric System and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Revenue Fund Requirement. The proceeds of the three series were also used to pay certain costs of issuance of the 2010 A, 2010 B, and 2010 C Bonds.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2007 (unaudited)

In June 2007, the Electric System issued $57.6 million in 2007A Electric System Subordinated Revenue Bonds. The proceeds of the Series 2007 A Bonds were used to (1) finance costs of certain capital improvements, (2) refinance certain costs of capital improvements funded through draws on a Line of Credit and reinstallation of $10.0 million to the line of credit allocable to the Electric System, (3) make certain required deposits to the subordinated Debt Service Reserve Fund, and (4) pay certain costs of issuance of the Series 2007 A Bonds.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2003 (unaudited)

In June 2003, the Electric System issued $69.9 million in Electric System Revenue Bonds, Series 2003. The proceeds from the bonds were used to finance capital improvements, repay $18.0 million of then outstanding lines of credit, cover underwriters' costs, and establish a debt service fund. The Series 2003 Bonds maturing on or after July 1, 2013, shall be subject to redemption prior to their stated maturity date, at the option of the Electric System, on or after July 1, 2013, as a whole or in part at any time, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Virgin Islands Water and Power Authority – Electric System Utilities Service (RUS) Note (unaudited)

In November 2015, the Electric System obtained a term loan with the RUS in the principal amount of $13.0 million. The proceeds of the loan were used to finance the acquisition and installation of an automated metering system and other costs related thereto.

Under the terms of the Bond Resolution relating to the Electric System Revenue and Refunding Bonds, payment of the principal and interest is secured by an irrevocable lien on WAPA's net revenues (exclusive of any funds which may be established pursuant to the Bond Resolution for certain other specified purposes), including the investments and income, if any, thereof. Under the General Resolution, WAPA is required to maintain a Debt Service coverage ratio of at least equal to 1.25 times the principal interest on all Outstanding Senior Bonds for the current and each future fiscal year (the Senior Coverage).

Under the Electric System Subordinated Revenue Resolution, adopted by WAPA on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), WAPA must satisfy the Debt Service coverage ratio of the General Resolution for the Senior Bonds, must maintain a Subordinated Debt Service coverage ratio at least equal to 1.15 times the principal of and interest on all Outstanding Bonds (the Senior and Subordinate Coverage) and all Outstanding Subordinated Bonds for the current and each future fiscal year, and must maintain at least 1.00 times the Maximum Aggregate Debt Service for each such fiscal year (total debt coverage).

The Electric System Revenue Bonds are subject to mandatory redemption if (i) any significant part of the Electric System shall be damaged, destroyed, taken, or condemned or (ii) any for-profit, nongovernmental investor shall acquire an ownership interest in some or all the assets of the Electric System.

Virgin Islands Water and Power Authority – Water System Revenue Bonds of 2018 (unaudited)

In November 2017, to fund its working capital needs in the aftermath of Hurricanes Irma and Maria, the Water System obtained $31.0 million under the Community Disaster Loan program administered by FEMA. In March 2018, the Water System entered another loan for $44.0 million and refinanced the existing $31.0 million for a combined loan of $75.0 million, secured as a first lien of the Water System's revenues. The proceeds of these loans were used to provide working capital mostly for fuel invoices, payroll, and other critical operating expenses. While the loan is reflected under the Water System, the payment of principal and interest is subject to an intercompany agreement whereby 17% will be allocated to the Water System and 83% to the Electric System. The interest rate varies with each drawdown, ranging from 2.3% to 2.9%. The first interest payment was due July 1, 2021, with subsequent payments due semiannually. The first principal payment was due July 1, 2022, with subsequent payments due semiannually.

On September 30, 2021, the Community Disaster Loan was cancelled with the passage of H.R. 5305, the "Extending Government Funding and Delivering Emergency Assistance Act."

Virgin Islands Port Authority – Series A, B, and C Revenue Bonds of 2014 (unaudited)

In October 2014, VIPA issued the 2014 Series Revenue Bonds A, B & C amounting to $48.6 million, with an average interest rate of 4.7%. A portion of the proceeds was used to refund the outstanding bond series 2003 A and C amounting to $24.5 million, which included accrued interest as of the redemption date for October 27, 2014.

The proceeds from the issuance of the 2014 Series used in the refunding were deposited in an escrow account, held by the Trustee on behalf of the holders of the refunded bonds, and applied to such redemption contemporaneously with the issuance of the Series 2014 Bonds. As a result, the 2003 A & C Bonds were paid off. The 2003 Series B Marine Revenue Bonds were also paid off. VIPA reduced its total debt service requirement by $1.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2.4 million. In addition, VIPA recognized a deferred charge on debt refunding amounting to $0.4 million.

The proceeds of the 2014 Bonds, together with certain other available funds of VIPA, were used for: (i) refunding $24.5 million in 2003 Series A Marine Revenue bonds and pay off the 2003 Series bonds; (ii) for the financing of various capital projects; (iii) to fund a deposit to the debt service fund; (iv) to fund a deposit to the operation, maintenance, renewal, and replacement reserve account; and (v) to pay the cost of issuance of the 2014 Bonds. The 2014 bonds issued by VIPA contain certain bond indentures. The bonds' indentures contain certain account restrictions and funding covenants to cover interest, debt service, maintenance and other costs specified in the corresponding indentures. The bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Marine Division.

Future debt service requirements for discretely presented component units' bonds payable were as follows on September 30, 2023 (expressed in thousands):

Maturity Year:	Principal	Interest
2023	$ 57,799	$ 14,662
2024	19,456	11,903
2025	20,374	9,228
2026	18,737	8,295
2027	12,929	7,518
2028-2032	87,091	21,020
2033-2037	44,214	8,952
2038-2042	3,500	857
2043-2044	500	38
Total	264,600	$ 82,473
Plus, unamortized premium	614	
Bonds payable, net	$ 265,214*	

**Unaudited*

(b) Notes Payable

Virgin Islands Port Authority (unaudited)

In September 2020, VIPA closed on a loan with Banco Popular with an available drawdown limit of $7.0 million to be used for operations due to a shortfall in its marine revenues.

University of the Virgin Islands (unaudited)

In 1994, the University was advanced a mortgage note payable by the U.S. Department of Education with a maximum principal of $2.2 million. The note is payable in semi-annual installments of $75,000, including interest, over a term of 30 years and bears interest at an annual rate of 5.5%. The note is secured by a general obligation of the Government of the U.S. Virgin Islands.

In September 2018, the University extended its loan agreement with First Bank for $30.0 million to assist in establishing a School of Medicine. Initially, the loan was a non-revolving line of credit and converted into a general obligation note "Series 2018". The note bears interest at the JP Morgan Chase Prime Rate plus 70 basis points, subject to a minimum interest rate of 3.95% each month thereafter until payment of the principal. In November 2021, the University repaid the outstanding note balance.

UVI Research and Technology Park Corporation (unaudited)

In February 2013, RTPark obtained a $3.0 million loan from a member. A portion of the loan proceeds was used to repay a previous loan from the University to complete construction on 64 West Center. This loan has a 6.8% interest rate and is payable over 15 years. The loan is secured by RTPark's tangible and intangible property.

In March 2015, RTPark settled an on-going dispute with a member through arbitration for $1.5 million. RTPark obtained a $1.5 million loan from the Foundation of the University to pay the settlement amount. The loan is payable over 7 years at a 5.0% interest rate. As of March 2022, the loan was fully repaid.

In June 2016, RTPark entered a $1.2 million note payable arrangement with the University for repayment of administrative expenses incurred prior to 2014. The note payable has a 2.4% interest rate and is payable over six years. Interest is deferred on the note until May 31, 2023.

(c) Line of Credit Payable

Virgin Islands Water and Power Authority (unaudited)

As of June 30, 2022, the Electric System of WAPA reported $33.3 million outstanding under Bank lines of credit for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.5%, or 90-day London Inter-bank Offered Rate (LIBOR) plus 3.5-4.5%. After the financial reporting date, the lines were extended to have a maturity of April 2024. There are certain financial reporting covenants that the Electric System must comply with in connection with the lines of credit. The agreements require the Electric System to deliver audited financial statements within 180 days after the end of the fiscal year.

As of June 30, 2022, the Water System of WAPA has available bank lines of credit of $2.0 million for capital projects and $300,000 for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.5%, or the 90-day London Inter-Bank Offer Rate (LIBOR) plus 4.5%. The Water System has the option to select the variable interest rate to utilize for any borrowings on these notes. As of June 30, 2022, there was $2.7 million outstanding under the lines of credit. The lines were extended to have a maturity of April 2024. Furthermore, there are certain financial reporting covenants that the Water System must comply with. The agreements require the Water System to deliver audited financial statements within 180 days after the end of its fiscal year.

11. Refundable Advance

The PG received allotments from the U.S. Department of Treasury as part of "The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020," the "Consolidated Appropriations Act of 2021," and "The American Rescue Plan Act (ARPA) of 2021." During fiscal year 2023, the PG incurred expenditures of $232.9 million for eligible program activities, including subawards and payroll disbursements, and has reflected the unspent balance of $218.3 million as a refundable advance.

12. General Tax Revenue

For the year ended September 30, 2023, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Matching Fund Special Purpose Securitization Corporation	Other Governmental	Total
Income taxes	$ 433,201	$ -	$ -	$ -	$ 433,201
Real property taxes	47,008	-	-	5,328	52,336
Gross receipts taxes	5,000	204,788	-	250	210,038
Excise taxes	252,653	-	10,138	1,892	264,683
Other taxes	82,754	-	-	10,650	93,404
	$ 820,616	$ 204,788	$ 10,138	$ 18,120	
Tax revenue not recognized on the full accrual basis					(9,083)
Total tax revenue – government-wide					$ 1,044,579

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2023, (expressed in thousands):

September 30,	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total
Restricted for:							
Debt services	$ -	$ 274,199	$ -	$ 77,916	$ -	$ -	$ 352,115
Capital projects	-	-	107,624	-	-	-	107,624
General government						3,907	3,907
Health	-	-	-	-	-	3,854	3,854
Public housing and welfare	-	-	-	-	-	6,277	6,277
Transportation and communication	-	-	-	-	2,693	6,052	8,745
Culture and recreation	-	-	-	-	-	11	11
Total	$ -	$ 274,199	$ 107,624	$ 77,916	$ 2,693	$ 20,101	$ 482,533
Committed to:							
General government	$ 56,853	$ -	$ -	$ -	$ -	$ 32,349	$ 89,202
Public safety	-	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	-	177	177
Transportation and communication	-	-	-	-	-	8,647	8,647
Culture and recreation	-	-	-	-	-	327	327
Total	$ 56,853	$ -	$ -	$ -	$ -	$ 41,517	$ 98,370

September 30,	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total
Assigned to:							
General government	$ 2,581	$ -	$ -	$ -	$ -	$ 250,554	$ 253,135
Public safety	-	-	-	-	-	874	874
Health	-	-	-	-	-	4,800	4,800
Public housing and welfare	-	-	-	-	-	10,611	10,611
Transportation and communication	-	-	-	-	-	12,374	12,374
Culture and recreation	-	-	-	-	-	1,939	1,939
Total	$ 2,581	$ -	$ -	$ -	$ -	$ 281,152	$ 283,733
Unassigned	$ (529,326)	$ -	$ -	$ -	$ (74,339)	$ (53,157)	$ (656,822)
Total Fund Balances	$ (469,892)	$ 274,199	$ 107,624	$ 77,916	$ (71,646)	$ 289,613	$ 207,814

The committed and assigned fund balances include approximately $382.1 million in unexpended encumbrances. Encumbrances are utilized to determine commitments related to unperformed (executor) contracts for goods and services and to prevent the over-spending of an appropriation.

14. Commitments and Contingencies

Primary Government

(a) Collective Bargaining Agreements

Currently, the Government has union contracts with thirteen (13) distinct labor organizations representing government employees in various bargaining units. Collectively, these bargaining units have approximately thirty-six (36) collective bargaining agreements in existence. Nine (9) bargaining units have not negotiated a collective bargaining agreement with the Government.

Employees in the various bargaining units are not under a single pay plan. Consequently, it is common to have employees performing the same classification of work in different departments and agencies. Of the approximately 6,500 government workers, approximately 4,800 are union members. U.S. Virgin Islands statutes governing bargaining with unions requires arbitration in the event an impasse is reached in negotiations. Under this process, each side chooses an arbitrator, and a third impartial arbitrator is selected by the chosen arbitrators. The arbitration panel investigates and reviews the issues in dispute and renders a final and binding decision.

Under Title 24, Section 374(h) of the V.I. Code, the PG may not make any payments of retroactive salaries until there is an appropriation of funds by the Legislature. As of September 30, 2023, contractual liability for retroactive union arbitration salary payments amounted to $146.5 million, accruing from fiscal years 1993 through 2010, as established by the Virgin Islands Retroactive Wage Commission.

(b) Federal Assistance Programs

The Government receives financial assistance from the federal government in the form of loans, grants, and entitlements. Monetary and nonmonetary federal financial assistance to governmental funds amounted to approximately $691.8 million and $81.3 million, respectively, for the year ended September 30, 2023.

Receipt of grants and loss reimbursements is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to audit under U.S. Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Disallowances because of these audits may become liabilities of the Government.

The Government is also a recipient of disaster recovery funds due to the September 2017 hurricanes. Audits of disaster recovery funds may continue for decades, and federal reimbursements may be required to be repaid because of federal audits.

Management of the Government believes that the future outcome of any changes in federal financial assistance programs will not have a material adverse effect on the basic financial statements.

(c) U.S. Department of Education Special Conditions

Since 2006, in accordance with special conditions imposed by the U.S. Department of Education (USED), the Government has contracted with a third-party fiduciary agent to ensure that the Government manages and administers USED grants in accordance with applicable federal and financial management requirements.

The special conditions also require the Government to submit quarterly reports on progress in improving all aspects of the fiscal management of federal education grants. The U.S.Virgin Islands has implemented a Self-Contained Model known as the Federal Grants Specialized Processing Unit to address the special conditions and as the approach for reassuming management of the grant funds.

(d) U.S. Department of Labor Designation

On February 3, 2017, the Virgin Islands Department of Labor was placed on high-risk grantee status by the U.S. Department of Labor. High-risk grantee status is an administrative designation used by federal agencies to indicate unsatisfactory performance in the management of federal grants. Management is currently working with the U.S. Department of Labor to implement corrective action.

(e) Legal Proceedings and Litigation Claims

The Government is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Under Title 33, Section 3411(c) of the V.I. Code, no judgment shall be awarded against the Government that exceeds $25,000 for tort claims filed under Government statutes. In cases involving several survivors, each award must be construed separately for the purpose of applying the limitation upon recovery imposed by the Tort Claims Act.

Under Title 27, Section 166(e) of the V.I. Code, the Government's waiver of immunity is expanded to $250,000 for medical malpractice actions, including actions for wrongful death based on malpractice. Under certain circumstances, as provided in Title 33, Section 3414 of the V.I. Code, the Government may assume the payment of a judgment entered against an officer or employee who acted reasonably and within the scope of his employment. The Government may pay up to a maximum amount of $100,000 for the settlement. With respect to pending and threatened litigation, the Government has accrued a provision for legal claims and judgments of approximately $6.7 million for awarded and anticipated unfavorable judgments as of September 30, 2023.

Changes in the reported provision for legal claims during September 30, 2023, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2022	New Claims	Claims Payments and Changes in Estimates	Ending Balance at September 30, 2023
Provision for legal claims	$ 7,873	$ -	$ (1,188)	$ 6,685

The breakdown of the provision for legal claims on September 30, 2023, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	$ 1,664
Long-term portion	5,021
	$ 6,685

(f) Act 8469 - 8% Salary Reduction

On August 21, 2022, the Legislature of the Virgin Islands enacted 8469, allowing the restoration of Government wages reduced by 8% during the years 2011-2013. Wage reductions were a cost-cutting measure due to the economic downturn following the 2008 recession. Repayments to restore the wage reductions began in November 2021 with a payout of $52.5 million (including related taxes) to the affected workers. As of September 30, 2023, all government employee wage reductions had been repaid.

(g) Landfill Closure and Post-Closure Costs

Federal laws and regulations, including the Clean Air Act, 42 U.S.C. § 7401 et seq. (CAA), and regulations promulgated thereunder, including the federal standards set forth in 40 C.F.R. Part 62, Subpart GGG (Federal Plan), and the National Emission Standards for Hazardous Air Pollutants for Municipal Landfill Maximum Achievable Control Technology, set forth in 40 C.F.R. Part 63, Subpart AAAA (Landfill MACT), and the Solid Waste Disposal Act, 42 U.S.C. § 6901 et seq. (RCRA), and regulations promulgated thereunder, including federal municipal solid waste landfill operating, closure, and post-closure criteria set forth in 40 C.F.R. Part 258, and three EPA administrative orders issued pursuant to RCRA § 7003(a), 42 U.S.C. § 6973(a), and Territorial laws and regulations, including V.I. Code Title 19, Chapter 56 (Solid and Hazardous Waste Management), Title 12, Chapter 9 (Air Pollution Control), and Title 12, Chapter 21 (Virgin Islands Coastal Zone Management), and regulations promulgated thereunder, require the Government to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure. Compliance costs during the operational phase will be paid prior to closure.

Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the Government reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The $165.2 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2023, represents the cumulative amount reported to date based on the use of the estimated capacity of each landfill. The Government will recognize the remaining estimated cost of closure and post-closure care as the remaining estimated capacities are filled. These amounts are based on what it would cost to perform all closure and post-closure care as of September 30, 2023.

The estimated used capacity and expected closure of each of the Government landfills is as follows:

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	98.5%	2025
Anguilla	96.5%	2025
Susannaberg	100%	Closed

The actual cost to perform closure and post-closure may be higher due to inflation, changes in technology, or changes in regulations. The Government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The Government began making annual contributions to a trust in fiscal year 2007 to finance closure and post-closure costs. The Government expects that future inflation costs will be paid from interest earnings on these annual contributions and other financing measures.

However, if interest earnings and financing measures should prove to be inadequate, or additional post-closure care requirements are determined due to changes in technology or applicable laws or regulations, these costs may need to be recovered through charges to future landfill users.

(h) Wastewater Treatment Plant Consent Decree

Since 1985, the Government has been subject to a consent decree issued by the Virgin Islands District Court, governing the operation of its wastewater treatment plants. The consent decree was amended in 1996 and further modified with the 2002 Stipulation to the Amended Consent Decree (the Stipulation) to establish deadlines for the construction of new secondary treatment facilities, including the replacement of the existing St. Croix and Airport Lagoon (Charlotte Amalie) wastewater treatment plants. The Stipulation required that the new St. Croix wastewater treatment plants be completed by the end of 2006 and the new Charlotte Amalie wastewater treatment plants be completed by the end of 2007. The cost of both facilities was estimated at approximately $50.0 million. In January 2004, the Government's Legislature authorized the creation of the VIWMA for the purpose of meeting environmental requirements of wastewater treatment in the U.S. Virgin Islands. On December 2004, PFA issued revenue bonds amounting to $94.0 million for the purpose of constructing and rehabilitating wastewater treatment plants. The treatment facilities were completed in July 2007 and January 2008 at a cost of approximately $27.0 million and $29.0 million for the St. Croix and the St. Thomas treatment facilities, respectfully.

The Stipulation also establishes certain interim penalties for violation of any of the deadlines or performance standards set forth therein. As of the date of the basic financial statements, the Government is current on all its outstanding obligations pursuant to the stipulation.

(i) Memorandum of Understanding – EPA

On August 21, 2002, the Government and the United States Environmental Protection Agency (EPA) entered into a memorandum of understanding documenting the EPA's agreement to support the renewal of the Territorial Pollutant Discharge Elimination System (TPDES) permit for its St. Croix distillery operations provided that the Government make certain funding available to (i) conduct treatability studies regarding the Virgin Islands Rum Industries, Ltd. (Cruzan Rum) effluent and the means to mitigate its potential environmental effects in the vicinity of the discharge; (ii) identify practicable, available, reliable, and cost-effective potential mitigation measures; and (iii) implement (or assist in the implementation of) such mitigation measures in the event such measures are determined by the Virgin Islands Department of Planning and Natural Resources after consultation with EPA to be necessary and appropriate.

Pursuant to the memorandum of understanding, the Government's obligation to fund such activities is limited to $6.0 million in the aggregate, commencing on October 13, 2003. Subsequently, the Government entered into a three-year contract with a locally licensed environmental consulting firm to facilitate the Government's commitments with the memorandum of understanding with the EPA.

At the conclusion of the MOU treatability study period, the PG agreed to reissue the TPDES permit to Cruzan Rum in 2008 with the requirement that the rum distillery design and construct a treatment facility for the rum distillery effluent within three years. PFA issued the Series 2009 Cruzan Bonds to fund the treatment facility which is currently operating under a 2013 TPDES permit.

(j) Workers' Compensation Liability

The Government is exposed to the risk of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable

that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.
Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the worker's compensation liability amount in fiscal year 2023, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	2023
Claims payable, beginning of year	$ 46,387
Incurred claims and changes in estimates	-
Payments for claims and adjustments expenses	(4,426)
Claims payable, end of year	$ 41,961

(k) Bond Credit Ratings

In December 2019, Standard & Poor's Global Ratings raised the Government's outlook from "negative" to "stable" and affirmed its "A" rating on the Series 2015A Bonds.

In February 2022, Moody's Investor Services updated its review of the Government's bonds, with a continued rating of "Caa3".

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022B issued in April 2022. This rating was reviewed by KBRA and affirmed in April 2024.

In August 2022, Moody's Investor Services upgraded the rating for the Series 2001 Term Bonds from A1 to Aa3.

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Moody's had served as a reference rating for WAPA. The ratings of WAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

In December 2023, Fitch Ratings withdrew ratings on the WAPA Electric System bonds due to lack of information.

(l) Operating Agreement – Limetree Bay Terminals, LLC

In January 2012, Hess Oil Virgin Islands Corporation (Hess Oil) announced that it would close its oil refinery on the island of St. Croix and the facility would serve as a storage terminal. The company amended tax returns for the three years before the closing, and a legal dispute arose with the Government over amounts due to, or from, the company in connection with the amended returns and other requirements of Hess Oil's agreement with the Government.

On December 1, 2015, the Government settled its dispute with Hess Oil. The company agreed to transfer to the Government 330 acres of land near the oil terminal (estimated value $21.0 million), 130 housing units at the oil terminal (estimated value $27.0 million), and a vocational school and a community center (both estimated at a value of $1.0 million) for a payment in lieu of taxes (PILOT) valued at $50.0 million.

On December 1, 2015, the Government entered into an operating agreement with the new operator of the oil terminal, Limetree Bay Terminals, LLC (Limetree). Limetree agreed to investigate refurbishing and reopening the terminal, with an investment of $125.0 million. In December 2015, Limetree paid $220.0 million as a payment in lieu of taxes, $9.0 million as a reimbursement for contingent claims, and agreed to invest $6.0 million in the construction of a bitumen tank at the facility. During the fiscal year ended September 30, 2022, Limetree made a payment of $6.0 million to the Government in lieu of constructing the bitumen tank.

As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree is subject to quarterly concession payments in lieu of taxes (PILOT) of 10.0% of terminal revenues. During the fiscal year ended September 30, 2023, Limetree paid $9.9 million in PILOT.
Should the oil refinery reopen, Limetree will be required to pay concession fees of 17.5% of refinery income to the Government on a quarterly basis. If there is a change in the control of Limetree, the Government is to receive 10.0% of the transaction value of the exchange, not to be less than $25.5 million.

In December 2018, Limetree obtained $1.3 billion in financing to reopen the oil refinery operation. Upon closing, the Government received $40.0 million in short-term financing and $30 million in payment for the 130 housing units, vocational school, and community center at the oil refinery.

In February 2021, the oil refinery reopened and experienced several flaring events. Flaring events are caused by machinery operating under high pressure and the release of oil droplets into the atmosphere. In April 2021, the Environmental Protection Agency (EPA) issued a Notice of Violation and in May 2021 ordered a 90-day plant closing. In June 2021, Limetree announced the indefinite closing of its oil refining facility and the layoff of 271 plant employees. In July 2021, Limetree subsequently declared bankruptcy, and was sold at auction in December 2021 for $62.0 million. In October 2022, EPA regulators raised concern about hazardous substances stored at the facility, and on December 5, 2022, ordered the removal of thousands of pounds of chemicals from the facility. In July 2023, the Third Circuit Court of Appeals issued a ruling that EPA had exceeded its authority under Clean Air Act in its permitting processing and the oil refinery may reopen without the special permitting process.

The plant closing and subsequent bankruptcy are not expected to impact the operations of Limetree Bay Terminals, LLC, the terminal storage facility.

(m) Professional Services for Recovery Efforts

In November 2017, on behalf of the Government, PFA entered into a professional services contract to coordinate recovery efforts with FEMA and other federal agencies following the two Category 5 hurricanes in September 2017. The initial contract provided for annual compensation not to exceed $5.0 million, a term of five years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement.

In February 2018, the contract was amended to revise the scope of work and increase the compensation of the contract to $10.0 million annually, retroactive to November 2017. In August 2018, a second amendment was added containing provisions required by federal regulations for the Community Development Block Grants – Disaster Relief Program.

In December 2018, a third amendment was added to retroactively increase the annual compensation to $16.0 million through November 30, 2018. The temporary increase of $6.0 million was due to the Government's aggressive campaign to identify, assess, secure, and manage a larger percentage of the available resources and funding from FEMA and other federal agencies, through November 30, 2018. Effective December 1, 2018, the contract was returned to an annual amount of $10.0 million.

Also, in November 2017 and on behalf of the Government, PFA entered into a second professional services contract to coordinate recovery efforts. The competitive bid contract was for a term of five (5) years following the effective date of the contract and may be extended in two (2) two-year increments for a maximum term of nine (9) years. Compensation under the agreement was capped at $15.0 million annually including out-of-pocket expenses.

In April 2018, the contract was amended to increase the compensation amount to $50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government's aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to $80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the $50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to $85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount returned to the $80.0 million as specified in the second amendment. As of September 30, 2023, the amount due to the disaster recovery consultants related to these contracts was $65.96 million.

On May 4, 2018, PFA entered into Memorandums of Understanding (MOU) with the VIWAPA and with VIHFA, autonomous instrumentalities of the Government for disaster recovery consulting. The MOUs terminate at the expiration of the contract between PFA and the disaster recovery consultants. Invoices from the disaster recovery consultants are received by PFA, provided to WAPA and VIHFA for approval, and remitted back to PFA for submittal to federal grantors and payment.

(n) Settlement of Case Against Estate of Jeffrey Epstein and Co-Defendants

In December 2022, the Attorney General for the U.S. Virgin Islands announced a settlement with Jeffrey E. Epstein's estate, co-defendants Darren K. Indyke, and Richard D. Kahn (co-executors of the estate) and ten Epstein-created entities. The settlement resolved a law enforcement action filed in 2020 under the anti-criminal enterprise, trafficking, child exploitation and fraud laws of the Virgin Islands. Under the terms of the settlement, the defendants will pay the Government $105.0 million in cash plus one-half of the proceeds of the sale of the island Little St. James on which many of the crimes occurred. The estate also agreed to pay approximately 0.5 million to remediate environmental damage around Great St. James, another island owned by the Epstein estate. The settlement also returned to the U.S. Virgin Islands more than $80.0 million in economic development tax benefits that Epstein and his co-defendants fraudulently obtained to fuel his criminal enterprise.

In September 2023, the Government reached a settlement with JP Morgan Chase in the amount of $75.0 million, in a lawsuit brought against the bank alleging the bank had enabled Epstein's criminal activities. In August 2023, the Government entered into a settlement with Leon Black in the amount of $62.5 million related to certain financial transactions and communications with Epstein.

(o) **Molasses Subsidy Fund**

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the Virgin Islands rum producers to ensure the competitive pricing of rum produced in the Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the Virgin Islands rum producers relative to the rum producers in other countries in which local molasses supplies are readily available.

The molasses subsidy is administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. In the event of a deficiency in the Molasses Subsidy Fund, the Commissioner of Finance could seek legislative appropriation of additional funds, as required, from the Legislature of the Virgin Islands. The Legislature, however, is not obligated to appropriate such amounts.

Notwithstanding the Government's past financial difficulties, the Legislature of the United States Virgin Islands has not yet waived or reduced the Molasses subsidy. If such an event should occur, the rum producers could experience a decrease in their operations, and therefore result in a reduction of the federal excise taxes returned to the Government by the United States Government. The collectability of the loans receivable from the Government is highly dependent on the ability of the Government in collecting these taxes.

Pension Trust Fund

(a) Pension Reform

In 2011, in response to an audit report issued by the Office of the Inspector General, the PG formed a Pension Reform Joint Task Force (the Task Force) to address the declining fiscal condition of GERS.

The Task Force submitted recommendations to the Legislature to: (i) increase government and employee contributions towards pension benefits; (ii) raise contribution rates for senators and judges; (iii) reduce retiree current benefits by 10 percent; (iv) increase the early retirement age from fifty (50) to fifty-five (55) and the regular retirement age from sixty (60) to sixty-five (65); (v) limit the cost-of-living increase; and (vi) change the formula used to calculate benefits.

On February 5, 2015, GERS increased employee contribution rates by 1.0% to be implemented over a three-year period, with employer rates increasing from 17.5% to 20.5%. On January 1, 2020, GERS again increased employer contributions to the pension plan by 3.0%, from 20.5% to 23.5%.

In March 2016, the Office of the Virgin Islands Inspector General issued a report on the alternative investment program administered by GERS. The report concluded that the non-traditional investments of the retirement system were subject to higher risks than other GERS assets.

In March 2022, MFSPSC was created as a separate, independent instrumentality of the PG. One purpose of the Securitization Corporation was to free up funds of the PG through the issuance of

Matching Fund Securitization Bonds ("Securitization Bonds") to provide financial stability and liquidity to GERS.

In April 2022, a payment was made to GERS in the amount of $89.2 million as part of the Securitization Bonds issuance. In October 2022, the first full payment to GERS of $158.0 million was made in accordance with a Funding Note entered into between PFA and the primary Government as part of the GERS Solvency Plan of Act 8540. In October 2023 and October 2024, partial payments of $124.0 million and $101.6 million respectively, were made to GERS.

The GERS actuarial valuation and review as of September 30, 2022, issued in January 2024, projects GERS would have run out of assets by August 2025 absent Funding Note payments. However, if Funding Note payments are received as scheduled, and GERS earns a 6.0% return on investments during future years, the System is projected to remain solvent through June 2037.

Component Units

(a) Virgin Islands Waste Management Authority

On October 26, 2016, the VIWMA entered a Memorandum of Understanding ("MOU"), to comply with a September 28, 2016, order by the District Court to establish a Landfill/Solid Waste Remediate Fund (the Fund) to pay for urgent projects at the landfills required under Consent Decrees entered into with the Environmental Protection Agency.

The order by the District Court stipulates that the Fund be managed by the VIWMA through a separately established escrow account in the amount of $3.1 million, and that all landfill projects be completed on or before September 30, 2018. As of September 30, 2023, the amount remaining in the escrow account was $424,000.

(b) Virgin Islands Water and Power Authority – Electric System *(unaudited)*

In connection with certain FEMA overpayments related to the 1989 Hurricane Hugo, the Electric System recorded a liability of $4.1 million. Currently FEMA and its subrecipient, the PG, do not have a mechanism for recovering overpayment of disaster-related funds. FEMA has not made a request for repayment of the funds and in the Electric System's management's opinion, the matter will not have a material effect on the Electric System's changes in financial position or cash flows.

In the aftermath of Hurricanes Irma and Maria in September 2017, catastrophic damage to the Electric System rendered 90% of the system destroyed. The Electric System had purchased commercial insurance to cover the risk of loss from destruction of assets. The commercial insurance carried a $5.0 million deductible per event. The transmission and distribution system which sustained the most damage is not covered under this policy.

Initially, the Electric System did not file a claim as the estimated damage to insurable assets was less than the $5.0 million deductible. However, in September 6, 2019, the Electric System filed suit against the insurers for damages related to the storms, including compensatory and punitive damages. As of the date of the last financial statements issued by the Electric System, the resolution of the suit remains pending.

In 2012, the Electric System leased a temporary 22-megawatt mobile power plant for $14.6 million for eighteen (18) months through October 2013. The lease has since been reevaluated and extended for short term periods (between 2 to 12 months) with the final extension through December 31, 2022.

Also in May 2019, another temporary unit was leased from a different vendor for an initial period of 104 weeks and starting in June 2020, an additional unit was leased for a period of two (2) years. Total lease payments for the fiscal year ended June 30, 2021, was $12.9 million.

VIWAPA has signed purchase power agreements with several companies to integrate a combined 18-megawatt of solar electricity into the Electric System's electrical grid system. The agreements expire between 2022 and 2027. VIWAPA will not own the solar assets but will be able to purchase solar generated electricity at contracted rates.

In April 2020, the Electric System amended its Memorandum of Agreement (MOA) with viNGN, another instrumentality of the PG. As part of the original agreement, exclusive use of certain underground fiber and infrastructure owned by the Electric System was provided for use by viNGN. Following Hurricanes Irma and Maria, the Electric System obtained federal funding for the hardening of its infrastructure.

The MOA was amended to provide viNGN a continuous and exclusive right to use of future telecommunications fiber and spare underground or subsea conduit owned by Electric System.

(c) Virgin Islands Water and Power Authority – Water System *(unaudited)*

In 2011, the Water System of VIWAPA entered into two agreements with Seven Seas Corporation to build, operate and maintain two reverse osmosis facilities, one on St. Croix and one on St. Thomas, and sell the water from the facilities to VIWAPA. The agreements both have twenty (20) year terms expiring through 2032.

(d) Virgin Islands Port Authority *(unaudited)*

The Federal Aviation Administration (FAA) conducted an onsite wildlife evaluation of the landfill, nearby airport, and surrounding area of the Anguilla Landfill of St. Croix. Flocks of birds nesting at the landfill had created environmental and navigational concerns at the Henry E. Rohlsen airport. The FAA threatened to force VIPA to repay federal grants amounting to $9.3 million if remediation steps were not taken. The landfill is under the jurisdiction of the VIWMA. VIPA and VIWMA proposed a compliance and mitigation plan in 2013 which was accepted by FAA and VIPA is eligible for FAA grants.

(e) Other

Various discretely presented component units are presently defendants or codefendants in various lawsuits. The financial managers of the component units have advised the PG that any adverse outcome involving a material claim is expected to be substantially covered by insurance. Government property is exempt from lien, levy, or sale due to court judgments under the V.I. Code.

15. Retirement Systems

Primary Government

Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources. As required, the Government follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.*

(a) Plan Description and Benefits

Full time employees of the Government are members of Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a cost sharing, multiple-employer, defined benefit pension plan (the plan) established as of October 1, 1959, Title 3, Chapter 27 of the V.I. Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members.

The plan covers all employees of the Government except employees compensated on a contract fee basis, casual, per diem or provisional and part-time employees who work less than twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier 1: Employees hired prior to September 30, 2005
Tier 2: Employees hired on or after October 1, 2005

Regular Tier 1 employees who have completed thirty (30) years of credited service or have attained age sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier 2 employees who have reached age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity. Members who are considered "safety employees " as defined in the Code are eligible for full-service retirement benefits under Tier 1 when they have earned at least twenty (20) years of government service or have reached the age of fifty-five (55) with at least ten (10) years of credited service.

Under Tier 2, safety employees are eligible for full retirement when they have earned at least twenty-five (25) years of government service and have reached age fifty-eight (58) or have reached age (60) with at least ten (10) years of service.

Members of the Legislature and Judges may receive a retirement annuity when they have attained age fifty (50) and upon completion of six (6) years of credited service as a member of the legislature or at any age with at least twenty (20) years of service. Judges are eligible for full retirement benefits when they have attained age fifty (50) and have completed six (6) years of service.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for regular and safety Tier 1 members is determined by averaging the five highest years of credited service within the last ten years of

service, subject to the maximum salary limitations in effect during such service. Average compensation for regular and safety Tier 2 members is based on career average salary, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation for regular and safety employees is $65,000. For members of the legislature and judges, the average compensation varies based on the year of service.

In 1995, the Early Retirement Incentive Training and Promotion Act was amended by the Legislature to allow a member with a combined aggregate number of years of service and age of at least seventy-five (75) years to retire without a reduction in their annuity. Early retirement benefits provided under the Act vary depending upon age of retirement, type of employment, and credited years of service.

GERS is a separate and independent agency that is included for financial reporting purposes as a blended pension trust fund of the PG. GERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System of the Government of the Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

(b) Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier 1 and Tier 2 members was 23.5% of the member's annual salary effective January 1, 2020.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2023:

	Tier 1	Tier 2
Regular Employees	11.0%	11.5%
Public Safety Employees	13.0%	13.625%
Members of the Legislature	12.0%	14.0%
Judges	15.0%	15.0%

The defined benefit pension plan administered by GERS, and the PG have a fiscal year that ends on September 30th. The following time frames are used to measure and report the PG's pension liability:

Valuation Date:	October 1, 2022
Measurement Date:	September 30, 2022
Measurement Period:	October 1, 2021 – September 30, 2022

The PG is considered an employer of the plan with a proportionate share of 76.41% as of September 30, 2022, a decrease of 0.84% from its proportionate share measured as of September 30, 2021. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2017, through September 30, 2022. The PG's proportionate share of employer contributions recognized by GERS was $236.8 million for the plan's fiscal year ended September 30, 2023.

(c) Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources

As of September 30, 2022, the actuarially calculated net pension liability of the PG was $3.1 billion. The net pension liability is measured as of September 30, 2022, and the total pension liability is actuarially computed as of October 1, 2022.

For the year ended September 30, 2023, the Government recognized a $ 37.1 million decrease in pension expense, inclusive of amortization of deferred outflows of pension related items.

Following is a schedule of deferred outflows and deferred inflows allocated to the Government in the computation of the net pension liability for the year ended September 30, 2023, (expressed in thousands):

Governmental Activities	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 11,029	$ 238,682
Net difference between projected and actual investment earnings on pension plan investments	30,166	-
Changes in assumptions	419,524	990,835
Changes in proportion and differences between contributions and proportional share of contributions	38,387	107,749
GERS Funding Note contributions	157,997	-
Contributions made after measurement date	78,824	-
Total	$ 735,927	$ 1,337,266

Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows (expressed in thousands):

Year Ending September 30,	
2024	$ (123,957)
2025	(85,415)
2026	(191,948)
2027	(192,032)
2028	(244,808)
Thereafter	-
Total	$ (838,160)

(d) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date on September 30, 2022, is provided below.

Refer to the October 1, 2022, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website at: https://www.usvigers.com/reports/.

September 30,	2022
Inflation Rate	2.50%
Salary Increases	5.00% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	6.00%
Municipal Bond Yield	4.02%
Discount Rate	4.77%
Mortality Table	Pub-2010 General Below Median Amount Weighted Employee and Healthy Annuitant Mortality Tables

The demographic assumptions for the 2022 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2017, through September 30, 2022, with the net investment return assumption updated for the October 1, 2022 valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 6.00% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.66%
Developed markets	14%	6.96%
Emerging markets	6%	8.46%
Core fixed income	20%	1.36%
High yield fixed income	10%	3.46%
Cash	5%	0.46%
Total	100%	

(f) Discount Rate

The discount rate used to measure the total pension liability was 4.77% as of September 30, 2022, which was an increase of 189.3% from the discount rate of 2.52% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate. Projected employer contributions and annual funding note revenue that are intended to fund the service costs of future plan members and their beneficiaries are excluded, as are projected employee contributions from future plan members.

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

The plan's long-term expected rate of return on pension plan investments of 6.0% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2022, that rate was 4.02% as compared to 2.26% as of the prior year.

(g) Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Following is a schedule of net pension liability for the Government calculated using the discount rate of 4.77%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current rate for the year ended September 30, 2022, (expressed in thousands):

	1% Decrease (3.77%)	Current Discount (4.77%)	1% Increase (5.77%)
Net pension liability	$ 3,528,218	$ 3,125,580	$ 2,788,674

(h) Early Retirement Incentive Program

In August 1994, legislation providing an early retirement incentive was passed. The legislation was subsequently amended on October 13, 1994, December 30, 1994, and December 5, 1995. Among other matters, the legislation allows a member of GERS who has a combined aggregate number of years of credited service plus number of years of age, equal to at least seventy-five (75) years as of the date of the legislation, to retire without reduction of annuity. Members who have attained the age of fifty (50) with at least ten (10) but less than thirty (30) years of credited service, may add an additional three (3) years to their age for this computation. Members with thirty (30) years of service or who can retire without penalty under the V.I. Code shall have their average compensation increased by 4 percentage points.

For each employee electing to retire pursuant to Section 8(a) of the Early Retirement Act of 1994 (the Act), the Government contributes to GERS, on a quarterly basis, an amount equal to the employer and employee contributions that would have been made until the employee reached the age of 62 had the employee not elected to retire under this provision.

For employees electing to retire under Section 8(b) of the Act, the Government contributes to GERS a sum equal to the additional contribution the employer and employee would have made had the employee received a salary 4.0% higher during the three years used to compute the employee's average compensation figure, plus a sum of $5,000.

Based on this calculation, the amount due to GERS was $26.9 million and has been remitted to GERS. The actuaries of GERS have determined that the specific funding provided under the Act is inadequate to cover the costs of the program. GERS is seeking to recover any unfunded costs of the program under a newly enacted provision of the retirement law, which provides that the Government will compensate GERS for the costs of any special early retirement program.

(i) Additional Information Regarding the Pension Plan

To obtain additional information regarding the pension plan, requests for information may be submitted to GERS at www.usvigers.com. Actuarial reports may be obtained at https://www.usvigers.com/reports/actuarial-reports/. Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS audited financial statements available at https://www.usvigers.com/reports/financial-reports/.

WICO Employee Retirement Plan

WICO sponsors a defined contribution retirement and savings plan (the "Plan") for its employees. Under the provisions of the Plan, employees must contribute at least 3.0% of their gross compensation but may also contribute up to 7.0%. WICO matches 3.0% of the employees' contribution plus a non-elective distribution at the discretion of WICO, which is divided among eligible employees, proportionate to compensation.

Required contributions to the pension and savings plan made and charged to operations were approximately $58,000 for the year ended September 30, 2023. No assets are accumulated in a trust that meets the criteria of paragraph 4 in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. WICO does not offer other post-retirement benefits to its employees.

viNGN Employee Retirement Plan

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least $5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. viNGN contributed approximately $36,000 in matching employer contributions for the year ended September 30, 2023. viNGN does not offer other post-retirement benefits to its employees.

University TIAA-CREF Defined-Contribution Plan *(unaudited)*

The University has two retirement plans in which all eligible employees are required to participate, the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and GERS. The TIAA-CREF is a defined-contribution pension plan covering participating, full-time faculty members and other exempt employees, under which the contributions, including employees' contributions, are used to purchase annuities.

There are no unfunded past service costs, and vested benefits are equal to the annuities purchased under TIAA-CREF. The University's Board of Trustees administers, establishes, and amends benefit provisions of TIAA-CREF. The University is required to contribute 14.5% of the annual covered payroll.

16. Other Postemployment Benefits

In addition to the pension benefits described above, the Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a multiple employer defined benefit OPEB plan, in which most component units of the PG

participate and contribute. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

As required, the PG follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For the fiscal year ended September 30, 2023, the Government was unable to obtain census files necessary to perform the actuarial valuation. Accordingly, the information presented below is for the prior fiscal year ended September 30, 2022.

Plan Description and Benefits

The Health Insurance Board of Trustees of the PG (the Board) administers the defined benefit health and life insurance plan for eligible active and retired employees of the PG, the component units of the Government, and certain nonpublic corporations that receive allotments from the PG.

The Board determines the eligibility criteria of the plan and recommends insurance contracts to the Legislature. The Group Health Insurance Office of the Department of Personnel maintains the accounting and personnel records for the health and life insurance plan. Eligible retired employees visit the Group Health Insurance Office within 30 days following retirement and complete a new insurance enrollment form. An eligible retiree is one that retires through the Government Employees Retirement System (GERS) or who is placed on disability and is eligible for retirement benefits. The Government's OPEB plan is a multiple employer defined benefit plan created in accordance with Title 3, Ch. 25, Subchapter VIII of the Virgin Islands Code.

The plan is a pay as-you-go, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, and expenses are paid as they come due. There are five participating employers in the plan: the primary Government, University of the Virgin Islands, Virgin Islands Port Authority, East End Medical Center and Frederiksted Health Care, Inc.

The primary Government has a special funding arrangement with the following component units: VI Lottery, Magens Bay Authority, VI Economic Development Authority, VI Waste Management Authority, VI Housing Finance Authority, Juan Luis Hospital and Medical Center, Roy L. Schneider Medical Center, VI Public Finance Authority and the VI Public Broadcasting System. Under the special funding arrangement, the primary Government pays 100% of the employer costs. Retirees participate in the same health benefit programs as active employees until reaching Medicare eligibility. After attaining Medicare eligibility, retirees participate in a Medicare Advantage prescription drug plan and an AARP Supplemental Plan. Four types of health plans were offered to eligible participants during the fiscal year:

- Group health and life insurance coverage through the Cigna Health and Life Insurance Company
- Group life and accidental death and dismemberment through ALIC Life Insurance Company
- Medicare Advantage and AARP Medicare Supplement through United Healthcare Insurance
- Vision care through Standard Insurance Company

Contributions

Contribution percentages are enacted by the Legislature of the Virgin Islands based on recommendations of the Board. Changes in percentages are implemented by the Department of Personnel. Active and retired employees are responsible for 35% of the cost of group insurance costs. The employee share is withheld from salaries or pension benefits. Retirees receive a noncontributory life insurance benefit of $5,000 and may elect to increase this coverage to $75,000 at their own expense.

Employees Covered by the Plan

As of October 1, 2019, the following employees were covered by the Government's postemployment benefits plan:

Valuation Date of October 1, 2019	Primary Government	Component Units	Total
Active employees	7,945	750	8,695
Retired employees	7,755	147	7,902
Deferred vested retirees	102	6	108
Disability retirees	301	9	310
Total	16,103	912	17,015

Primary Government	14,632
Component units included in primary Government's OPEB expense under special funding arrangement	1,471
Total	16,103

OPEB Liability

The PG's proportionate share of the total liability was 95.006% as of October 1, 2021, which was a decrease of 0.11% from its proportionate share measured as of October 1, 2020, The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to $976.6 million which includes the PG's share of the component unit liabilities under the special funding arrangement of $81.9 million.

Following is the total OPEB liability at the close of the prior fiscal year of September 30, 2022 (expressed in thousands):

	September 30, 2022
Primary Government	$ 976,613
Component units	48,953
Total OPEB Liability	$ 1,025,566

Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. An actuarial valuation was conducted of the amount required to fund the plan, involving assumptions about the probability of the occurrence of

events in the future. Actuarial assumptions used in the computation of the total OPEB liability for the prior year are as follows:

Valuation date:	October 1, 2019
Measurement date:	October 1, 2021
Report date:	September 30, 2022
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Recognition Period of 6 Years
Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 2.14% End of Year Rate of 2.43% S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2021
Healthcare cost trend rates:	Pre-Medicare Increases of 5.00% in 2022 to 4.50% in 2023 Medicare Increases of 4.50% in 2022 to 4.50% in 2023 Dental Increases of 4.50% in 2022 to 4.50% in 2023
Inflation:	2.25% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35% of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% coverage
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110% with Scale MP-2015 for Healthy Lives. For Disability Retirees, RP-2014 Disabled Mortality Generational Table Adjusted 125% with Scale MP-2015
Marital status:	Assumed 50% of Future Male Retirees and 25% of Future Female Retirees Cover Spouses in Retirement Husbands Assumed to be 3 Years Older Than Spouse Subsidized Coverage of Spouses and Dependents Ceases Upon Death
Actuarial Experience Study	The actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial data experience study for the period October 1, 2011 – September 30, 2015

Changes in Assumptions

- The discount rate changed from 2.14% in the prior valuation to 2.43% as of September 30, 2020, and 2021, respectively.

Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the prior fiscal year ended September 30, 2022 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	$ 992,301	$ 48,554	$ 1,040,855
Changes for the year:			
Service cost	39,683	2,621	42,304
Interest	21,722	1,085	22,807
Changes in assumptions or other input	(43,099)	(2,331)	(45,430)
Expected benefit payments	(33,994)	(976)	(34,970)
Net changes	(15,688)	399	(15,289)
Ending balances	$ 976,613	$ 48,953	$ 1,025,566

Primary Government	$ 894,658
Component Units included in Primary Government's OPEB liability under special funding arrangement	81,955
Total OPEB Liability on September 30, 2022	$ 976,613

OPEB Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources

For the prior fiscal year ended September 30, 2022, the OPEB expense of the PG amounted to $69.0 million as follows (expressed in thousands):

	Primary Government	Component Units	Total
Service cost	$ 39,683	$ 2,621	$ 42,304
Interest on the total OPEB liability and net cash flow	21,723	1,085	22,808
Current period effect in change in assumptions	7,633	529	8,162
Total OPEB Expense	$ 69,039	$ 4,235	$ 73,274

Primary Government	$ 60,193
Component Units included in Primary Government's OPEB expense under special funding arrangement	8,846
Total OPEB Expense	$ 69,039

OPEB Deferred Inflow of Resources

As of September 30, 2022, the PG reported deferred inflows of resources related to OPEB (expressed in thousands) is as follows:

	Primary Government	Component Units	Total
Changes in assumptions, expected results or other inputs	$ 75,883	$ 3,655	$ 79,538
Primary Government	$ 56,417		
Component Units included in Primary Government's deferred inflows of resources under special funding arrangement	19,466		
Total	$ 75,883		

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Fiscal Year Ended September 30	Primary Government	Component Units	Total
2023	$ 25,105	$ 1,186	$ 26,291
2024	20,187	949	21,136
2025	13,846	640	14,486
2026	8,125	414	8,539
2027	6,896	373	7,269
2028 and after	1,724	93	1,817
Total OPEB Deferred Inflows	$ 75,883	$ 3,655	$ 79,538

OPEB Deferred Outflow of Resources

As of the prior fiscal year ended September 30, 2022, the PG reported deferred outflows of resources related to OPEB (expressed in thousands) as follows:

	Primary Government	Component Units	Total
Changes in assumptions, expected results or other inputs	$ 135,852	$ 7,129	$ 142,981
Primary Government	$ 121,875		
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	13,977		
Total	$ 135,852		

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Fiscal Year Ended September 30	Primary Government	Component Units	Total
2023	$ 32,738	$ 1,715	$ 34,453
2024	32,738	1,715	34,453
2025	32,738	1,714	34,452
2026	30,275	1,596	31,871
2027	7,363	389	7,752
2028 and after	-	-	-
Total OPEB Deferred Outflows	$ 135,852	$ 7,129	$ 142,981

Sensitivity of OPEB Liability to Changes in the Discount Rate

The following sensitivity analysis shows the impact to the total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate (expressed in thousands):

	1% Decrease 1.43%	Current Discount 2.43%	1% Increase 3.43%
Primary Government	$ 1,138,239	$ 976,613	$ 847,615
Component Units	57,708	48,953	41,997
Total OPEB Liability	$ 1,195,947	$ 1,025,566	$ 889,612

Sensitivity of OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following sensitivity analysis shows the impact of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rate:

	1% Decrease - Health Cost Trend Rate 4.00%	Current Health Cost Trend Rate 5.00%	1% Increase - Health Cost Trend rate 6.00%
Primary Government	$ 821,222	$ 976,613	$ 1,179,503
Component Units	40,364	48,953	60,283
Total OPEB Liability	$ 861,586	$ 1,025,566	$ 1,239,786

Component Units

VIWAPA OPEB Plan *(unaudited)*

VIWAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of $48.3 million, deferred outflows of resources of $443,900, and deferred inflows of resources of $7.9 million as of June 30, 2022.

VIHA OPEB Plan

VIHA offers certain health care benefits including healthcare and prescription drug, dental, vision and life insurance to qualified retired employees and their dependents. VIHA reported a net OPEB obligation of $21.6 million as of December 31, 2022.

17. Going Concern/Liquidity and Management's Plan

Primary Government

The accompanying financial statements have been prepared on a going concern basis, which assumes the Government will be able to realize its assets and settle its liabilities in the normal course of operations for the foreseeable future.

As of September 30, 2023, the Government reported a total net deficit in governmental activities of $5.3 billion. The Government's reported net deficit continues to reflect the effects of the adoption of accounting standards in prior years that required the recognition of pension and other post-employment benefit liabilities, and related expenses based on actuarial valuations. In addition, the aftermath of the 2017 hurricanes, as well as the impact of the recent global Coronavirus pandemic, had a further significant negative impact on operations. The culmination of these factors has significantly affected the Government's ability to pay its vendors on a timely basis and has resulted in significant liquidity challenges.

These conditions raise substantial doubt about the Government's ability to continue operating as it has in the past.

Management's plans to address these conditions include continued reliance on federal recovery and pandemic assistance, recovery-related economic activity, access to credit facilities, and growth in fiscal revenues. The Government's ability to continue as a going concern is dependent upon the continuation and sufficiency of federal programs and assistance, the Government's ability to access and utilize such funding, its ability to access credit lines and facilities, and increased fiscal revenues from an expanding local economy, which are necessary to enable the Government to realize its assets and settle its liabilities in the normal course of operations for the foreseeable future.

Management believes that reliance on federal recovery together with recovery-related economic activity and fiscal stabilization efforts, may mitigate these conditions; however, no assurance can be provided that such efforts will be sufficient.

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2021 through 2023:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2021	$ (6,090,454)	$ (201,181)
2022	(6,570,200)	(479,746)
2023	(6,522,747)	47,453

On September 30, 2023, the Government reported a fund deficit in the general fund of $469.8 million. This fund deficit represents an increase of $93.3 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2021	$ 34,669	$ 1,442	$ (145,507)	$ (109,396)
2022	42,325	452	(419,326)	(376,549)
2023	56,853	2,581	(529,326)	(469,892)

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2023, (expressed in thousands):

Governmental Funds			
Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,164	Sewer System Fund	175
Federally Aided Education Program	9,599	District Potable Water Fund	4,962
Air & Water Pollution Control	7,037	Paternity and Child Support	11,644
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	62,967
Highway Safety	4,600	Virgin Islands Law Enforcement	3,332
Virgin Islands Energy Office	3,655	Forensic Science	74
Virgin Islands National Guard Federal and State Agreement	2,760	Vocational Rehabilitation	1,848
Food Stamp Welfare	2,434	Hurricane Hugo Insurance Claims	3,908
Federal Programs/Department Conservation	3,651	Virgin Islands Army National Guard	2,266
Federal Aided Community Action Agency	187	Emergency Drought Relief	131
Commission on Aging	50	Outdoor Recreation Program	32
Elementary/Secondary Education	19	Section 12 Bond Proceeds	24,547
Job Training Partnership Act Of 1983-1984	8,614	Road Fund	6,330
Civil Defense Protection	849	Major Repair and Improvement	58
Health Information Council Assistance	18	Technical Assistance	8
Drug Education Training Program	123	Juvenile Detention Center Fund	14
Federal Health Program Not on Federal Letter of Credit System	489	Non-Lapsing	
Taxi Revolving Fund	302	Natural Resource Reclamation	2,205
		Boating Safety Program	584
		Fishery and Wildlife Projects	27
		PFA/Office of Economic Opportunity	2,215
		Net fund deficit	$ 179,148

Proprietary Funds		
Frederiksted Small Business Fund	$	164
Altona Community Development Fund		3
Housing Construction Revolving		7,653
Emergency Housing Fund		82
Virgin Islands ID Registration Fund		18
Virgin Islands Elections Fund		176
Consumer Protection Fund		200
Enterprise Zone Fund		1,000
Virgin Islands Housing Finance Authority		2,898
Business & Commercial Property Revenue Fund		1,761
Homestead and Home Revolving Fund		344
Net fund deficit	$	14,299

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2023, mainly due to legislation requiring WICO to remit $700,000 annually to the primary Government as a payment in lieu of taxes (PILOT), and due to "No Sail Orders" issued by the Centers of Disease Control ("CDC") from March 2020 to September 2021. As of September 30, 2023, WICO owed the primary Government $10.6 million in PILOT payments.

viNGN

viNGN is also a component unit of PFA. The start-up of viNGN was funded by a loan advance from PFA amounting to $36.8 million. As of September 30, 2023, no repayments of the loan advance have been made by viNGN.

Component Units

(a) Virgin Islands Water and Power Authority – Electric System *(unaudited)*

Management of the Electric System (the System) has been attempting to stabilize and solidify its financial condition following significant structural damage related to the September 2017 hurricanes. Management of the Electric System has developed a twelve-month plan to focus on key initiatives as outlined below:

i. Despite its financial challenges, the Electric System is benefitting from significant investment of federal funds in infrastructure projects. For example, federal funding is modernizing the Transmission & Distribution (T&D) infrastructure as it is migrating the system to underground infrastructure where feasible.
ii. In areas when undergrounding is not viable, the T&D system us being hardened by the installation of composite poles that can withstand higher winds.
iii. Placing new, more efficient generation in service on St. Thomas and St. Croix.
iv. The installation of additional solar capacity on St. Croix.
v. The acquisition of generation that is currently leased to avoid ongoing monthly lease expenses.
vi. Focus on improving processes and procedures with the objective of improving customer service, billing, and collections. Improving customer service and increasing collections is expected to reduce operating costs and improve cash flow.

The U.S. Department of Housing and Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $95.0 million to WAPA for the Harley Expansion Project. The project will add 36-megawatts of generation, plus additional battery storage, to the Randolph Harley Power Plant on St. Thomas. Additionally, as of April 2023, VIWAPA has been approved for approximately $100.0 million in American Rescue Plan Act (ARPA) grant funding.

In April 2023, the Legislature of the Virgin Islands approved Bill 35-0070 authorizing the Governor to establish a line of credit in the maximum amount of $100.0 million to provide for the disbursement of funds needed to advance disaster related recovery projects that are reimbursable through federal funding and other disaster-related projects and provide funding to advance payment of $45.0 million towards the buyout of the infrastructure agreement between VIWAPA and a major vendor, and the acquisition of Liquefied Petroleum Gas facilities.

(b) University of the Virgin Islands *(unaudited)*

The University has been financially challenged and its situation was exacerbated by global events. Further, the University is not organized as a self-sustaining entity and is highly dependent on funding from the Government to repay and fund its obligations. Approximately 35.0% of the University's total revenues are derived from the Government's appropriations. To date, local appropriations for funding the University's programs have not been significantly impacted by the Government's financial condition and it is unknown what impact, if any, the Government's financial condition will have on the University. The management team is focused on its plan for the immediate future which includes exploration of alternative revenue sources, reduction of operating expenses, and investment of federal funds.

In March 2023, the University received an alert notification from the U.S. Department of Education for lack of submission of various annual reports which may result in, among other things, provisional decertification, and placement on a heightened cash monitoring payment method. The University continues to diligently monitor such requirements as it continues to recover from the disruption to its operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic.

In April 2023, the Legislature of the U.S. Virgin Islands approved the conveyance of a tract of land on St. Thomas to the University by the Virgin Islands Port Authority, in exchange for the University's conveyance to the Virgin Islands Port Authority of a similar sized parcel of land, also on St. Thomas. The land swap is deemed more applicable to the intended use of the parcels by both entities.

(c) Virgin Islands Government Hospital and Health Facilities Corporation *(unaudited)*

The Schneider Regional Medical Center on St. Thomas and the Juan F. Luis Hospital and Medical Center (unaudited) incurred significant structural damages related to the September 2017 hurricanes. The full impact of the hurricanes continues to be evaluated as the hospitals seek grants and federal assistance to continue operations.

As of September 30, 2022, the Schneider Regional Medical Center's current liabilities exceeded current assets by $24.6 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2022, tax appropriations from the PG amounted to $35.8 million and other contributions, FEMA grants and COVID assistance amounted to $4.7 million.

Management at the Schneider Regional Medical Center is implementing efforts to improve financial stability by closely monitoring cash flow. This includes multiple internal initiatives and development of external partnerships with industry expertise to improve operational efficiencies, evaluate charge capture and pricing improvements, reduce accounts receivable collection time, and evaluate Medicare reimbursement options and opportunities, while improving the patient experience.

As of September 30, 2022, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by $68.6 million. The hospital reported an unrestricted net deficit of $170.1 million. The hospital is economically dependent on the continued financial support of the Government.

Management of Juan F. Luis Hospital and Medical Center is considering several alternatives for mitigating liquidity conditions. These include an infusion of capital through several options including internal hospital operations, patient accounts receivable leveraging, affiliation or management agreements with larger hospital systems, and negotiations with vendors on past due accounts.

The hospital is also developing plans for cost containment, seeking concessions for vendors, and seeking an increase in financial support from the Government.

18. Adjustments/Restatement to Component-Unit Financial Statements

The September 30, 2022 stand-alone financial statements of a number of component units have been adjusted/restated in the accompanying aggregate discretely presented component units as follows (expressed in thousands):

	Net Position (Deficit)			
Component Unit	As Previously Reported	Adjustments	Restatement (GASB 87)	As Adjusted
Virgin Islands Housing Authority	$ (22,785)	$ -	$ (1,174)	$ (23,959)
Virgin Islands Port Authority*	167,096	(21,254)	-	145,842
Virgin Islands Water and Power Authority				
Electric System*	663,562	(268,373)	-	395,189
Water System*	30,567	(5,103)	-	25,464
Virgin Islands Government Hospital and Health Facilities Corporation				
Roy L. Schneider Hospital*	(140,653)	(15,614)	-	(156,267)
Juan F. Luis Hospital*	(79,629)	(19,185)	-	(98,814)
University of the Virgin Islands*	58,399	(3,138)	-	55,261
Virgin Islands Housing Finance Authority	99,950	(2,859)	-	97,091
Other component units**	11,323	(1,623)	-	9,700

**Unaudited*

***Magens Bay Authority and Virgin Islands Economic Development Authority (unaudited)*

19. Subsequent Events

Primary Government

(a) Hurricane Recovery

The Government is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Government continues the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions. Through November 2025, federal assistance awarded to the Territory included $21.6 billion in FEMA Public Assistance grants, $77.2 million in Federal Highway grants, $199.5 million in FEMA Hazard Mitigation grants, $1.1 billion in Community Development Block Grants and $215.0 million in other grants for a total of $23.1 billion.

In February 2024, President Biden agreed to raise the cost share of all FEMA assistance grants for hurricane recovery in the Territory from 90 to 95 percent, including retroactively. In addition, President Biden agreed to raise the federal cost share to 98 percent in the case of larger critical infrastructure rebuilding projects approved before September 30, 2024 and completed before 2026.

(b) Global Pandemic and Economic Relief Legislation

Through November 2025, federal grants and assistance received by the PG related to COVID-19 amounted to $729.7 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

(c) State of Emergency to Avert an Energy Crisis

In April 2024, the Governor issued Executive Order No. 537-2024 declaring a state of emergency due to the VIWAPA's inability to provide continuous power generation, due to the rising price of fuel and the inability of independent government agencies to timely pay for electrical services. The state of emergency was lifted in December 2024 as VIWAPA stabilized its operations.

(d) Improper Procurement Activities and Irregularities

The United States Department of Justice conducted an investigation resulting in the conviction of three members of the Government's management team for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2023, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures.

These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms.

No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

Component Units

(a) **Virgin Islands Public Finance Authority (PFA)**

Guaranty of VIWAPA Indebtedness

In August, 2024, the Board of Directors (Board) of the PFA ratified a prior authorization granted by poll vote on July 30, 2024, to negotiate, prepare, and deliver a guaranty of the indebtedness of VIWAPA to FirstBank Puerto Rico and Banco Popular de Puerto Rico (collectively, the Banks). As of the date of the resolution, VIWAPA had outstanding indebtedness to the Banks totaling $52.1 million, comprised of $30.8 million owed to FirstBank Puerto Rico and $21.3 million owed to Banco Popular de Puerto Rico.

The guarantee was issued pursuant to the PFA's enabling legislation, which authorizes such financial support for component units, and is not subject to any statutory or contractual limits.

PFA agreed to unconditionally guarantee the payment of this indebtedness, including principal, interest, fees, and charges, in order to facilitate the extension of the maturity dates of VIWAPA credit facilities with the Banks to July 31, 2025 and August 31, 2025, respectively. Under a subsequent extension the facilities mature on January 31, 2026.

In addition to the guaranty, PFA acknowledged and continued the pledge of debt service reserve funds totaling $6.0 million, previously deposited into interest-bearing accounts with the banks ($3.8 million with FirstBank and $2.3 million with Banco Popular), as enhanced security for the VIWAPA's credit facilities.

Line of Credit

In October 2024, legislation enacted under Act 8701 by the Virgin Islands Legislature authorized an increase in the territory's line of credit with a local bank from $100.0 million to $150.0 million. The revised credit facility allocates $100.0 million for disaster-related projects and $50.0 million for vendor payments, retroactive wage obligations, and other critical needs of the territory.

Series 2023A Developer Note

In November 2023, PFA issued the Series 2023A Virgin Islands Public Finance Authority Hotel Occupancy Tax and Economic Recovery Fee Developer Note (Frenchman's Reef Hotel Development Project) "Series 2023A Note" in the amount of $244.9 million. Under the Virgin Islands Hotel Development Program, Title 29, Chapter 23 of the Virgin Islands Code, the PFA is a Notes Issuer authorized to issue Hotel Development Notes to hotel developers approved for eligible hotel construction projects. The Series 2023A Note is due to hotel developer CREF3 USVI Hotel Owner, Inc. as a reimbursement grant for reconstruction to hotel properties on St. Thomas and St. John.

The Series 2023A Note is a special limited obligation, secured by a lien on designated revenues charged by hotels on hotel guest room rates. The revenues are collected by the hotel developer and remitted to the Government.
The Series 2023A Note is non-interest bearing and matures when paid in full or thirty (30) years from the date of delivery on November 15, 2053. Payments are made on the first business day of the month to the extent pledged revenues are available for such purpose.

Hotel Occupancy and Economic Recovery Fee Revenue Bonds

In November 2024, PFA issued the Series 2024A Hotel Occupancy Revenue Bonds in the amount of $64.9 million, and the Series 2024B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of $18.3 million. The "Series 2024 A & B Bonds" were a private and limited offering only to "qualified buyers" as defined under Rule 144A of the Securities Act of 1933. The bonds were issued to provide a grant to a hotel developer for reimbursement of costs associated with reconstruction and renovation of a hotel project knowns as Frenchman's Reef Resort located on St. Thomas. The Government has pledged Hotel Occupancy Tax Revenues and Economic Recovery Fee Revenues generated by the hotel project for the repayment of the bonds. The Series 2024 A Bonds will mature on April 1, 2053 with a yield of 5.750%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.000%.

Series 2025A Bond

In April 2025, PFA issued the Virgin Islands Public Finance Authority Tax Increment Revenue and Refunding Loan Note (Virgin Islands Tax Increment Revenue Loan Note – Island Crossings Shopping Center) "Series 2025A Bond" in the amount of $3.5 million. The Series 2025A Bond was issued as a private placement bond with FirstBank Puerto Rico to defease the Series 2019A TIF Revenue and Refunding Bonds and the Series 2019A TIF Project Developer Note.

The Series 2025A Loan Note is a special limited obligation of the Government to which it has pledged incremental revenues from Island Crossings collected by the Government. The Series 2025A Bond is payable in fifty-four (54) installments of principal and interest with a fixed interest rate of 6.875% per annum.

Purchase and Refunding of the Federal Highway Bonds

In November 2024, the Legislature of the Virgin Islands enacted Act No. 8949, the Federal Highway Grant Anticipation Bond Act, authorizing the establishment of the Virgin Islands Transportation & Infrastructure Corporation (VITIC), an independent instrumentality of the Government, and special purpose subsidiary of PFA.

On June 5, 2025, VITIC issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note) Series 2025 in the amount of $150.2 million. Proceeds are being used to finance costs of certain projects of the Government of the Virgin Islands and to refund all of the Authority's Series 2015 Federal-Aid Highway Bonds.

The Bonds are special limited obligations of VITIC, payable solely from Federal Highway Grant Revenues and received a bond rating of "A" (stable outlook) from S&P Global Ratings. Interest on the bonds is 5.0% per annum, payable semiannually on March 1, and September 1, commencing September 1, 2025. The Bonds are subject to an annual redemption schedule prior to maturity with a final maturity date of September 1, 2044.

(b) Virgin Islands Water and Power Authority *(unaudited)*

Effective April 22, 2024, the Governor of the Territory issued Executive Order No. 537-2024 declaring a state of emergency due to the VIWAPA's inability to provide continuous power generation, due to the rising price of fuel and the inability of independent government agencies to timely pay for electrical services.

(c) Virgin Islands Next Generation Network

In October 2023, viNGN entered into a Memorandum of Understanding with WAPA to collaborate on the installation of Wi-Fi equipment and development of high-speed fiber optic infrastructure for the territory. This initiative was funded by the American Rescue Plan Act of 2021 (ARPA).

As of July 2024, the Government acquired a property that viNGN currently leases from Queen Charlotte Hotel Corporation, under the same terms and conditions as the existing viNGN lease.

In September 2024, viNGN entered into revolving line of credit agreement with Banco Popular Bank for $250,000. The facility carries a fixed interest rate of 3.55% and has a maturity date October 1, 2025. This line of credit is intended to assist viNGN with operational needs.
In December 2024, viNGN entered into a Memorandum of Understanding with the VI Housing Finance Authority (VIHFA) to collaborate on providing free Wi-Fi to VIHFA properties.

In December 2024, viNGN received a $2.1 million grant under ALN 11.032, *State Digital Equity Planning* from the Department of Commerce. The grant was subsequently terminated in May 2025. viNGN appealed the termination and the U.S. Department of Commerce denied the appeal request.

(d) West Indian Company Limited

In March 2024, WICO entered into a five-year lease for the provision of car rental leasing space at a rate of $4,200 per month beginning March 1, 2024 with an option to renew the lease for an additional five years. The lease also requires a security deposit of $8,200.

In June 2024, WICO entered into a three-year lease for the provision for parking spaces, from August 1, 2024 to July 31, 2027 with an option to renew the lease for an additional five years. The rent is $7,500 per month under this agreement.

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2023, the statement of net position date, and through January 27, 2026, the date the financial statements were available to be issued and noted that there have been no additional events or transactions that would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2023.

Required Supplementary Information

Government of the United States Virgin Islands

Schedule of Changes in Total OPEB Liability and Related Ratios

Postemployment Benefits Other Than Pensions

Measurement year ending September 30,	2022	2021	2020	2019	2018
	Primary Government	Primary Government	Primary Government	Primary Government	Primary Government
Total OPEB Liability:					
Service cost	$ 39,683	$ 25,885	$ 25,358	$ 26,147	$ 28,216
Interest	21,723	28,508	28,548	26,623	23,904
Difference between expected/actual experience	-	-	(27,043)	-	-
Changes in assumptions or other inputs	(43,099)	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	(33,995)	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	(15,688)	205,545	12,249	(8,866)	(29,582)
Total OPEB Liability – Beginning of Fiscal Year	992,301	786,756	774,507	783,373	812,955
Total OPEB Liability – End of Fiscal Year	$ 976,613	$ 992,301	$ 786,756	$ 774,507	$ 783,373
Covered-Employee Payroll	$ 380,466	$ 364,038	$ 350,528	$ 350,409	$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	256.69%	272.58%	224.45%	221.03%	242.41%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Notes to Schedule:

1. The Government does not have assets accumulated in a trust that meets the criteria in GASB Statement No. 75, to pay related benefits.

2. The Primary Government, by statute, pays 100.0% of the employer cost-share of the postemployment health, dental, and life insurance of the retirees of the following semi-autonomous agencies: 1) Employee's Retirement System of the Government of the Virgin Islands, 2) Virgin Islands Economic Development Authority, 3) Virgin Islands Housing Finance Authority, 4) Juan F. Luis Hospital & Medical Center, 5) Magens Bay Authority, 6) Virgin Islands Public Broadcasting System, 7) Roy L. Schneider Hospital, and 8) Virgin Islands Waste Management Authority. The Primary Government also reports the OPEB liabilities associated with these benefits.

3. Change in the Discount Rate:

Measurement date, September 30	Discount Rate
2017	3.35%
2018	3.64%
2019	3.58%
2020	2.14%
2021	2.43%

4. The base mortality tables and mortality improvement sales were updated to RP-2014 Blue Collar Mortality table (110.0% adjustment) projected forward using the M-2015 scale.

5. Future participation in the retiree health plan is projected to be 85.0%.

Government of the United States Virgin Islands

Schedule of Net Pension Liability

September 30, (in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the Net Pension Liability (NPL)	**76.4124%**	77.2500%	78.3800%	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	**$ 3,125,580**	$ 4,091,016	$ 4,527,445	$ 4,194,852	$ 3,246,786	$ 3,354,768	$ 3,535,517	$ 3,065,617	$ 2,323,163
Primary Government's covered-employee payroll	**$ 334,650**	$ 336,625	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091	$ 267,698
Primary Government's proportionate share of the NPL as a percentage of its covered payroll	**934%**	1,215%	1,393%	1,350%	1,047%	1,092%	1,175%	1,106%	868%
Plan fiduciary net position as a percentage of the total pension liability	**8.91%**	8.23%	9.16%	11.32%	15.56%	16.18%	16.54%	19.58%	27.26%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

Notes to Schedule:

(1) *Changes of benefit terms:*

In the year ended September 30, 2016, there were changes to the eligibility and benefit amounts for Tier 2 Regular and Public Safety Employees for service and early pensions reflected in this valuation.

(2) *Change of Assumptions:*

Amounts reported as changes in assumptions resulted from changes in the discount rates as follows:

Year ended September 30,	Discount Rate
2014	4.42%
2015	3.84%
2016	3.20%
2017	3.74%
2018	4.25%
2019	4.25%
2020	2.67%
2021	2.23%
2022	2.52%
2023	4.77%

Government of the United States Virgin Islands

Schedule of Pension Contributions

September 30 (in thousands)	**2023**	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Primary Government	**$ 238,367**	$ 279,469	$ 292,944	$ 289,507	$ 215,937	$ 205,052	$ 191,481	$ 186,089	$ 150,628
Contributions in relation to the statutorily required contributions	**236,821**	163,960	74,817	72,301	84,005	77,840	61,759	68,291	64,357
Contribution deficiency	**1,546**	115,509	218,127	217,206	131,932	127,212	129,722	117,798	86,271
Primary Government covered payroll	**345,914**	334,650	336,625	325,000	310,758	309,998	307,132	300,909	277,091
Contributions as a percentage of covered payroll	**68.46%**	48.99%	22.23%	22.25%	27.03%	25.11%	20.11%	22.69%	23.23%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.

Notes to Schedule of Pension Contributions

Methods and Assumptions Used

Valuation date: Actuarially determined contributions are calculated as of October 1, 2022.

Contribution rates:

Actuarial cost method: Entry Age Normal Cost Method determined as a percentage of salary

Amortization method: Level dollar, closed group

Amortization period: 20 years open amortization

Asset valuation method: Market value

Inflation: 2.5%

Salary increases: 5.0% per year

Investment rate of return: 4.77% net of pension plan investment expense, including inflation

Mortality: Non-annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

Healthy annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

Disabled annuitant: Pub-2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table with generational projection using Scale MP-2021.

Contingent survivors: Pub-2010 General Below-Median Amount-Weighted Contingent Survivor Annuitant Mortality Table with generational projection using Scale MP-2021.

Government of the United States Virgin Islands

Schedule of Revenues and Expenditures – Budget and Actual

Budgetary Basis – General Fund

(in thousands)

Year Ended September 30, 2023	Original Budget	Revised Budget	Actual	Variance
Revenues				
Taxes	$ 865,223	$ 865,223	$ 900,515	$ 35,292
Federal grants and contributions	-	-	10,500	10,500
Charges for services	54,940	54,940	13,444	(41,496)
Loan proceeds	-	-	45,000	45,000
Interest and other	-	-	40,112	40,112
Total revenues	920,163	920,163	1,009,571	89,408
Expenditures				
Current:				
General government	405,392	468,327	687,339	(219,012)
Public safety	72,483	73,293	81,315	(8,022)
Health, public housing and welfare	93,095	104,365	104,791	(426)
Education	172,395	178,200	229,208	(51,008)
Transportation and communication	29,595	29,610	23,668	5,942
Culture and recreation	9,269	11,468	7,877	3,591
Total expenditures	782,229	865,263	1,134,198	(268,935)
Excess (deficiency) of revenues over expenditures	137,934	54,900	(124,627)	(179,527)
Other financing sources (uses)				
Transfers from other funds	46,700	46,700	35,164	(11,536)
Transfer to other funds	(39,116)	(39,116)	(49,430)	(10,314)
Transfers to component units	(151,849)	(151,849)	(151,013)	836
Total other financing sources, net	(144,265)	(144,265)	(165,279)	(21,014)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (6,331)	$ (89,365)	$ (289,906)	$ (200,541)

See accompanying notes to the Schedule.

Notes to Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – General Fund

1. Budgetary Process and Control

The V.I. Code requires the Governor to submit an annual balanced executive budget to be adopted by the Legislature for the ensuing fiscal year. The Governor is required by law to submit to the Legislature the annual balanced executive budget no later than May 30. The annual balanced executive budget is prepared on a budgetary basis. If the annual executive budget has not been approved before the commencement of any fiscal year, then the appropriations for the preceding fiscal year, insofar as they may be applicable, are automatically deemed re-appropriated item by item. The annual balanced executive budget, which includes those funds of the Government subject to appropriation pursuant to law, is composed of all proposed expenditures and estimated revenue for the Government. The Legislature enacts the annual executive budget through passage of lump-sum appropriations for each department. The Legislature may add, change, or delete any items in the annual executive budget proposed by the Governor. Upon passage by the Legislature, the annual executive budget is submitted to the Governor, who may veto the budget partially or in its entirety and return it to the Legislature with his objections. A veto by the Governor can be overridden only by a two-thirds majority of all members of the Legislature. The Legislature is obligated by law to pass a final annual executive budget no later than September 30, the last day of the fiscal year. Supplemental budgetary appropriations bills that are signed into law may be created during the year without the identification of a specific revenue source to finance them. In August 1999, the Legislature enacted the Financial Accountability Act (Act No. 6289). The purpose of the Financial Accountability Act is to require by law that the budget of the Government be balanced each year, and the appropriations in each fiscal year not exceed a verifiable revenue source.

Once the budget has been enacted, fiscal control over expenditures made pursuant thereto is exercised by the Governor through the Director of OMB. During any fiscal year in which the resources available to the Government are not sufficient to cover the appropriations approved for such year, the Governor, through the Director of OMB, may take administrative measures to reduce expenditures. The Governor may also make recommendations to the Legislature for new taxes or any other necessary action to meet the estimated deficiency.

Budgetary control is exercised at the department level through an allotment process. Encumbrances and expenditures cannot exceed total allotment amounts. The Government's department heads may make transfers of appropriations within the department. Appropriation transfers between departments and supplemental appropriations require executive and legislative branch approval. Unencumbered and unexpended appropriations, not designated, lapse at fiscal year-end. Also, encumbrances are established at fiscal year-end to pay certain expenditures for travel and utility costs payable against current year appropriation authority, but to be expended in the subsequent year.

2. Budget/GAAP Reconciliation

The following schedule presents a comparison of the general fund legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of timing and entity difference of the excess (deficiency) of revenue and net other financing sources over expenditures for the year ended September 30, 2023, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$	(200,541)
Entity difference – deficiency of revenues and net other financing sources over expenditures – activities with budgets not legally adopted		(269,351)
Deficiency of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$	(469,892)

Controls over spending in special revenue funds and non-appropriated funds are maintained at the Department of Finance by use of budgets and available resources (revenues). The Government makes appropriations to authorize expenditures for various capital projects. Budgets for capital projects normally remain available until completion of the project unless modified or rescinded.

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards* and the Uniform Guidance

Year Ended September 30, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards
and Reports Required by *Government Auditing Standards* and the Uniform Guidance
Year Ended September 30, 2023

Government of the United States Virgin Islands

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Governor
of the Government of the United States Virgin Islands

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated January 27, 2026. We expressed the following opinions on the financial statements opinion units based on the circumstances noted in our aforementioned report.

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Disclaimer
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely Presented Component Units	Adverse

Our report includes reference to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Waste Management Authority (VIWMA), Virgin Islands Public Broadcasting System (VIPBS), and Government Employees' Retirement System of the of the U.S. Virgin Islands (GERS), as described in our report on the Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We audited the financial statements of the Virgin Islands Public Finance Authority (PFA); The West Indian Company Limited (WICO); viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN); Tobacco Settlement Financing Corporation (TSFC); Kings Alley Management, Inc. (KAMI); and Matching Fund Special Purpose Securitization Corporation (MFSPSC).

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This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for PFA, WICO, viNGN, TSFC, KAMI, and MFSPSC which is reported on separately by us.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Government's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in greater detail in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2023-001	Year-End Close Process and Financial Deficit
2023-002	Revenue and Receivables
2023-003	Grants Management
2023-004	Capital Assets and Related Expenditures
2023-005	Recording of Liabilities
2023-006	Management of the Medicaid Program
2023-007	Unemployment Insurance Trust Fund
2023-008	Workers Compensation Program
2023-009	Payroll, Related Accruals, and Other Expenditures
2023-010	Bank Accounts
2023-011	Other Postemployment Benefits Obligation
2023-012	Accounting Standards Implementation
2023-013	Irregularities related to Procurement Activities
2023-014	Procurement Regulations

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding #	Nature of Finding
2023-015	Information Technology (IT) Environment

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of suspected fraud that is required to be reported in accordance with *Government Auditing Standards* and which is described in accompanying schedule of findings and questioned costs as item 2023-013. Our opinion is not modified with respect to this matter. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as identified below and described in greater detail in the accompanying schedule of findings and questioned costs.

Finding #	Nature of Finding
2023-013	Irregularities related to Procurement Activities
2023-014	Procurement Regulations
2023-016	Noncompliance with Laws and Regulations

Government of the United States Virgin Islands' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the findings identified in our audit and described in accompanying schedule of findings and questioned costs. The Government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

January 27, 2026

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Governor
of the Government of the United States Virgin Islands

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified Opinions

We have audited the Government of the United States Virgin Islands' (the Government) compliance with the types of compliance requirements identified as subject to audit described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Government's major federal programs for the year ended September 30, 2023. The Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Government's basic financial statements include the operations of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Magens Bay Authority (MBA), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Public Broadcasting System (VIPBS), Virgin Islands Housing Finance Authority (VIHFA), Government Employees' Retirement System of the U.S. Virgin Islands (GERS), Virgin Islands Lottery (VI Lottery), the University of the Virgin Islands (UVI), and the University of the Virgin Islands Research and Technology Park Corporation (RTPark). The accompanying Schedule of Expenditures of Federal Awards and our audit described below do not include the Federal expenditures of these organizational units, as may be applicable. These organizational units of the Government have engaged other auditors to perform a separate independent audit in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The accompanying Schedule of Expenditures of Federal Awards and our audit described below also do not include the Federal expenditures of the Tobacco Settlement Financing Corporation (TSFC) and Matching Fund Special Purpose Securitization Corporation (MFSPSC), as may be applicable, as the results of our testing of compliance is reported on separately by us.

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Summary of Opinions

Table I – Summary of Opinions		
Major Federal Program or Cluster	**Assistance Listing Number (s)**	**Type of Opinion**
Supplemental Nutrition Assistance Program Cluster (SNAP)	10.551, 10.561	Qualified
Child Nutrition Cluster	10.555, 10.559, 10.582	Unmodified
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
WIC Grants to States (WGS)	10.578	Qualified
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Adverse
Fish and Wildlife Cluster	15.605, 15.611	Qualified
Economic, Social, and Political Development of the Territories	15.875	Qualified
Unemployment Insurance	17.225	Adverse
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Qualified
Special Education Cluster (IDEA)	84.027A, 84.027X	Unmodified
Consolidated Grant to the Insular Areas	84.403A	Qualified
COVID-19 - Education Stabilization Fund	84.425A, 84.425H, 84.425X	Qualified
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Unmodified
Head Start Cluster	93.356, 93.600	Qualified
Child Care Development Block Grant (CCDF) Cluster	93.489, 93.575	Adverse
Social Services Block Grant	93.667	Qualified
Children's Health Insurance Program	93.767	Adverse
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified
Hazard Mitigation Grant Program	97.039	Unmodified
Homeland Security Grant Program	97.067	Unmodified

Adverse Opinions on Five Major Federal Programs Identified in Table I

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended September 30, 2023.

Qualified Opinions on Ten Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program identified in Table I for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in Table I and in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Government's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Five Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, and as identified in Table II below, the Government did not comply with requirements regarding the following:

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities	2023-029

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2023-030
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2023-031
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2023-032
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2023-040
Labor	17.225	Unemployment Insurance	Eligibility	2023-041
Labor	17.225	Unemployment Insurance	Reporting	2023-042
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2023-043
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2023-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2023-069
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Reporting	2023-070
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Health and Safety Requirements	2023-071
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Fraud Detection and Repayment	2023-072
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	2023-073
Health and Human Services	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles	2023-077

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2023-078
Health and Human Services	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2023-084
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles	2023-077
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2023-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2023-081
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2023-082
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2023-083
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2023-084

Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Ten Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, and as identified in Table III below, the Government did not comply with requirements regarding the following:

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2023-020
Agriculture	10.578	WIC Grants to States (WGS)	Procurement and Suspension and Debarment	2023-027
Agriculture	10.578	WIC Grants to States (WGS)	Reporting	2023-028
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-033
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2023-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2023-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2023-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2023-037
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2023-038
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2023-046
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2023-047
Education	84.403A	Consolidated Grant to the Insular Areas	Allowable Costs/Cost Principles - Payroll Activities	2023-052
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2023-056

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Reporting	2023-057
Education	84.425H	COVID - 19 - Education Stabilization Fund	Subrecipient Monitoring	2023-058
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2023-059
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2023-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2023-064
Health and Human Services	93.667	Social Services Block Grant	Reporting	2023-076
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2023-086

Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Government's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Government's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Government's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, and as identified in Tables IV and V below. Our opinion on each major Federal program is not modified with respect to these matters.

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2023-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2023-021
Interior	15.875	Economic, Social, and Political Development of the Territories	Subrecipient Monitoring	2023-039

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed, Allowable Costs/Cost Principles- Non Payroll Activities and Procurement and Suspension and Debarment	2023-044
Education	84.403A	Consolidated Grant to the Insular Areas	Equipment and Real Property Management	2023-053
Education	84.403A	Consolidated Grant to the Insular Areas	Procurement and Suspension and Debarment	2023-054
Education	84.403A	Consolidated Grant to the Insular Areas	Reporting	2023-055
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-063
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2023-065
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2023-066
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2023-067
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2023-074
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2023-075

Table V - Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities	2023-022

Table V - Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	2023-023
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2023-024
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement and Suspension and Debarment	2023-025
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2023-049
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2023-050
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2023-051
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2023-088

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Government's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Government is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The results of our auditing procedures disclosed an instance of suspected fraud that is required to be reported in accordance with *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-044. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as identified in Table VI below to be material weaknesses.

Table VI - Material Weaknesses in Internal Control Over Compliance

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2023-020
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2023-024
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Procurement and Suspension and Debarment	2023-025
Agriculture	10.578	WIC Grants to States (WGS)	Cash Management	2023-026
Agriculture	10.578	WIC Grants to States (WGS)	Procurement and Suspension and Debarment	2023-027
Agriculture	10.578	WIC Grants to States (WGS)	Reporting	2023-028
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities	2023-029

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2023-030
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2023-031
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2023-032
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-033
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2023-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2023-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2023-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2023-037
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2023-038
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2023-040
Labor	17.225	Unemployment Insurance	Eligibility	2023-041
Labor	17.225	Unemployment Insurance	Reporting	2023-042
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2023-043
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed and Unallowed, Allowable Costs/Cost Principles – Non Payroll Activities and	2023-044

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
			Procurement and Suspension and Debarment	
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Matching, Level of Effort, Earmarking	2023-045
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2023-046
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2023-047
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2023-048
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles - Payroll Activities	2023-049
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2023-050
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2023-051
Education	84.403A	Consolidated Grant to the Insular Areas	Allowable Costs/Cost Principles - Payroll Activities	2023-052
Education	84.403A	Consolidated Grant to the Insular Areas	Equipment and Real Property Management	2023-053
Education	84.425A	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2023-056
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Reporting	2023-057
Education	84.425H	COVID - 19 - Education Stabilization Fund	Subrecipient Monitoring	2023-058
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2023-059
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2023-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2023-064

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2023-065
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2023-066
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2023-067
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2023-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2023-069
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Reporting	2023-070
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Health and Safety Requirements	2023-071
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Fraud Detection and Repayment	2023-072
Health and Human Services	93.575, 93.489	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	2023-073
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2023-074
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2023-075
Health and Human Services	93.667	Social Services Block Grant	Reporting	2023-076
Health and Human Services	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles	2023-077

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2023-078
Health and Human Services	93.767	Children's Health Insurance Program	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2023-080
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility	2023-084
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles	2023-077
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2023-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Matching, Level of Effort, Earmarking	2023-079
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2023-080
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2023-081
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2023-082
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2023-083
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Provider Eligibility	2023-084
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2023-085

Table VI - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2023-086
Homeland Security	97.067	Homeland Security Grant Program	Matching, Level of Effort, Earmarking	2023-087
Homeland Security	97.067	Homeland Security Grant Program	Reporting	2023-088

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified in Table VII below, to be significant deficiencies:

Table VII - Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles - Payroll Activities	2023-019
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Tests and Provisions - EBT Card Security	2023-021
Agriculture	10.555, 10.559, 10.582	Child Nutrition Cluster	Allowable Costs/Cost Principles - Payroll Activities	2023-022
Agriculture	10.555, 10.559, 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	2023-023
Interior	15.875	Economic, Social, and Political Development of the Territories	Subrecipient Monitoring	2023-039
Education	84.403A	Consolidated Grant to the Insular Areas	Procurement and Suspension and Debarment	2023-054
Education	84.403A	Consolidated Grant to the Insular Areas	Reporting	2023-055

Table VII - Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2023-062
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2023-063

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Government's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.
The Government's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Government is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated January 27, 2026, which contained a qualified opinion on the financial statements of the general fund opinion unit, a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, federal grants fund, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units, and an adverse opinion on the financial statements of the aggregate discretely-presented component units opinion unit based on the circumstances noted in our aforementioned report.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

January 27, 2026

Schedule of Expenditures of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025			$ 95,030
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	$ 108,129	207,358
Micro-Grants for Food Security Program	10.179	001561211	117,732	117,732
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525		108,523	108,523
Child Nutrition - Technology Innovation Grant	10.541			53,417
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551			62,528,137
COVID-19 - Supplemental Nutrition Assistance Program (SNAP)	10.551			21,386,688
				83,914,825
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,142,942
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			119,126
Total SNAP Cluster				88,176,893
Child Nutrition Cluster				
National School Lunch Program (NSLP)	10.555			326,655
Summer Food Service Program for Children (SFSP)	10.559			3,564,508
Fresh Fruit and Vegetable Program	10.582			35,206
Total Child Nutrition Cluster				3,926,369
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			5,222,166
Child and Adult Care Food Program	10.558			630,117
State Administrative Expenses for Child Nutrition	10.560			403,103
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568			42,804
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			52,327
Total Food Distribution Cluster				95,131
WIC Grants to States - Infrastructure Disaster Relief	10.578			3,302,444
Child Nutrition Discretionary Grants Limited Availability	10.579			36,270
COVID-19 - Pandemic EBT Administrative Costs	10.649			17,030
Cooperative Forestry Assistance	10.664			7,987
Urban and Community Forestry Program	10.675	001561211	11,428	25,815
Forest Legacy Program	10.676			5,112
Forest Stewardship Program	10.678			99,775

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Agriculture (continued)				
State & Private Forestry Cooperative Fire Assistance	10.698			60,000
Distance Learning and Telemedicine Loans and Grants	10.855			309,827
Soil and Water Conservation	10.902			87,966
Total U.S. Department of Agriculture			345,812	102,988,065
U.S. Department of Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	2,070,364	4,015,313
Economic Development Cluster				
Economic Adjustment Assistance	11.307			
Interjurisdictional Fisheries Act of 1986	11.407			518
Coastal Zone Management Administration Awards	11.419	0169363814	130,000	1,145,209
Marine Fisheries Initiative	11.433			9,990
Cooperative Fishery Statistics	11.434			183,905
Southeast Area Monitoring and Assessment Program	11.435		299,171	449,020
COVID-19 - Unallied Management Projects	11.454	0169363814	18,316	755,744
Meteorologic and Hydrologic Modernization Development	11.467			352,210
Unallied Science Program	11.472	0169363814	247,189	312,851
Office for Coastal Management	11.473			23,000
Coral Reef Conservation Program	11.482		11,000	627,676
Marine Debris Program	11.999		152,290	155,572
Total U.S. Department of Commerce			2,928,330	8,031,008
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			4,170,938
U.S. Department of the Interior				
Fish and Wildlife Cluster				
Sport Fish Restoration Program	15.605		18,926	1,342,692
Wildlife Restoration and Basic Hunter Education and Safety	15.611		96,000	1,292,384
Total Fish and Wildlife Cluster				2,635,076
Cooperative Endangered Species Conservation Fund	15.615			34,662
Sportfishing and Boating Safety Act	15.622	160342882	23,159	37,949
Coastal	15.630			3,399
State Wildlife Grants	15.634			76,953

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Interior (continued)				
Economic, Social, and Political Development of the Territories	15.875	160342882	341,920	3,808,426
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			799,350
				4,607,776
Historic Preservation Fund Grants-In-Aid	15.904	160342882	43,423	408,788
Emergency Supplemental Historic Preservation Fund	15.957	160342882	88,958	379,378
Total U.S. Department of the Interior			612,386	8,183,981
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding	16.034			310,778
Juvenile Justice and Delinquency Prevention	16.540			38,791
Crime Victim Assistance	16.575	829924047	994,351	1,045,547
Violence Against Women Formula Grants	16.588	829924047	553,716	617,029
Residential Substance Abuse Treatment for State Prisoners	16.593			33,298
State Criminal Alien Assistance Program	16.606			253,748
Project Safe Neighborhoods	16.609			10,418
Public Safety Partnership and Community Policing Grants	16.710			574,683
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	219,464	435,222
Support for Adam Walsh Act Implementation Grant Program	16.750			234,850
Total U.S. Department of Justice			1,767,531	3,554,364
U.S. Department of Labor				
Labor Force Statistics	17.002			406,197
Compensation and Working Conditions	17.005			33,777
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,448,908
Jobs for Veterans State Grant	17.801			117,520
Total Employment Service Cluster				1,566,428
Unemployment Insurance	17.225			7,459,200
COVID-19 - Unemployment Insurance	17.225			897,982
				8,357,182
Senior Community Service Employment Program	17.235			948,249
WIOA Cluster				
WIOA Adult Program	17.258			482,103
WIOA Youth Activities	17.259			837,723
WIOA Dislocated Worker Formula Grants	17.278			1,159,471
Total WIOA Cluster				2,479,297

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Labor (continued)				
Work Opportunity Tax Credit Program (WOTC)	17.271			100,207
Temporary Labor Certification for Foreign Workers	17.273			4,987
COVID-19 - WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277			530,108
Registered Apprenticeship	17.285			175,000
Occupational Safety and Health State Program	17.503			91,901
Total U.S. Department of Labor			-	14,693,333
U.S. Department of Transportation				
Highway Planning and Construction	20.205			29,668,371
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218			262,730
Federal Transit Cluster				
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507			3,213,808
COVID -19 - Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507			704,402
Total Federal Transit Cluster				3,918,210
Public Transportation Emergency Relief Program	20.527			114,411
Highway Safety Cluster				
State and Community Highway Safety	20.600	147287705	41,606	1,461,110
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703			98,061
Total U.S. Department of Transportation			41,606	35,522,893
U.S. Department of the Treasury				
COVID-19 - Coronavirus Relief Fund	21.019			265,260
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		104,779,873	232,718,153
Total U.S. Department of Treasury			104,779,873	232,983,413
National Endowment for the Humanities				
Promotion of the Arts Partnership Agreements	45.025	135962475	318,235	318,235
Grants to States	45.310			284,688
Total National Endowment for the Humanities			318,235	602,923

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Environmental Protection Agency				
Construction Grants for Wastewater Treatment Works	66.418	138919282	690,271	755,780
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442			156
Water Quality Management Planning	66.454			52,332
Regional Wetland Program Development Grants	66.461		2,034	2,518
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	138919282	8,255,814	8,378,120
Beach Monitoring and Notification Program Implementation Grants	66.472			13,782
Performance Partnership Grants	66.605			1,076,512
Hazardous Waste Management State Program Support	66.801			138,679
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			784
State and Tribal Response Program Grants	66.817			40,670
Total U.S. Environmental Protection Agency			8,948,119	10,459,333
U.S. Department of Energy				
State Energy Program	81.041			348,909
Weatherization Assistance for Low-Income Persons	81.042			91,645
Total U.S. Department of Energy			-	440,554
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002			2,127
COVID-19 - American Rescue Plan - Adult Education - Basic Grants to States	84.002A			386,398
				388,525
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027A			8,266,692
COVID-19 - American Rescue Plan - Individuals with Disabilities Education Act	84.027X			1,499,052
Total Special Education Cluster (IDEA)				9,765,744
Impact Aid	84.041			19,440
State Vocational Rehabilitation Services	84.126A			1,166,510
Independent Living Services for Older Individuals Who are Blind	84.177B			15,789
Special Education - Grants for Infants and Families	84.181			5,368
Special Education - Grants for Infants and Families - Infant & Toddlers/Families (Part C)	84.181A			282,791
				288,159

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Education (continued)				
Comprehensive Literacy State Development	84.371C			302,671
Consolidated Grant to the Insular Areas	84.403A		431,299	16,565,741
Student Support and Academic Enrichment Program	84.424			2,000
COVID-19 - Education Stabilization Fund				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A		4,220,685	27,874,096
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H			2,430,658
COVID-19 - American Rescue Plan - State Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			13,646,923
Total COVID-19 - Education Stabilization Fund				43,951,677
Total U.S. Department of Education			4,651,984	72,466,256
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404			252,104
COVID-19 - HAVA Election Security Grants	90.404			1,100
Total U.S. Election Assistance Commission				253,204
U.S. Department of Health and Human Services				
Aging Cluster				
COVID-19 - Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, CARES Act for Supportive Services Under Title III-B of the Older Americans Act, and American Rescue Plan for Supportive Services Under Title III-B of the Older Americans Act	93.044			145,461
Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Recue Plan for Nutrition Services Under Title III-C of the Old Americans Act	93.045			39,794
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Recue Plan for Nutrition Services Under Title III-C of the Old Americans Act	93.045			1,025,975
Total Aging Cluster				1,211,230

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Health and Human Services (continued)				
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052			5,068
Public Health Emergency Preparedness	93.069			427,342
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			5,113
Maternal and Child Health Federal Consolidated Programs	93.110			64,360
COVID-19 - Maternal and Child Health Federal Consolidated Programs	93.110			319,147
				383,507
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			115,651
Emergency Medical Services for Children	93.127			87,701
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			33,100
Injury Prevention and Control Research and State and Community Based Programs	93.136			66,594
Projects for Assistance in Transition from Homelessness (PATH)	93.150			10,894
Grants to States for Loan Repayment	93.165			8,830
Family Planning-Services	93.217			950,824
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			499,345
COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			(7,480)
				491,865
Early Hearing Detection and Intervention	93.251			255,072
Immunization Cooperative Agreements	93.268			1,277,720
COVID-19 - Immunization Cooperative Agreements	93.268			367,171
				1,644,891
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,256,825
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			3,672,544
				4,929,369
Behavioral Risk Factor Surveillance System	93.336			219,110
COVID-19 - Behavioral Risk Factor Surveillance System	93.336			11,479
				230,589
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			40,338
Head Start Cluster				
Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria	93.356			5,753,095
Head Start	93.600			7,806,912
COVID-19 - Head Start	93.600			229,616
Total Head Start Cluster				13,789,623

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Health and Human Services (continued)				
Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P. R.	93.377			453,171
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			1,247,769
Child Care Development Block Grant (CCDF) Cluster				
Child Care and Development Block Grant	93.575			1,966,453
COVID-19 - Child Care and Development Block Grant	93.575			15,608,033
Total CCDF Cluster				17,574,486
Public Health Training Centers Program	93.516			30,024
Marylee Allen Promoting Safe and Stable Families	93.556			6,661
Temporary Assistance for Needy Families (TANF)	93.558			1,332,588
Payments to Territories - Adults	93.560			775,310
Child Support Enforcement	93.563			6,686,592
COVID-19 - Community Services Block Grant	93.569			240,605
State Court Improvement Program	93.586			69,072
Grants to States for Access and Visitation Programs	93.597			96,003
Stephanie Tubbs Jones Child Welfare Services Program	93.645			24,255
Social Services Block Grant	93.667			5,917,670
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671			143,609
Elder Abuse Prevention Interventions Program	93.747			83,600
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			23,319
				106,919
Children's Health Insurance Program	93.767			3,514,096
Medicare Prescription Drug Coverage	93.770			838,000
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775			452,928
Medical Assistance Program (Medicaid; Title XIX)	93.778			145,022,231
Total Medicaid Cluster				145,475,159
Opioid STR	93.788			64,596
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			896,604
National Bioterrorism Hospital Preparedness Program	93.889			187,786
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			549,391
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			1,144,263
HIV Prevention Activities Health Department Based	93.940			834,300

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Health and Human Services (continued)				
Block Grants for Community Mental Health Services	93.958			272,625
COVID-19 - Block Grants for Community Mental Health Services	93.958			130,534
				403,159
Block Grants for Prevention and Treatment of Substance Abuse	93.959			406,305
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959			302,683
				708,988
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			276,422
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			509,661
				786,083
Mental Health Disaster Assistance and Emergency Mental Health	93.982			261,055
Preventive Health and Health Services Block Grant	93.991			273,119
Maternal and Child Health Services Block Grant to the States	93.994			1,427,597
Total U.S. Department of Health and Human Services			-	216,756,531
Corporation for National and Community Service				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002			32,380
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011			114,031
Total Corporation for National and Community Service			-	146,411
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	132,432	132,432
Boating Safety Financial Assistance	97.012			518,596
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	134,242,935	268,658,468
Hazard Mitigation Grant Program	97.039	825544042	5,812,414	14,083,943
Emergency Management Performance Grants	97.042			828,341
COVID-19 - Emergency Management Performance Grants	97.042			245,731
				1,074,072
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			3,600
Homeland Security Grant Program	97.067	825544042	201,307	2,135,706
Earthquake State Assistance	97.082			19,001
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			71,246
Total U.S. Department of Homeland Security			140,389,088	286,697,064
Total Expenditures of Federal Awards			$ 264,782,964	$ 997,950,271

See accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all Federal award programs administered by the Government of the United States Virgin Islands (the Government), the Virgin Islands Public Finance Authority (a blended component unit), The West Indian Company Limited (WICO), and viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN) as of and for the year ended September 30, 2023, except that certain organizational units (as defined previously) are excluded as they contract for separate audits in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Further, because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position and changes in net position of the Government.

2. Basis of Presentation

Federal award programs include direct expenditures, monies passed through to nonstate agencies (i.e., payments to subrecipients) and nonmonetary assistance. The Schedule presents total Federal awards expended for each individual Federal program in accordance with the Uniform Guidance. Federal award program titles are reported as presented in the Assistance Listing Number (ALN). Federal award program titles not presented in the Assistance Listing are identified by the Federal awarding agency's two-digit prefix (or 99) followed by (contract number or UNKNOWN).

3. Basis of Accounting

The expenditures for each of the Federal award programs are presented in the Schedule on a modified accrual basis, except for nonmonetary programs, which are presented based on the fair value of the food stamps (ALN 10.551 in the amount of $83,914,825) and the food cost (ALN 10.557 in the amount of $3,060,652) distributed during the year. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. The Government's accounting system provides the primary information from which the Schedule is prepared.

4. Matching Costs

Matching costs, such as the non-federal share of certain program costs, are not included in the accompanying Schedule, except Unemployment Insurance (ALN 17.225), as indicated in Note 8.

5. Indirect Cost Rate

The Government has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

6. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in Note 3.

7. Rebates from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

During fiscal year 2023, the Government received cash rebates from infant formula manufacturers in the amount of approximately $720,661 on sales of formula to participants in the WIC program (ALN 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

8. Unemployment Insurance

The U.S. Department of Labor in consultation with the U.S. Office of Management and Budget officials has determined that for the purpose of audits and reporting under the Uniform Guidance, State or Territory Unemployment Insurance (UI) funds as well as Federal funds should be considered Federal awards for determining Type A programs. A State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under ALN 17.225.

Territory UI Benefits (Trust Fund)	$ 5,125,575
Federal UI Benefits (Administration)	3,231,607
Total	$ 8,357,182

9. Research and Development Programs

The Government may receive and expend Federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2023, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

10. Contingencies

The Government is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the impact of any disallowed grant expenditures would not have a material adverse effect on the Government's financial position, changes in net position, or liquidity. Also see Note 11.

11. Subsequent Events

Hurricane Recovery

The Government is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Government continues the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions. Through November 2025, federal assistance awarded to the Territory included $21.6 billion in FEMA Public Assistance grants, $77.2 million in Federal Highway grants, $199.5 million in FEMA Hazard Mitigation grants, $1.1 billion in Community Development Block Grants, and $215.0 million in other grants for a total of $23.1 billion.

In February 2024, President Biden agreed to raise the cost share of all FEMA assistance grants for hurricane recovery in the Territory from 90.0 to 95.0 percent, including retroactively. In addition, President Biden agreed to raise the federal cost share to 98.0 percent in the case of larger critical infrastructure rebuilding projects approved before September 30, 2024, and completed before 2026.

Global Pandemic and Economic Relief Legislation

Through November 2025, federal grants and assistance received by the PG related to COVID-19 amounted to $729.7 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

Improper Procurement Activities and Irregularities

The United States Department of Justice conducted an investigation resulting in the conviction of three members of the Government's management team for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2023, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures. These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms. No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Disclaimer
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely Presented Component Units	Adverse

Internal control over financial reporting:

• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified?	X Yes	___ None reported
Noncompliance material to financial statements noted?	X Yes	___ No

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified?	X Yes	___ None reported
Type of auditors' report issued on compliance for major federal programs.	See table below	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No
Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	___ Yes	X No

Type of auditor's report issued on compliance for major federal programs:

Assistance Listing Number(s)	Major Federal Program or Cluster	Opinion
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Qualified
10.555, 10.559, 10.582	Child Nutrition Cluster	Unmodified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
10.578	WIC Grants to States (WGS)	Qualified
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Adverse
15.605, 15.611	Fish and Wildlife Cluster	Qualified
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance	Adverse
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Qualified
84.027A, 84.027X	Special Education Cluster (IDEA)	Unmodified
84.403A	Consolidated Grant to the Insular Areas	Qualified
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Unmodified
93.356, 93.600	Head Start Cluster	Qualified
93.489, 93.575	Child Care Development Block Grant (CCDF) Cluster	Adverse
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program	Adverse
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Qualified
97.039	Hazard Mitigation Grant Program	Unmodified
97.067	Homeland Security Grant Program	Unmodified

Section II - Financial Statement Findings

Finding 2023-001: Year-End Close Process and Financial Deficit

A. Timeliness and Methodology of Close Process

Criteria **-** Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Condition **-** We observed a significant delay in the year-end closing process and the preparation of the Government's year-end financial statements. In numerous instances, account reconciliations were not finalized until the audit process was already in progress, resulting in a substantial lag after the Government's fiscal year-end. As a result, detailed schedules supporting general ledger accounts did not consistently agree to the corresponding general ledger balances.

During the audit, significant post-closing adjustments were identified and provided by management. We also noted these post-closing adjustments were not recorded in the accounting system; instead, they were maintained in a manual Excel working trial balance.

In addition, our review of the Government's draft financial statements identified inconsistencies and omissions in the footnote disclosures, as well as inconsistencies in the classification and reporting of certain account balances. Specifically, we noted the following:

- The Government did not include required disclosure for refundable advances in the notes to the draft financial statements.
- The Government received settlement proceeds of approximately $97.0 million, which were classified as operating revenue rather than as a special item reported within other financing sources in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Further, the proceeds should have been reported as restricted fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Paragraph 8 of GASB 54 states that restricted fund balance includes amounts restricted to specific purposes by enabling legislation.

Cause **-** The adjustments, omissions, and errors found appear to result from internal controls not being performed at an appropriate level of precision to prevent, or detect and correct, financial statements misstatements and limited resources of financial personnel.

Effect or Potential Effect **-** Delays in the year-end closing process and in the preparation of financial statements increase the risk that errors may remain undetected, thereby compromising the accuracy of financial reporting. When account reconciliations are not completed prior to the audit, stakeholders may be presented with incomplete or inaccurate information, which can adversely affect decision-making. Maintaining post-closing adjustments in a manual Excel file, rather than within the accounting system, increases the risk of errors and diminishes transparency. Inconsistencies and omissions in footnote disclosures may result in misleading financial statements. Collectively, these issues may hinder the Government's ability to comply with applicable accounting standards and may undermine stakeholder confidence in the integrity of its financial statements.

Recommendation **-** We recommend the Government strengthen and formalize its year-end close and financial reporting processes by implementing documented policies and procedures and by implementing and consistently following a comprehensive year-end closing calendar to ensure the timely completion of all closing activities and the preparation of the financial statements. These policies and procedures should: (1) establish and monitor a close calendar with clearly defined due dates for account reconciliations, accruals, supporting schedules, and internal review and approval prior to audit fieldwork; (2) require timely reconciliation of all balance sheet accounts, including documented supervisory review, and ensure supporting schedules agree to the general ledger before drafting the financial statements; (3) strengthen the reconciliation review process to include tests of mechanical accuracy and tracing reconciling items to relevant source documentation, including confirmation with departments independent of Accounting, and require unreconciled differences to be identified, investigated, and resolved timely with necessary journal entries recorded to prevent recurrence; (4) record all material post-closing adjustments promptly in the accounting system, rather than maintaining adjustments solely in a manual Excel working trial balance, and retain appropriate approvals and audit trail documentation to enhance accuracy, transparency, and auditability; and (5) provide targeted training to accounting and financial reporting personnel on generally accepted accounting principles (GAAP)/GASB financial reporting and classification requirements.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. GVI does not expect this finding to be resolved immediately; however, by addressing challenges across various areas of fiscal management on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training, we believe significant improvements will be evident by fiscal year 2026. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Component Units Reporting

Criteria **-** GAAP requires that component units be included in the Government's financial statements, either as blended or discretely presented entities, with appropriate disclosures in the footnotes. GAAP also emphasizes the need for consistent classification and reporting of component units, and mandates that all significant disclosures related to component units be incorporated within the Government's financial statements.

Condition **-** As of September 30, 2023, several of the Government's components did not have audited financial statements nor reported their 2023 financial transactions in the financial statements. These include Virgin Islands Port Authority, Virgin Islands Water and Power Authority, Virgin Islands Economic Development Authority, Virgin Islands Housing Finance Authority, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), University of the Virgin Islands, Magens Bay Authority, University of the Virgin Islands, and Virgin Islands Research and Technology Park Corporation. In addition, our review of the Government's draft financial statements identified inconsistencies and omissions in component unit transactions and disclosures, as well as inconsistencies in the classification and reporting of component units account balances between the current and prior years.

Cause **-** The lack of audited financial statements for several component units is primarily attributable to delays in completing their audits. The inconsistencies and omissions in component unit disclosures and in the classification and reporting of component unit account balances, resulted from inadequate oversight and coordination of the financial reporting process, limited financial reporting resources, and inconsistent adherence to established accounting policies.

Effect or Potential Effect **-** The absence of audited financial statements for several component units, together with the inconsistencies and omissions in related disclosures and reporting, may result in the Government's financial statements not presenting an accurate or complete picture of its financial position and operations. These deficiencies may impair the reliability and transparency of financial information provided to stakeholders (including oversight bodies, investors, and the public), increase the risk of material misstatements, hinder informed decision-making, and potentially result in noncompliance with GAAP and other applicable requirements.

Recommendation – We recommend the Government take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. In addition, the Government should strengthen its oversight and coordination of the financial reporting process by establishing and enforcing clear policies and procedures for the classification, reporting, and disclosure of component unit information. The Government should also implement regular communication and targeted training with component unit personnel to promote GAAP compliance and to ensure the consistency and completeness of financial statement preparation and related footnote disclosures.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Deficits in Unrestricted Net Position

Criteria **-** A sound financial position is essential for the effective day-to-day operations of the Government. In accordance with GAAP requirements, unrestricted net position should be sufficient to meet operational needs and provide a cushion for unforeseen expenditures.

Condition **-** Our review of the Government's financial position indicates it continues to experience significant financial challenges. The deficit in unrestricted net position is primarily attributable to recurring operating losses, substantial debt service requirements, unfunded pension and other postemployment benefits (OPEB), significant capital assets impairment related to prior-year hurricanes, and reduced tax revenues associated with broader economic challenges following the recent coronavirus (COVID-19) pandemic. Collectively, these factors have materially and adversely affected the Government's financial stability.

Cause **-** Recovery costs associated with the 2017 hurricanes have significantly strained available resources. In addition, unfunded pension and OPEB obligations continue to exert pressure on financial results. These conditions were further exacerbated by the COVID-19 pandemic, which disrupted operations and negatively impacted revenue streams, resulting in additional fiscal constraints.

Effect or Potential Effect - In recent years, the Government has incurred substantial operating losses, contributing to a continuing deficit in unrestricted net position. This condition has resulted in the inclusion of an emphasis-of-matter paragraph in the audit opinion. Addressing these conditions is critical for the Government to meet obligations related to debt service, pension and OPEB liabilities, and employer premium contribution requirements, and to maintain access to future bond markets. If negative results continue, the Government's overall financial position and cash flows may be further adversely affected.

Recommendation - Management has initiated actions intended to stabilize and improve the Government's financial position through a comprehensive, multi-faceted plan that includes legislative measures to enhance revenue, cost-reduction initiatives, and proposed increases in employee pension contributions. The Government has also received significant federal assistance related to the 2017 hurricanes and the COVID-19 pandemic.

We further recommend that management continue to develop and implement long-term financial plans and balanced budgets aimed at generating sustainable operating results, avoiding recurring deficits, and rebuilding unrestricted net position.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The OMB Director, in collaboration with the DOF Commissioner and approved by the Governor, will continue to submit budgets with conservative projections, work closely on federal drawdowns to replenish government funding, and pursue austerity measures and other mechanisms to stay within the annual budget. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Government Insurance Fund

Criteria - The Government Insurance Fund should maintain sufficient employer premium contributions to cover claims and operational costs, thereby ensuring the Fund's financial stability. Timely and accurate actuarial reports should be prepared and reviewed annually to assess the Fund's financial position.

Condition - We noted financial strain from claims due to a mismatch between the employer premium contributions and claim costs within the Government Insurance Fund. It appears that losses since the 2008 financial crisis have exceeded the premiums collected, in addition to the operational costs associated with administering the workers' compensation portion of the Fund.

Cause - For several years, the Government has experienced sustained claims costs that exceeded premium revenues and other funding sources. Management did not adjust premium base rates sufficiently to cover claims liabilities, resulting in continued use of fund balance and accumulation of a deficit in the Government Insurance Fund. In addition, delays in obtaining and implementing actuarial recommendations have contributed to the underfunding of the liability.

Effect or Potential Effect - As a result, the Government Insurance Fund may not have sufficient resources to meet future workers' compensation obligations as they become due. This underfunding could increase reliance on general government resources to cover benefit payments, potentially delay claim settlements, and heighten fiscal pressure on the Government's overall financial position.

Recommendation **-** To support continued solvency, we recommend that management evaluate claims adjudication and related processes to identify opportunities to reduce costs, as an alternative to increasing potentially mandated employer contribution formulas. Management should also consider engaging an advisor to evaluate alternatives that could reduce the frequency and severity of losses.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Journal Entries

Criteria **-** Implementing role-based access controls for recording of journal entries play a crucial role in ensuring the accuracy of accounting data and information included in various interim financial statements and/or reports.

Condition **-** We noted that several individuals have access rights to create, approve, and post journal entries. In addition, during our review of journal entries, we selected eight (8) journal entries and noted that two (2) were created and posted by the same user, with no evidence of review by other authorized personnel.

Cause **-** The lack of segregation of duties and insufficient oversight in the journal entry process may have resulted from inadequate access control policies and a lack of formalized procedures for review and approval.

Effect or Potential Effect **-** Errors or fraudulent entries may be recorded in the financial records.

Recommendation **-** We recommend that management enhance access controls to ensure segregation of duties in the journal entry process. In addition, management should establish a formal review and approval procedure, including documented evidence of oversight by the Department of Finance, to support the integrity and accuracy of the financial records.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-002: Revenue and Receivables

A. Reconciliation of Subsidiary Registers

Criteria - The Bureau of Internal Revenue (the Bureau) administers the U.S. Virgin Islands' tax laws, managing income, gross receipts, excise, highway users', hotel room, entertainment, and fuel taxes. The Division of Real Property Tax assesses all taxable properties, prepares and mails tax bills, and collects property taxes. The Government maintains subsidiary registers from its tax systems. A systematic process should be established to regularly reconcile these registers with tax receivable general ledger balances, ensuring consistency, accuracy, and completeness in financial records, in line with best practices.

Condition - We noted the following:

- The Government does not reconcile its subsidiary registers with its tax receivable general ledger account balances.
- During our review of the real property tax receivable schedule prepared under the modified accrual basis, we noted that the schedule did not include the most recent collections from October to November 2023, amounting to $1.2 million, and therefore required an adjustment.

Cause - The Government does not appear to adhere to established written policies and procedures regarding the proper reconciliation and reporting of revenue and receivables.

Effect or Potential Effect - This condition could result in improper recording of revenue and receivables and may lead to a misstatement in financial statements.

Recommendation - To prevent the need for major adjustments to the impacted tax receivable and revenue accounts at the end of each year, we recommend that the general ledger accounts be reconciled to the detailed records on a quarterly basis. A strong control system over receivables, including an accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, will help prevent audit adjustments at year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Tax Return Processing Method

Criteria - The Government uses a manual process to batch tax returns by type and tax year before entering them into the VITAX system. Best practices and internal control standards require that all data entered into financial systems be thoroughly reviewed and verified for accuracy and completeness. Manual data entry should be regularly checked and validated, to reduce errors and protect the integrity of financial information.

Condition **-** We noted the following:

- Manual tax return data entry is reviewed on a random-sample basis, and the Bureau relies on the system's automated edit checks to identify errors. Although automated edit checks detect many errors, they do not ensure the complete accuracy of the information entered. Relying primarily on automated edit checks and random sample reviews does not fully ensure the accuracy and reliability of the entered data.
- During our testing of gross receipts taxes receivable, we sampled and selected eleven (11) transactions and identified one (1) instance that was incorrectly included in receivables.

Cause **-** The reliance on random sampling and automated edit checks for manual data entry review may result from limited resources and a lack of comprehensive review procedures. This approach may lead to potential inaccuracies, as the system's checks do not ensure complete data accuracy. Additionally, error in recording receivables may occur due to insufficient review or weakness in internal controls over receivable process.

Effect or Potential Effect **-** This condition increases the risk of data omissions, typographical errors, entries posted to incorrect fields, and potential fraudulent data entry. Further, the inclusion of incorrect transactions in receivables may result in an overstatement of assets and negatively affect the accuracy of the financial statements.

Recommendation **-** We recommend that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen internal controls over data entry and the recording of receivables. In addition, implementing regular reconciliations will help ensure the accuracy of receivable balances.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Real Property Tax

Criteria **-** Timely preparation of comprehensive and accurate real property receivable aging schedule is key to maintain adequate control over the Real Property Tax receivables.

Condition **-** We noted the following:

- Tax billings were issued to non-taxable properties owned by the Government and its component units.
- During our testing of real property tax receivable, we sampled and selected five (5) transactions and were unable to recalculate the related interest. The Government was unable to determine the cause of the variances.

Cause **-** The issuance of tax billings to non-taxable properties and the incorrect calculation of penalty interest may be due to inadequate system controls and oversight. These issues could result from outdated property records, insufficient training, or a lack of detailed review processes, leading to errors in billing and interest calculations.

Effect or Potential Effect **-** The issuance of tax billings to non-taxable properties and the incorrect calculation of penalty interest may lead to financial inaccuracies and potential disputes. This could result in overstatement of receivables, misallocation of resources, and diminished trust in the Government's financial management practices.

Recommendation **-** Management should review and identify properties owned by the Government and its component units within the tax roll listing to ensure appropriate tax credits/exemptions are applied. Management should also implement enhanced controls to ensure tax billings are issued only to taxable properties. In addition, management should review and correct the penalty interest calculation methodology to ensure it reflects the appropriate time period. Regular internal reviews and staff training should be conducted to help prevent future discrepancies.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Recording of Notes Receivable

Criteria **-** Governmental Accounting Standards require that assets and related income be accurately recorded in the financial statements in accordance with the terms of underlying agreements. In addition, effective internal controls should ensure that schedules are properly maintained and reconciled to general ledger on a regular basis.

Condition **-** In fiscal year 2019, the Government amended and restated its operating agreements with Limetree Bay Terminals, LLC, which included the sale of certain capital assets in exchange for cash and a long-term promissory note. The promissory note has a ten-year term, with interest payments due semi-annually. During our review of the amortization schedule for the promissory note, which is recorded as notes receivable, we identified that principal receipts were incorrectly recorded as interest income. As a result, both notes receivable and interest income were overstated by $4.5 million as of and for the year ended September 30, 2023, and an adjustment was required.

Cause **-** The Government does not appear to have a process in place to adequately monitor and reconcile related revenues and receivables.

Effect or Potential Effect **-** This resulted in the improper recording of revenue and receivables, leading to a misstatement in the financial statements.

Recommendation **-** To prevent the need for adjustments to receivable and revenue accounts, we recommend that the general ledger balances be reconciled to detailed supporting records on a regular basis.

A strong control system over receivables, including an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, will help prevent audit adjustments at year-end.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will ensure that the general ledger accounts are reconciled to detailed supporting records on a regular basis. In addition, the Government will strengthen controls over receivables, which includes an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, to help prevent audit adjustments at year-end. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-003: Grants Management

A. Control Systems Over the Schedule of Expenditures of Federal Awards

Criteria - The Government receives grant and contract funds from various funding agencies, necessitating a robust accounting system to record specific grant and contract activities. The flow of accounting transactions into the ERP system is crucial for designing and maintaining strong controls over the Schedule of Expenditures of Federal Awards (SEFA). It is essential that SEFA expenditures between the Government's ERP system and individual agency or departmental records, where the respective Federal programs are managed and administered, are reconciled consistently. Additionally, compliance with laws and regulations associated with any accepted grant or contract must be ensured.

Condition - We noted the following:

- Significant transactions paid to, or transferred to, various Government departments were erroneously reported as subrecipient transactions.
- Approximately $43.5 million in expenditures pertaining to Assistance Listing Number (ALN) 21.027, *Coronavirus State and Local Fiscal Recovery Funds*, had not been recorded as expenditures and required an adjustment.

Cause - It appears that internal controls over the SEFA were not properly designed and implemented.

Effect or Potential Effect - Erroneously reporting significant transactions paid to, or transferred to, various Government departments as subrecipient transactions may result in misclassification of expenditures in the financial statements. In addition, failure to record the expenditures results in the understatement of expenditures in both the SEFA and financial statements. These conditions may impair the accuracy and reliability of financial reporting, potentially resulting in noncompliance with applicable accounting standards and grant requirements. Further, they may affect the allocation and monitoring of funds, hinder effective oversight, and increase the risk of audit findings and/or questioned costs.

Recommendation - The Government should perform regular reconciliations of the SEFA to underlying accounting records and grant documentation to ensure all expenditures are accurately recorded. Any discrepancies identified should be promptly investigated and corrected. In addition, the Government should continue to enhance communication and reconciliation procedures between the centralized agency responsible for collecting SEFA information and each agency administering federal grant programs to prevent the recurrence of errors and misclassifications.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Federal Grants and Contributions

Criteria - The Government receives grant and contract funds from various funding agencies. These situations necessitate a strong accounting system to record specific grant and contract activities. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Condition - Based on our review of the schedule of grants and contracts, we noted that the Government is not monitoring its outstanding federal receivables on a periodic basis. We observed an improvement in record-keeping, as the Government has implemented a process to establish discrete and separate receivable balances on a per grant/project basis; however, key components are lacking, including the following:

- There is no readily verifiable information regarding the aging and collection of prior-year receivables, nor an assessment of the adequacy of the allowance for uncollectible accounts. Specifically, there is no documentation that matches each cash receipt to the related expenses and indicates the period in which the expense was incurred.
- The Government was unable to provide supporting documentation for eight (8) of one hundred forty-eight (148) sampled transactions related to drawdowns made during fiscal year 2023.
- The Government was unable to provide supporting documentation to support proper revenue recognition for eight (8) of one hundred sixty-one (161) sampled transactions related to federal grant revenues.

Cause - The Government does not appear to have a process in place to adequately monitor federal receivables and does not maintain proper accounting records for financial transactions.

Effect or Potential Effect - This condition makes it difficult to establish and support individual receivable balances and related deferrals for grants and contracts, may obscure items that have been inactive for many years, and can create confusion regarding the true level of activity. Additional time and effort were required during the audit to reconcile balances and locate supporting documentation or alternative evidence. This condition also increases the risk of errors and potential fraudulent transactions.

Recommendation - We recommend that receivables be tracked by each individual Government agency, including the following:

- Maintain a drawdown schedule that identifies the expenses included in each drawdown for each federal program and the period in which the expenses were incurred.
- Attach a copy of each drawdown request, including evidence of required approvals, in the ERP system, along with the corresponding bank statement evidencing receipt of funds from the federal government.
- Include, within the ERP system, a detailed listing of the expenses supporting the amounts drawn down. This detail should include, as applicable, the invoice date, payroll period, and check date.

- Produce and maintain detailed reports and supporting records at defined intervals for review and analysis by management, independent auditors, and oversight bodies. Management should also consider strict adherence to, and/or revision of, its records retention policy.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will track receivables for each agency by maintaining detailed drawdown schedules for federal programs, attaching supporting documentation and approvals in the ERP system, and including a listing of expenses (with invoice date, payroll period, and check date) to support each drawdown. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Federal Grants Accounting

Criteria **-** The Government's Treasury Division is responsible for managing grant and contract cash receipts. A strong control system over grants management includes an accurate accounting system that performs timely reconciliations to ensure proper financial reporting.

Condition **-** Based on our review and testing of the schedule of grant revenues, we noted that local reimbursements amounting to $4.9 million into the Asset Recovery Fund were improperly reported as Federal grant revenue and required an adjustment.

Cause **-** The Government does not appear to have a process in place to adequately monitor federal revenues.

Effect or Potential Effect **-** Grant revenues could be overstated, and liabilities understated, due to a lack of timely reconciliations, leading to inaccuracies in the reported financial position.

Recommendation **-** Management should ensure strict adherence to its reconciliation and review policies and procedures and establish a process for regular monitoring of federal grant revenues.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues. A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Report Submission

Criteria **-** 2 CFR 200.512, *Report Submission*, establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition **-** We noted that the Government did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2023.

Cause **-** This appears to be the result of a lack of design and implementation of internal controls to ensure compliance with the reporting requirement.

Effect or Potential Effect **-** Non-compliance can jeopardize the Government's eligibility for current and future Federal funding.

Recommendation **-** We recommend that the Government establish controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will improve audit and grant management processes by establishing a centralized annual reporting calendar, utilizing Amplifund for compliance and automated reminders, developing standardized policies and procedures across all agencies, and providing supplemental resources such as cheat sheets, checklists, and training guides. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-004: Capital Assets and Related Expenditures

A. Record Keeping

Criteria **-** GASB Statement No. 34 requires capital asset transactions reporting in the government-wide financial statements. The Government's policies and procedures require the timely reporting of all transactions in the ERP system.

Condition **-** During our procedures over capital asset additions, we noted the following:

- Twenty-four (24) invoices for capital asset additions, totaling $6.6 million during the year, were not included in the initial listing of additions and required an adjustment. Of these, five (5) invoices related to prior years.
- Two (2) invoices for assets capitalized during the year, which related to fiscal year 2022, were recorded in the incorrect period and required an adjustment.
- We were unable to determine whether adjustments were required to opening balances related to capital assets and accumulated depreciation.

Cause **-** Supervisory reviews and other checks and balances may not be timely or effective in all instances due to manual processes. The Government does not maintain proper accounting records for financial transactions, which may be attributable to insufficient internal controls or oversight of the documentation process for capital asset additions.

Effect or Potential Effect **-** Capital asset balances reported in the financial statements may be understated or incomplete, potentially leading to inaccurate reporting of total assets.

Recommendation **-** We recommend that the Government strengthen its procedures for recording and reviewing capital asset additions to ensure that all relevant invoices are accurately and timely included in the asset listings. This should include implementing periodic reconciliations between supporting documentation and the capital asset register, as well as providing additional training to staff on proper cut-off procedures and period-end reporting requirements. Enhanced controls will help prevent omissions and misstatements, ensure accurate financial reporting, and reduce the need for subsequent adjustments.

Views of Responsible Officials **-** The Government concurs with the auditor’s findings and recommendations. DOF has rerouted that specific payment through the regular Accounts Payable invoice processing, which is captured in the spool. This took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary. Also, effective immediately is the updated Policy and Procedures (SOPP 130), which establishes a timeline for D&A invoice submissions. The planned corrective actions are presented in the Government’s Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Reconciliation and Review of Subsidiary Registers

Criteria - The Government maintains a subsidiary asset register for the purpose of calculating depreciation for all assets. A systematic process should be established to regularly reconcile subsidiary asset register to ensure consistency, accuracy, and completeness of records in line with best practices.

Condition - Based on our review of the subsidiary asset registers, we noted that the subsidiary registers for land contained a significant number of properties that are grouped into only few asset numbers instead of being recorded as individual properties. Also, certain depreciable assets recorded as additions during the fiscal year in the registers had inaccurate depreciation start dates.

Cause - The Government does not maintain proper supporting documentation to verify the accuracy of the capital asset subsidiary register.

Effect or Potential Effect - The practice of grouping a significant number of properties under only a few asset numbers, rather than recording them individually, may result in inaccuracies in asset management and financial reporting. This can lead to difficulties in tracking and valuing individual properties, increasing the risk of misstatements in the financial statements. In addition, inaccurate depreciation start dates increase the risk of misstatements to depreciation expense in the financial statements.

Recommendation - We recommend that the Government reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

In addition, asset transfers to and from the Government should be monitored promptly, and asset custodians should be regularly reviewed to ensure that all central Government assets are properly accounted for and that formal title transfers have occurred, as applicable.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Construction in Progress (CIP) Monitoring

Criteria - Effective internal control standards and best practices require that construction in progress be monitored on a regular and systematic basis to ensure that projects are completed on time, within budget, and in accordance with established specifications. Timely analysis and review of project status, as well as the prompt recording of necessary adjustments, are essential to maintaining accurate financial records and supporting sound project management.

Condition - We noted the following:

- During our sampling procedures over construction in progress activity, we identified one (1) project totaling $59.3 million, out of nineteen (19) projects, that had been confirmed as completed but had not been transferred to the completed asset category and therefore required an adjustment.
- The Government adopted the method of using the 'release of claims' date as the date a project is placed in service. However, we noted inconsistent application of this methodology:
    - In some instances, the 'release of claims' date did not correspond with the actual date the project was completed and placed in service, as confirmed by the project managers.
    - In other instances, the 'release of claims' date was not utilized; instead, the date of the last invoice received on the project or the 'substantial completion letter' was utilized as the indicator of when the project was completed and as the depreciation start date.

Cause - The Government does not maintain proper supporting documentation to verify CIP activity, and there is inconsistency in the methods used to determine project completion during the fiscal year. Additionally, confirmation procedures were not performed in a timely manner, resulting in outdated or inaccurate CIP information.

Effect or Potential Effect - Failure to timely transfer completed projects from construction in progress to the completed asset category, combined with inconsistent application of the methodology for determining the date a project is placed in service, may result in misstatements of capital asset balances and related depreciation in the financial statements. This can impact the accuracy and reliability of financial reporting, hinder effective asset management, and potentially lead to noncompliance with applicable accounting standards.

Recommendation - With the increase in the number of CIP projects, it is imperative to maintain a robust system for recording project costs accurately and timely, as well as consistently monitoring project status with the respective project owners. It is critical that the Government reconciles these costs with the reports and records of the project managers, related invoices, contracts, and amendments, ensuring alignment with contract costs and capital expenditure budgets. Further, a consistent method should be applied for determining project completion and transferring assets to the appropriate depreciable asset class.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works, Assistant Commissioner of Finance and Director of Fiscal to build an internal procedure to ensure that the correct documentation is available and even supported at the time of invoice entry and/or at minimum be able to be provided to Capital Asset Coordinators. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Capital Assets Impairment Process

Criteria **-** Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include amongst others, evidence of physical damage.

Condition **-** We noted the following regarding the Government's capital assets impairment process:

- While an annual impairment assessment was performed by the Department of Property and Procurement (DPP), the process to ensure completeness of the impairment assessments across the asset classes was not readily addressed. Moreover, conclusions reached by DPP should be processed and accounted for by the Department of Finance and adjustments recorded in the asset registers, as necessary.
- Certain assets were not readily traceable to the asset registers due to lack of proper ID. This may result in improper accounting of the transaction(s) with respect to the derecognition of the assets from the books.
- Some damage assessments for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them. Further, each division or department seemed to have its own separate process or methodology.

Cause **-** Each division or department appeared to have its own separate process or methodology for conducting damage assessments, leading to inconsistencies.

Effect or Potential Effect **-** The lack of coordination between departments may cause delays in processing and accounting for impairment conclusions, resulting in untimely adjustments in the asset registers. Additionally, the use of different processes or methodologies by various divisions or departments can lead to inconsistent impairment data, complicating the comparison and consolidation of information across the organization.

Recommendation **-** We recommend that the Government implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts should be readily available for analysis by external parties and should be compared to the detailed capital asset subsidiary ledger. These results should be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It should also be noted that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations and will establish a formal process for annual impairment assessments, ensure physical count results are available and reconciled with asset records, and communicate findings to the Department of Finance for necessary adjustments. Additionally, the Government will maintain an inventory management system to track federally funded assets. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Capital Assets - Business-Type Activities

Criteria - Capital assets constitute an investment of substantial amounts, thereby requiring an excellent system of controls for the maintenance and safeguarding of these assets.

Condition - The Government is currently utilizing an excel worksheet to monitor capital assets within its business-type activities. The Government began the process of uploading additions into the ERP asset registers in fiscal year 2017. However, the asset register for the beginning balances has yet to be uploaded.

Cause - There may be resource constraints, such as insufficient staffing, budget limitations, or lack of technical expertise, hindering the complete transition to the ERP system.

Effect or Potential Effect - Manual data entry and maintenance in separate spreadsheets heightens the risk of errors, such as data entry mistakes, formula inaccuracies, and inconsistencies.

Recommendation - We recommend the completion of the automation process for these assets and implementation of subsequent review and reconciliation procedures in order to ensure that accurate and timely information is available.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-005: Recording of Liabilities

A. Retroactive Pay Liability

Criteria - An effective control system for liability calculation requires an accounting system that performs timely reviews to ensure accurate financial reporting and that all liability transactions are properly recorded and adequately supported. For union employees in various Government departments, salaries are negotiated and agreed upon through Collective Bargaining Agreements (CBAs). The Government is responsible for accurately calculating and recording liabilities arising from unpaid salary increases that have been collectively bargained but not paid to employees. As new and existing contracts are negotiated or renegotiated and signed, it is essential that the accounting system reflects these obligations to ensure the completeness and accuracy of reported liabilities.

Condition - We noted that currently there is a $147.0 million retroactive pay liability reflected in the books and records; however, the supporting schedules can only confirm $138.3 million, which is based on an analysis of CBAs from the initial retroactive pay wage commission findings. Additionally, approximately 65.0% of the Government's employees are paid varying rates, based on different CBAs. We also noted that several CBAs have not been evaluated, implemented, ratified, or accrued for.

Cause - This discrepancy between recorded and confirmed retroactive pay liabilities may be attributable to errors in calculation, incomplete data, or a lack of proper reconciliation. Additionally, the Government lacks adequate controls and a formalized process for implementing negotiated CBAs.

Effect or Potential Effect - The lack of evaluation, implementation, ratification, and accrual for several CBAs may result in further inaccuracies in the Government's financial records. This situation could adversely impact budget planning, financial reporting, and compliance with contractual obligations.

Recommendation - We recommend that management conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management should evaluate, implement, ratify, and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. Additionally, management should establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will thoroughly review and reconcile retroactive pay liabilities, ensure all amounts are supported by detailed schedules, and properly account for outstanding CBAs. A centralized master file of pay rates will be maintained and periodically reviewed for accuracy. These measures will improve financial reporting, compliance, and budget planning. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Medical Malpractice Liability

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review. Specifically, for the Reciprocal Insurance Fund, all disbursements related to payments of medical malpractice claims must be accurately recorded and supported by appropriate documentation, with oversight to confirm compliance with established policies and procedures.

Condition - The Government has not completed the necessary analysis to determine and record a quantifiable and estimated liability for medical malpractice claims, as required by generally accepted accounting principles.

Cause - Lack of controls and procedures around the Government's claims data process.

Effect or Potential Effect - The Government's inability to gather and generate the necessary information for an actuary to compile an estimated liability at year-end has resulted in records that do not permit, or make it practical to extend, audit procedures sufficiently to determine the extent of impact on Business-Type Activities and Aggregate Remaining Fund Information as of, and for the year ended, September 30, 2023. This oversight may lead to underreported liabilities, adversely affecting the Government's financial position and increasing the risk of noncompliance with accounting standards.

Recommendation - We recommend that the Government undertake a comprehensive analysis to identify, quantify, and record an estimated liability for medical malpractice claims in accordance with generally accepted accounting principles. Management should ensure that all relevant data is collected and maintained to facilitate actuarial assessments and accurate financial reporting. Additionally, procedures should be established to regularly review and update the estimated liability to reflect changes in claim activity and ensure ongoing compliance with applicable accounting standards.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Accounts Payable

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review.

Condition - At present, the Government's general ledger control account for accounts payable does not agree with the subsidiary ledger balances throughout the entire fiscal year. This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which is based solely on subsequent events when performing the yearly financial statement close process.

This practice, in turn, is based on a system functionality wherein, the accounting system does not allow for recording or accrual of invoices when the obligation is incurred, but rather when the corresponding allotment has been approved by OMB. This also impacts the accuracy of capital asset recordation, as accruals for goods and services received are not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods. In addition, during our review and inquiry of subsequent disbursements, we noted that accounts payable did not include accrual of invoices totaling $1.1 million for services performed as of year-end and therefore required an adjustment. The Government records accounts payable in total at year-end and does not record or track accounts payable at the individual project level, and therefore, by each federal program. Further, during our review of Medicaid claims accrual from the Molina MMIS system, we noted that the Government did not record the required year-end accrual of $11.6 million and an adjustment was necessary.

Cause - This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which relies solely on subsequent events during the yearly financial statement close process. This practice is based on a system functionality in which the accounting system does not allow for the recording or accrual of invoices when the obligation is incurred, but only when the corresponding allotment has been approved by OMB.

Effect or Potential Effect - These practices result in significant adjustments during the annual financial statement close process and necessitate manual reconciliation of capital expenditures and accounts payable. Furthermore, supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities may not be timely or effective in all instances, increasing the risk of inaccuracies in financial reporting and potential misstatements in the financial statements.

Recommendation - Management should consider utilizing the ERP Accounts Payable module more consistently to reduce the manual efforts currently involved in establishing accounts payable. We recommend that controls be enhanced to ensure that all invoices for services performed as of year-end are properly accrued. In addition, the Government should strengthen supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities to improve the accuracy and timeliness of financial reporting.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices. Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Landfill Closure and Post-Closure Costs Liability

Criteria - The U.S. Virgin Islands landfill closure and post-closure costs liability is recorded as part of the year-end process. A fundamental element of a sound system of internal controls is an effective liability calculation process, which helps ensure that all liability costs are properly calculated and recorded.

Condition - The Government determines the closure and post-closure costs for the three landfills in the U.S. Virgin Islands for fiscal year 2023 based on estimates provided by a third-party engineering firm, which are updated by applying an inflation rate. Our review of these reports indicates that the related liability was not accurately recorded as of the end of the fiscal year. Based on the most recent third-party engineering estimates, we identified an additional liability of $36.1 million and required an adjustment.

Cause - Lack of review of the landfill reports and calculations to ensure the accuracy of the amount and included assumptions.

Effect or Potential Effect - Relying solely on inflation rates to update post-closure cost estimates for the three landfills may result in inaccurate financial projections. This approach could lead to the underestimation or overestimation of future liabilities, affecting budget allocations and financial planning. Inaccurate estimates may also impact compliance with environmental regulations and the Government's ability to adequately fund closure and post-closure activities.

Recommendation - The Government should collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. While updating landfill closure and post-closure cost estimates using an inflation factor is acceptable, we recommend that the Government conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Completeness and Accuracy of Census Data

Criteria - Maintaining current and accurate records and statistics is an important control for participant data, as well as for compliance with employment laws and regulations. Ensuring the completeness and accuracy of census data is crucial for accurate analysis, decision-making, and reporting.

Condition - We obtained the current year census data and compared it to the prior year census data for the central government assess completeness and noted following inconsistencies:

- Active employees – We recalculated active employees based on roll-forward details as 6,657, while census data provided reflected 6,426 employees, resulting in a variance of 231 employees (3.6%).
- Retirees and Beneficiaries – We recalculated retirees and beneficiaries based on roll-forward details as 8,081, while census data provided reflected 7,876 individuals, resulting in a variance of 205 employees (2.6%).

We further noted that the Government's pension census data submitted to actuarial service providers contained significant discrepancies when compared to employee records maintained by the Government. The inaccuracies could have a material impact on the financial statements.

We selected a sample of twenty-five (25) individuals from the census data, including both active employees and retirees, and noted the following:

- For five (5) employees, we identified discrepancies between the hire dates reported in the census data and those recorded in the most recent Notice of Personnel Action (NOPA) records.
- For four (4) employees, we identified discrepancies in both hire dates and salary information when comparing the census data to the most recent NOPA records.
- For two (2) retirees, detailed NOPA records were not available. However, we performed alternative procedures by verifying their hire date and employment status in the Munis system, which confirmed that they were former employees who have since retired.
- For three (3) retirees, we identified discrepancies between the retirement dates reported in the census data and those recorded in the retirees' NOPA records.

Cause - There may be a lack of standardized processes, formats and controls for collecting and submitting census data, resulting in inconsistencies and errors.

Effect or Potential Effect - This introduces a greater level of uncertainty to the actuarial calculations. The time required to make significant adjustments and assumptions may lead to delays in the completion of actuarial reports and the submission of financial statements.

Recommendation - We recommend that management develop and implement internal controls to ensure the accuracy and completeness of active employee and retiree census data prior to submission for future valuations, calculations, or analysis. Additionally, adequate resources should be allocated to properly evaluate all census information provided to various actuarial service providers, as this data is essential for calculating related liabilities. It is imperative that employee data in the census information be accurate.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

F. Income Tax Refunds Payable

Criteria - Paragraph 102 of GASB Statement No. 62, as amended, requires that a loss contingency be accrued when (a) information available prior to the issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements (with the implicit condition that it is probable one or more future events will occur confirming the fact of the loss), and (b) the amount of the loss can be reasonably estimated. Loss contingencies may include pending, threatened, or unasserted litigation, claims, or assessments as of the financial statement date. Governmental funds should recognize expenditures and related fund liabilities for claims and judgments arising from loss contingencies.

The Government establishes its year-end liability for income tax refunds through a manually intensive process, which consolidates two sets of reports: (1) tax returns from various refund batches that exist but have not been processed or paid as of year-end, and (2) tax returns that were processed and paid subsequent to year-end.

Condition - We observed that the income tax liability has been accrued for tax returns that have been processed but not yet paid as of September 30, 2023. However, the tax liability for returns processed and paid subsequently, specifically those for fiscal year 2023 and prior, was excluded from the accrual of tax refunds payable, amounting to $16.8 million and required an adjustment.

Cause - The Government currently does not have a formalized procedure in place to determine the income tax refund payable at the end of the fiscal year.

Effect or Potential Effect - This absence of a structured process can lead to inconsistencies and potential inaccuracies in calculating the amounts owed to taxpayers and may lead to misstated financial liabilities, affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

G. Plan Funding Considerations

Criteria - The Government Employees' Retirement System of the U.S. Virgin Islands (GERS or the Retirement System) is a defined benefit pension plan established to provide retirement, death, and disability benefits for government employees. In addition to pension benefits, the Government is obligated to provide other postemployment benefits (OPEB), including healthcare, prescription drug coverage, dental care, and life insurance for retired employees and their eligible dependents. The Government's responsibilities encompass maintaining adequate funding, ensuring proper administration, and complying with all relevant accounting standards and legal requirements.

Condition - We noted that the Government has not adequately funded the Retirement System and the OPEB plan for several years.

- As per the GERS actuarial valuation report as of October 1, 2022, the Retirement System is 8.91% funded for the year ended September 30, 2023. The same report also disclosed a net pension liability of $4.09 billion which represents a long-term obligation the Government has to fund.
- As per the OPEB actuarial valuation report as of October 1, 2021, the OPEB plan reflects a total OPEB obligation of $976.61 million which represents the long-term medical, dental, and other obligations that the Government has to fund.

Cause - Over multiple years, the Government has not allocated sufficient resources to meet the funding requirements of these plans, resulting in significant unfunded liabilities. Contributing factors include budgetary constraints, competing fiscal priorities, and limited revenue growth, which have restricted the Government's ability to make the necessary annual contributions.

Effect or Potential Effect - Insufficient funding of the Retirement System and OPEB plan weakens the Government's overall financial position, reduces net assets, and may adversely affect credit ratings, thereby increasing the difficulty or cost of future borrowing. Additionally, inadequate funding raises concerns regarding the Government's ability to fulfill future benefit commitments to retirees and employees, potentially resulting in benefit reductions, delayed payments, or increased financial pressure on current and future budgets.

Recommendation - We recommend that the Government develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government should also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-006: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Criteria **-** Each State or Territory establishes systems for administering and providing Medicaid benefits. The Medicaid program is jointly funded by the Federal and the respective local government. The Virgin Islands Department of Human Services (the Department) is the primary agency responsible for administering the Government's Medicaid program.

Condition **-** We noted the following:

- Two Government-owned and operated hospitals—the Governor Juan F. Luis Hospital & Medical Center and the Roy Lester Schneider Hospital—provide Medicaid services to eligible Territory residents. Both hospitals operate on a non-DRG platform and bill using daily per diem rates based on the number of patients served. Costs incurred by the hospitals, long-term care facilities, and/or Federally Qualified Health Centers (FQHCs) participating in the Medicaid program are summarized in cost reports, which are submitted to the Department. Under the Government's Medicaid State Plan, these cost reports are required to be audited. Based on the audited cost reports, a receivable or payable should be recorded for the difference between costs submitted for reimbursement and the amounts actually reimbursed. We noted that the Department did not audit the fiscal year 2023 cost reports.

- The Department did not perform a risk analysis and system security review for the Virgin Islands Benefit Eligibility System (VIBES) when it was implemented in July 2017.

Cause **-** The Government's records do not permit a determination of the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside.

Effect or Potential Effect **-** The Government was unable to determine how Governmental Activities and the General Fund may have been impacted as of, and for the year ended, September 30, 2023, which affected the auditor's ability to opine on these opinion units. In addition, because a risk analysis and system security review were not performed, there is no assurance that the system is functioning as intended, which exposes the program to potential unauthorized activity and payments to ineligible participants.

Recommendation **-** We recommend that management evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow the Government to reduce the time between Medicaid expenditures are incurred and when reimbursement is ultimately received from the federal government.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to our Fiscal Office, under the supervision of our Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-007: Unemployment Insurance Trust Fund

Account Reconciliation Process

Criteria - Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports. Timely preparation of complete and accurate reconciliations is also key to maintaining adequate control over both cash receipts and disbursements.

Condition - We noted that the majority of account reconciliations were not available during the audit process, while others contained incomplete information and/or were not in accordance with required accounting practices.

Cause - The Government does not have policies and procedures in place to ensure timely completion of reconciliations supporting the Unemployment Insurance Trust Fund balances.

Effect or Potential Effect - The Government's records do not permit, nor is it practical to extend, audit procedures sufficiently to determine the extent to which the Business-Type Activities and the Unemployment Insurance Trust Fund may have been impacted as of, and for the year ended, September 30, 2023, thereby affecting the auditor's ability to opine on said opinion unit.

Recommendation - To prevent significant errors and possible irregularities, including fraud, from occurring and remaining undetected in the financial records and statements, we recommend that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, we recommend that the Government consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-008: Workers Compensation Program

Criteria **-** The workers compensation program provides for medical costs, death benefits, and lost wages arising from work-related accidents. The program is administered by the Division of Workers' Compensation within the Virgin Islands Department of Labor (VIDOL).

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* requires governments to recognize liabilities for claims incurred but not reported (IBNR), estimate the cost of claims, and disclose information about claims and potential losses. An actuarial analysis is required periodically to provide a reasonable estimate of outstanding workers' compensation claims liability for financial statements reporting.

Condition **-** The Government did not engage a third-party actuary to assist with the valuation of the workers' compensation liability, as it had in prior years. In addition, the Government did not maintain adequate supporting documentation to substantiate the reasonableness of the internally calculated liability.

Cause **-** The absence of an independent actuarial valuation and lack of adequate supporting documentation undermines the reliability of the workers' compensation liability reported in the financial statements. This increases the risk that the liability is misstated, which could result in either an overstatement or understatement of liabilities.

Effect or Potential Effect **-** The Government's workers' compensation liabilities may be inaccurately reported, affecting the accuracy of the financial statements.

Recommendation **-** We recommend that the Government ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-009: Payroll, Related Accruals, and Other Expenditures

A. Payroll Expenditures

Criteria - A strong and efficient system of controls over the payroll process is critically important. An effective internal control system can generally be implemented with reasonable effort to address potential threats of error and misappropriation. Key elements include proper supervision, regular review, and the separation of duties or functions.

Condition - We noted the following:

- The Department of Human Services transitioned to a manual timesheet process in lieu of system-generated timesheets after the September 2017 hurricanes caused damage to its ADI Time payroll system, which had not been adequately backed up. The Department continued to use the manual timesheet process for the year under review.
- The compensated absences schedule includes some redundant data. For example, some employees who should not be on the schedule have accrued balances, negative balances, or zero balances. During our review of the compensated absences schedule for the year, we identified the following:
    - Eighty-one (81) instances where employees had annual leave hours, but no pay rate or liability was included in the schedule.
    - Two (2) instances where the employee's pay rate in the schedule did not agree with the pay rate reflected in the employee's NOPA.
    - Forty-five (45) instances where the employees had negative leave balances, but those amounts were still included in the schedule and in the total compensated absences liability.
- We selected a sample of thirty-one employees (31) and noted six (6) instances where active employees who should have been included were omitted from the schedule.
- In several instances, employees in certain labor categories received overtime payments exceeding their annual salaries due to staffing shortages. Although these payments were approved, this remains an area susceptible to error or misuse given the volume and dollar amounts involved.

Cause - The Government fails to comply with its established payroll policies and procedures.

Effect or Potential Effect - The Government's reliance on manual timesheets, along with the presence of inaccurate and redundant data in the compensated absences schedule, has increased the risk of errors and misstatements in payroll and liability reporting. Issues such as incorrect pay rates, negative leave balances, missing employees, and excessive overtime payments highlight weaknesses in internal controls and data management.

Recommendation - We recommend that the Government consider the following:

- Transition the Department to the STATS timesheet system, which is currently utilized by various other agencies and departments.

- Conduct a thorough review and cleanup of the compensated absences schedule to remove redundant data and correct inaccuracies.
- Strengthen internal controls and conduct regular reconciliations of payroll and leave records.
- Closely monitor and review overtime payments to ensure they are properly authorized and justified.

Views of Responsible Officials: The Government concurs with the auditor's findings and recommendations. The Payroll Unit will monitor accrual liabilities bi-annually. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Transactions with Personnel

Criteria - The Government has policies regarding executive and other employee expense reimbursements, indicating that every business expense incurred through credit cards or advance payments must be substantiated with adequate documentation. This includes a statement of expense, purchase order, approved Government Travel Request, travel voucher, and receipts, which collectively are sufficient to verify each element of the expenditure.

Condition - The Government did not provide a list of executives, making it impossible to verify the existence of adequate independent review or approval of expenses incurred by executives.

Cause - The Government does not maintain the necessary supporting documentation to verify compliance with its policies concerning transactions with personnel.

Effect or Potential Effect - Inadequate documentation may result in financial inaccuracies, unauthorized transactions, and potential misuse of funds.

Recommendation - We recommend that the Government consider instituting a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Reporting for Expenditures

Criteria - A strong and efficient system of controls over purchasing and expenditures is critically important. A strong internal control system can generally be implemented to cover potential threats of error and misappropriation with a reasonable effort. These include proper supervision, review, and separation of like-minded duties or functions.

Condition - During our sampling procedures of general expenses, we noted that thirty-two (32) out of two hundred seventy-one (271) general expense transactions were not recorded in the proper period.

Cause - Lack of adherence to government's established written policies and procedures related to the proper recording and reporting of expenditures.

Effect or Potential Effect - Recording expenditures in the wrong period can result in inaccurate financial statements, as expenses may be overstated or understated in a given fiscal year.

Recommendation - We recommend that the Government adhere to its established written policies and procedures related to the proper recording and reporting of expenditures. Timely review and reconciliation of expenditures will ensure that expenditures are recorded in the correct period. It is important to produce detailed reports and records at specified intervals and to maintain these for possible analysis by users such as management, independent auditors, or governmental bodies. Management should strictly adhere to, or consider revising, its records retention policy.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To address untimely adjustments due to a lack of monthly reconciliations at D&A, CFOs will be required to provide Flexible Period Reports by the 30th of each month, enabling timely journal entries and approvals. An ERP workflow will assign responsibility to CFOs for these adjustments, and DOF accounting leadership will collaborate with Tyler Tech to track timeliness within the ERP system. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Formalize Emergency Payroll Procedures

Criteria - A robust and efficient system of payroll controls is essential to ensure the timely and accurate processing of payroll, particularly during unexpected events or disruptions. Formal emergency payroll procedures should be established to clearly define roles, responsibilities, and the steps to be taken in the event of emergencies such as natural disasters, system outages, or other crises.

Condition - Payroll processing begins with timesheets approved by department heads in the STATS system, which then serve as the basis for payroll calculations in the Payroll Division. In 2017, hurricanes caused significant power outages and displacement of personnel, rendering roads inaccessible and preventing employees from attending work for several days. Consequently, the recording of timesheets in the STATS system was temporarily suspended.

Cause - The Government does not have formalized emergency payroll procedures to guide payroll operations during emergencies, such as natural disasters or other significant disruptions.

Effect or Potential Effect - In the absence of proper documentation and approval of employee work hours, there is an increased risk of errors, omissions, or inconsistencies in payroll calculations. This may result in misstated personnel costs, adversely affecting the accuracy of financial reporting and the reliability of financial statements.

Recommendation **-** We recommend that the Government develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-010: Bank Accounts

A. Strengthen Controls Over Bank Reconciliations

Criteria **-** Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements.

Condition **-** We noted the following:

- A substantial number of outstanding checks, some issued as far back as 1998, are still being carried on the reconciliations and were eventually reclassed to accounts payable at year-end.
- Two (2) imprest cash accounts, confirmed by the banks, were not listed in the imprest cash account report at year-end.
- The Government's bank listing did not include an account that had a balance as of September 30, 2023.
- We were unable to obtain complete documentation and formal written procedures related to the opening of nine (9) new bank accounts for the Government.
- Several accounts that had been formally closed at year-end contained adjustments or reclassification entries totaling $2.2 million in outstanding checks during the fiscal year.
- During our review of the bank reconciliation, there was insufficient documentation to confirm that the reconciliation and related journal entries had been reviewed and approved.

Cause **-** These issues reflect weaknesses in the Government’s bank account administration processes. The absence of comprehensive and up-to-date records, including incomplete bank listings and missing documentation for new account openings, indicates insufficient oversight and a lack of formalized procedures.

Effect or Potential Effect **-** These weaknesses in bank account administration and recordkeeping can lead to significant inaccuracies in the Government’s financial statements. Outstanding checks that remain unreconciled for extended periods may result in overstated liabilities or misclassified balances. Incomplete bank listings and missing documentation for account openings increase the risk of errors, omissions, or even undetected unauthorized transactions.

Recommendation **-** We recommend that the Government strengthen its bank account administration and cash management processes by implementing comprehensive and formalized procedures for opening, maintaining, and closing bank accounts. Regular reconciliation of all bank accounts should be performed to promptly identify and resolve outstanding checks and discrepancies. The Government should implement and consistently use a documented review and approval process for all bank reconciliations and related journal entries, including evidence of review (e.g., reviewer name/signature or electronic approval and date) retained with the reconciliation package in accordance with the record-retention policy. The Government should also ensure that complete and up-to-date documentation is maintained for all bank accounts, including accurate listings and supporting records for new account openings and closures.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations.

The DOF's Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Cash Pooling and Allocation(s)

Criteria **-** Cash is the most liquid of assets and has the highest risk for theft, embezzlement, and misappropriation. Cash pooling and allocations should be conducted in a manner that ensures transparency, proper allocation of funds, and accurate reporting.

Condition **-** Throughout the year, all expenditures are charged against each fund's cash account. Due to the nature of operations, the Government's Treasury Department does not maintain a separate bank account for each fund or for each cash account in the general ledger. As a result, each bank account includes activity for multiple funds. In some instances, funds "borrow" from the General Fund. At year-end, an entry is prepared to correct or "true-up" the cash balances for each fund.

Cause **-** There is a lack of efficient documentation to support the pooling and subsequent allocation of cash accounts.

Effect or Potential Effect **-** The centralized cash management approach results in all expenditures being charged to a pooled cash account without proper allocation to individual funds. This practice creates difficulty in accurately tracking and reporting the financial position of each fund.

Recommendation **-** We recommend that management enhance the documentation supporting the pooling and subsequent allocation of cash accounts. Specifically, there should be a clear and auditable link between the confirmed cash account balances and the cash balances per fund as presented in the year-end financial statements.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Check Sequences

Criteria **-** A strong system of internal controls should be implemented over check runs and unused checks to ensure consistency, accuracy, and completeness of financial records. Such controls are essential for safeguarding assets, preventing unauthorized transactions, and supporting reliable financial reporting.

Condition **-** During procedures performed over the subsequent check registers, we noted several large gaps in the check sequences.

Cause **-** The Government's ERP system does not automatically generate check numbers; instead, check numbers are entered and tracked manually by Government personnel.

Effect or Potential Effect **-** A lack of control over unused checks could lead to unauthorized transactions, potentially resulting in fraudulent activities that affect financial reporting.
Recommendation **-** We recommend that a process be implemented whereby personnel responsible for check runs review prior and current manual check entries to detect gaps before processing.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Director of Management Information System (MIS) and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-011: Other Post Employment Benefit Valuation

A. Actuarial Valuation

Criteria - GAAP for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* require an actuarial valuation to be performed at least every two years, with more frequent valuations or calculations encouraged. If an actuarial valuation is not performed as of the measurement date, the total Other Post-Employment Benefits (OPEB) liability is required to be based on update procedures that roll forward amounts from an earlier actuarial valuation performed as of a date no more than 30 months and 1 day prior to the employer's most recent fiscal year-end.

Condition - The Government has not performed a full actuarial valuation of OPEB in accordance with GAAP as of October 1, 2022, applicable for fiscal year 2023. The most recent full actuarial valuation was completed as of October 1, 2019.

Cause - An actuarial valuation for OPEB was not performed for the respective year.

Effect or Potential Effect - GAAP requires governments to obtain an actuarial valuation of their benefit plans to properly measure and report the related liabilities, deferred outflows/inflows of resources and expenses in the financial statements. In the absence of an actuarial report, the Government is unable to accurately determine and disclose its OPEB liability and related financial statement elements.

Recommendation - We recommend that the Government implement controls and procedures to compile the necessary information and engage a qualified actuary to perform a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP. The actuarial valuation should be completed on a timely basis and updated as required to ensure that the OPEB liability, related deferred outflows/inflows of resources, and expense are accurately measured and reported in the financial statements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Administration and Recordkeeping

Criteria - The Government follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees.

Condition - The Division of Personnel, through the Virgin Islands Health Insurance Board, is responsible for administering health insurance and related benefits for retirees.

The Virgin Islands (V.I.) Code stipulates that the Government, the University of the Virgin Islands, the Virgin Islands Waste Management Authority, the Virgin Islands Port Authority, and any not-for-profit corporation funded at least 75% annually by federal or local government funds, are legally responsible for providing health benefits to active and retired service personnel. However, it has been observed that the component units and organizations referenced above have paid these benefit costs for active employees only, while the Government has assumed responsibility for the payment of benefit costs for retirees.

Additionally, the accounting requirements for postemployment retirement plans are increasingly complex and demand specialized expertise to ensure accurate accounting and reporting in accordance with applicable standards.

Cause - The V.I. Code explicitly designates legal responsibility for these benefits. The current condition appears to result from noncompliance with the arrangement outlined in the V.I. Code, whereby the Government has assumed the responsibility for retiree benefit payments instead of the component units and organizations.

Effect or Potential Effect - This arrangement results in the Government recognizing substantial long-term liabilities for retiree health benefits on its financial statements, which can significantly reduce net assets and adversely affect overall financial health. Furthermore, the complexity of accounting for postemployment benefits increases the risk of misstatements or incomplete disclosures, potentially compromising the accuracy and transparency of the financial statements.

Recommendation - We recommend that the Government formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, we recommend that the Government and/or Division of Personnel consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Update of Mortality Tables

Criteria - Mortality tables used for actuarial valuations and financial reporting should be regularly updated to reflect the most current demographic data and trends, ensuring accuracy in the measurement of postemployment benefit obligations.

Condition - It was noted that the generational mortality tables and related assumptions currently in use are based on a review performed as of September 30, 2015.

Cause **-** This condition has arisen due to limited resources, insufficient prioritization of actuarial updates, and the absence of established procedures for the periodic review and revision of actuarial assumptions.

Effect or Potential Effect **-** As a result, actuarial valuations may not accurately reflect current life expectancy or mortality rates, potentially leading to misstatements in the measurement of postemployment benefit obligations.

Recommendation **-** Although the current rates appear reasonable, it is important to note that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-012: Accounting Standards Implementation

Criteria **-** Effective for reporting periods beginning after December 15, 2015, the Government is required to implement GASB Statement No. 77, *Tax Abatement Disclosures*. Adoption of GASB 77 provides essential information about the nature and magnitude of reductions in tax revenues resulting from tax abatement programs.

Effective for the fiscal year ended September 30, 2022, the Government is required to implement GASB Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Effective for the fiscal year ended September 30, 2023, the Government is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Under this Statement, a government is required to recognize a right-to-use subscription asset-an intangible asset-and corresponding subscription liability.

Condition **-** The Government did not perform an assessment to analyze the impact that implementing GASB 77, GASB 87, and GASB 96 would have on its financial statements.

Cause **-** There is an absence of a formal process or oversight mechanism to ensure the timely assessment and analysis of the impact of new accounting standards, specifically GASB 77, GASB 87, and GASB 96 on the Government's financial statements.

Effect or Potential Effect **-** This oversight could result in unpreparedness for compliance with new accounting standards and may lead to potential inaccuracies in financial reporting. Such deficiencies may adversely affect the reliability of the Government's financial statements and its ability to meet regulatory requirements.

Recommendation **-** We recommend that the Government conduct a comprehensive assessment to evaluate the impact of implementing GASB 77, GASB 87, and GASB 96 on its financial statements. This assessment should include a detailed analysis of the requirements and implications of these standards to ensure accurate and compliant financial reporting.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in FY 2026. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-013: Irregularities related to Procurement Activities

Criteria - As defined by Government Auditing Standards, which are issued by the U.S. Government Accountability Office (GAO), Management should design control activities to achieve objective and respond to risks, including proper authorization and segregation of duties. Through the implementation of control activities by adopting appropriate policies and procedures that define expectations and guide operations to safeguard government assets to mitigate potential fraud and irregularities.

As outlined in auditing standards issued by the American Institute of Certified Public Accounts (AICPA) AU-C 250, *Considerations of laws and Regulations in an Audit of Financial Statements*, Management is responsible for ensuring that the government's operations comply with all applicable laws and regulations and have established and maintain policies and procedures designed to prevent and detect noncompliance. Management should be aware of which laws and regulations are relevant and applicable to the Government's operations especially those that have a direct and material effect on the financial statements.

Procurement is governed by Title 31, Chapter 23, Sections 231 – 251, of the Virgin Islands Code which states the various types and requirements for procuring goods and services. The Department of Property and Procurement is the agency primarily responsible for all acquisitions of goods and services.

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement (DPP), then in effect. When creating a requisition or purchase order, all necessary supporting documentation must be attached in the ERP system; this includes the required quotes and a justification letter signed by the User Agency head and approved by the Commissioner of Property and Procurement, if required.

The Government has established comprehensive policies and procedures for the processing of expenditures, including purchase orders, invoice processing, approvals, segregation of duties, and documentation of transactions. These internal controls are designed to safeguard assets and reduce the risk of errors and misappropriation.

Condition - In 2024, an inquiry was conducted by the United States Department of Justice into potential criminal activities associated with three members of the management team members of the government and formal indictments followed. Management performed an investigation into the matter and, we observed the following:

- Invoice were dated prior to the purchase order approval date for one hundred and twelve (112) out of hundred –and ninety-eight (198) transactions.
- No evidence was available that a request for proposal (RFP) was initiated for forty-four (44) out of forty-five (45) purchase orders over the $50,000 policy threshold.
- A single individual approved multiple levels for payment remittance for forty-nine (49) out of one hundred and ninety-eight (198) transactions.

- As required by the procurement policy, no evidence was available to show that three quotes were requested and obtained prior to the awards for nineteen (19) out of twenty-four (24) purchase orders above $10,000.
- No contract was provided to verify the terms and conditions of the contract for twenty-five (25) out of thirty (30) purchase orders above $50,000.
- No evidence that a payment remittance was fully approved for seven (7) out of one hundred and ninety-eight (198) transactions.
- No documentation was available to clarify and understand purpose of transaction outside the invoice. The contract, bid, RFP information and grants requests were not available to support compliance with procurement and/or payment policies and processes for twelve (12) out of one hundred and ninety-eight (198) transactions.
- Invoices provided do not contain the information to clarify the prices or services provided for twenty-nine (29) out of one hundred and ninety-eight (198) transactions.
- The purchase order description does not match the invoice description for nine (9) out of one hundred and ninety-eight (198) transactions.
- The amount invoiced from and paid to the vendor is greater than the amount listed on the purchase order for three (3) out one hundred and ninety-eight (198) transactions.
- The purchase of goods and/or services was not for any documented business purpose for one (1) out of one hundred and ninety-eight (198) transactions.

Cause - The Government did not retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and procedures to support the transactions and limitation on the availability of finance personnel.

Effect or Potential Effect - Failure to retain necessary supporting documentation and adhere to established procurement laws, regulations, policies and procedures may result in noncompliance with procurement regulations. This deficiency increases the risk of improper or unauthorized purchases, reduces transparency and accountability in the procurement process, and may lead to audit findings or other regulatory noncompliance.

Recommendation - We recommend that the Government evaluate its policies and procedures to ensure all necessary supporting documentation - such as purchase orders, contracts, and vendor profiles – is retained to support adherence to internal policies and regulatory requirements. Management should implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-014: Procurement Regulations

Criteria - Procurement is governed by *Title 31, Chapter 23, Sections 231 – 251*, of the Virgin Islands Code, which states the various types and requirements for procuring goods and services. The Department of Property and Procurement is the agency primarily responsible for all acquisitions of goods and services.

Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement (DPP), then in effect. When creating a requisition or purchase order, all necessary supporting documentation must be attached in the ERP system; this includes the required quotes and a justification letter signed by the User Agency head and approved by the Commissioner of Property and Procurement, if required.

Condition - We sampled and selected eighty-eight (88) purchase orders and sixty-nine (69) contract files and noted the following:

- Fifteen (15) missing purchase order (PO) numbers during sequence testing. Management explained that these PO numbers were missing in 2023 but did not provide any report or supporting details to confirm they were unused. Additionally, there is no formal procedure in place to document unused PO numbers or the reasons for their omission. Accordingly, BDO cannot conclusively verify the completeness of the PO population.
- Twelve (12) purchase orders from twelve (12) different vendors where the files did not contain the requisite documentation to provide evidence that the purchase order met the stated requirements.
- Eight (8) purchase orders from two (2) vendor appeared to be split purchase orders where adequate supporting documentation were not available to determine if purchase order splitting occurred.
- We were unable to conclusively verify completeness of the fiscal year 2023 contract population as the GVIBUY website does not appear to be updated timely.
- Twenty-five (25) instances where executed contract files did not contain requisite documentation to provide evidence that the respective procurement met stated requirements.
- Sixteen (16) instances where adequate supporting documentation were not available to determine whether the first invoice was generated before the date of contract execution.

Cause - The Government did not retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and procedures.

Effect or Potential Effect - Failure to retain necessary supporting documentation and adhere to established policies and procedures may result in noncompliance with procurement regulations. This deficiency increases the risk of improper or unauthorized purchases, reduces transparency and accountability in the procurement process, and may lead to audit findings or other regulatory consequences.

Recommendation **-** We recommend that the Government retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management should implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. We also recommend that management implement a formal process to ensure all executed contracts are timely included on GVIBUY.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will strengthen its procurement processes by retaining all required documentation, regularly reviewing compliance, and implementing a formal process to ensure all executed contracts are promptly uploaded to GVIBUY. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-015: Information Technology (IT) Environment

User Access and Administration

Criteria **-** Logical security for user access and user administration are critical components of overall information security strategy. These elements focus on ensuring that only authorized individuals have access to information systems and data, thereby protecting sensitive information from unauthorized access, misuse, or breaches.

Condition **-** We noted the following during our procedures over user access and change management:

- There are no formal re-certifications of user access security rights performed for the following Windows domains and applications:

  Windows Domain:

  - Department of Finance
  - Bureau of Internal Revenue
  - Department of Labor
  - Lieutenant Governor's Office
  - Department of Human Services

  Applications:

  - Timeforce
  - MUNIS
  - VIDOLA$
  - VITAX
  - ScanOptics
  - MMIS
  - Capture
  - Ventiv
  - RawData
  - CARIBS
  - VIBES

- The password and account lockout configurations have not been implemented to enforce strong passwords on the following operating systems and applications:

  Windows Domain:

  - Department of Labor
  - Department of Human Services

  Applications:

  - VIDOLA$
  - VIBES

- Evidence was not available to demonstrate that there is a formal change management policy on the Bureau of Internal Revenue operating system and VITAX application.

- There was a new access request where the access granted did not match the requested and approved access permission on the Department of Labor operating system and VIDOLA$ application.

Cause **-** These conditions appear to be the result of insufficient oversight and a lack of established policies and procedures for user access management, password security, and change management across key operating systems and applications.

Effect or Potential Effect **-** The absence of formal re-certifications of user access security rights, lack of strong password and account lockout configurations, and insufficient evidence of formal change management policies significantly increase the risk of unauthorized access to sensitive systems and data. These deficiencies may result in the exposure of confidential information, potential misuse or alteration of critical data, and increased vulnerability to security breaches.

Recommendation **-** The Government should evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government should assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

Views of Responsible Officials: The Government concurs with the auditor's findings and recommendations. The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-016: Noncompliance with Laws and Regulations

A. Collateral of Depository

Criteria - Collateralization provides an avenue of recovery in the unlikely event of the failure of a bank or financial institution holding government deposits. Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e., surety bonds or letters of credit) by depositories is an important safeguard for government deposits. Further, in the event of a failure of a bank, the Federal Deposit Insurance Corporation (FDIC) will honor the collateralization agreement if the agreement is valid and enforceable under applicable law.

Virgin Islands Code Section 3304, *Collateral of Depository,* requires depositories to pledge collateral that is satisfactory to the Commissioner of Finance, to secure governmental deposits held with that institution. It is recommended that margin levels should be at least 102%, depending on the liquidity and volatility of the collateral pledged.

Condition - During our review of the Government's collateral of depository reports, we noted that not all cash accounts of the Government and its component units are included in the report to be collateralized. Additionally, for one (1) out of twelve (12) months, the collateral held at Banco Popular de Puerto Rico bank was less than deposit balance.

Cause - The Government does not appear to have adequate policies and procedures to ensure compliance with stated requirements.

Effect or Potential Effect - Failure to meet the required margin levels constitutes non-compliance with regulatory requirements and internal policies, potentially leading to penalties or sanctions. Also, under collateralization of all cash accounts with depositories can cause a violation of the code and potential loss of the Government assets if a financial institution were to fail.

Recommendation - We recommend that the Government implement policies and procedures to ensure all cash accounts for the Government and its component units are in compliance with the stated requirements. Additionally, we recommend the Government implement procedures to regularly monitor and ensure that collateral levels consistently meet or exceed deposit balances at all financial institutions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Landfill Consent Decrees

Criteria - Closure and post-closure directives related to landfills are regulated by various Federal laws, including requirements by the United States Environmental Protection Agency (EPA). As such, the Government is required to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure.

Condition - During our procedures, we noted several instances of noncompliance with EPA decrees concerning the Anguilla and Bovoni landfills. These matters include various health and safety risks, failure to submit required reports, and incomplete installation of the groundwater monitoring system around the perimeter of the Anguilla landfill.

Cause - The Government does not appear to have adequate policies and procedures to comply with EPA decrees concerning the Anguilla and Bovoni landfills.

Effect or Potential Effect - Noncompliance with the consent decree timetables can result in the accrual of penalties at specified rates.

Recommendation - We recommend that the Government allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Establishment of a Medical Malpractice Trust Fund

Criteria - In accordance with subsection (a) of Virgin Islands Code (V.I. Code) Section 27, in lieu of procuring a group insurance policy, the Commissioner of Health is authorized to self-insure health care providers against claims arising from the rendering or failure to render medical care or services, as well as claims for injury or death to patients resulting from the activities of health care providers.

Additionally, the establishment of a Medical Malpractice Risk Management Trust Fund (the Fund) is required to provide coverage against professional medical malpractice liability. This Fund must be managed by a licensed broker or brokerage firm, with the investment plan subject to the approval of the Medical Malpractice Action Review Committee. A maximum of 1% of the proceeds from the Fund may be used by the Territorial Office of Risk Management for administrative purposes, as defined within the V.I. Code. Interest accruing on the Fund must be retained or redeposited into the Fund.

Condition - We noted that the Government has not established a separate trust fund.

Cause - The Government does not appear to have adequate policies and procedures in place to ensure compliance the requirement to establish a Medical Malpractice Trust Fund.

Effect or Potential Effect - The failure to set up a separate trust fund may lead to non-compliance with legal or regulatory requirements, potentially resulting in penalties or sanctions.

Recommendation - We recommend that the Government establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management should develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Compliance with Legislative Appropriation

Criteria - The Legislature of the Virgin Islands passed an Act 8920 (Bill No. 35-0380), which appropriates funds received under settlement agreements related to Estate of Jeffery E. Epstein and a settlement agreement with Leon Black for various projects and initiatives to enhance community services, mental health resources, infrastructure, and economic development in the U.S. Virgin Islands. Act 8920 includes the establishment of the Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund. No amounts in these funds are available for expenditure or disbursement except as authorized or appropriated by Legislature.

In addition, Act 8694 (Bill No.34-0368) requires the establishment of Opioid Abatement Fund and an Opioid Abatement Fund Committee to oversee the use of monies in the fund to mitigate the impacts of the opioid epidemic in the Virgin Islands, including, but not limited to, expending access to opioid use disorder prevention, intervention, treatment, and recovery options. The Opioid Abatement Fund includes all monies, payments, proceeds, attorneys' fees and costs or other things of received by the Government each year through verdict, judgment, compromise, or settlement of any case or controversy relating to the manufacturing, marketing, distribution, promotion, or dispensing of opioids; monies appropriated or transferred to the fund by the Legislature; and gifts, donations, grants, bequests, and other monies received by the Territory on the fund's behalf.

Condition - During fiscal year 2023, the Government received approximately $97.0 million under settlement agreements related to Estate of Jeffery E. Epstein and $1.45 million under Opioid Abatement settlements. We noted that the Government has not established:

- The Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund, as required by Act 8920.
- The Opioid Abatement Fund and the Opioid Abatement Fund Committee to oversee the use of monies from the fund, as required by Act 8694.

Cause **-** The Government does not appear to have adequate policies and procedures in place to ensure compliance with the requirement established under Act 8920 and Act 8694.

Effect or Potential Effect **-** The failure to comply may lead to non-compliance with legal or regulatory requirements, potentially resulting in penalties or sanctions.

Recommendation **-** We recommend that the Government establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management should develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will establish separate Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2023-017: Not Used

Finding 2023-018: Not Used

Section III – Federal Award Findings and Questioned Costs

Finding Number: **2023-019**
Prior Year Finding Number: **2022-020**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.551, 10.561
Award #: Various
Award Period: 10/01/21 - 09/30/22
10/01/22 – 09/30/23

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 1,798 payroll disbursements and noted the following:

- 34 instances in which DHS did not consistently apply the funding allocation. The hours that should have been split 50/50 between federal and local were charged 100% to the program.
- 5 instances in which the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 1 instance in which the employee timesheet was not provided for the pay cycle tested.
- 1 instance in which the employee timesheet was not approved by personnel authorized to do so.
- 4 instances in which COVID-19 telework hours were not split 50/50 as required by the employees' funding allocation and charged 100% to the program.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – Not Determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 were $3,942,422. The amount sampled is $168,409. The known amount of inconsistencies noted is $53,501.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – DHS does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-020**
Prior Year Finding Number: **2022-021**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.551, 10.561
Award #: Various
Award Period: 10/01/21 - 09/30/22
10/01/22 – 09/30/23

Criteria – CFR Section 200.303, *Internal Controls*, (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its matching process.

Further, 2 CFR Section 200.306 provides detailed criteria for acceptable matching costs. The basic criteria for acceptable matching costs include costs that are necessary and reasonable for accomplishment of program objectives and are allowed under 2 CFR Part 200, Subpart E (Cost Principles).

Condition – We found that DHS was unable to readily exhibit and provide evidence that it met the matching requirement or monitored compliance with the matching requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles.

Effect – DHS is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with matching requirements, there is an increased risk that matching will not be properly applied and funding could be jeopardized.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement. Further, lack of monitoring of the match requirement appears to be the result of significant personnel turnover and lack of staffing.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the matching requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-021**
Prior Year Finding Number: **2022-022**
Compliance Requirement: **Special Tests and Provisions – EBT Card Security**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.551, 10.561
Award #: Various
Award Period: 10/01/21 - 09/30/22
10/01/22 – 09/30/23

Criteria – CFR Section 200.303, *Internal Controls*, Section (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its EBT Card Security process.

Per 7 CFR Section 274.8(b)(3), System Security, as an addition to or component of the Security Program required of Automated Data Processing (ADP) Systems, the State or Territory agency shall ensure that a certain electronic benefits transfer (EBT) security requirements are established. As such, DHS is required to maintain adequate security over, and documentation/records for EBT cards, to prevent their theft, embezzlement, loss damage, destruction, unauthorized transfer, negotiation, or use.

Condition – DHS contracted with Fidelity National Information Service (FIS) for the issuance and security of the EBT cards; however, it is DHS' ultimate responsibility to ensure the contractor has controls in place to maintain adequate security over, and documentation/records of EBT cards.

We sampled 8 out of 24 monthly card reconciliations and found 3 reconciliations with differences between new/replacements issued cards status report and the actual new/replacements cards issued. Specifically, we identified differences of 2 new cards and 1 replacement card issued.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The reconciliations sampled reported 451 new cards and 1,659 replacement cards issued.

Effect – Without adequate internal controls to ensure compliance with EBT card security requirements, there is an increased risk that the inventory of EBT cards will not be properly maintained and accounted for which can lead to noncompliance with laws, regulations, and the provision of the grant agreement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure adequate safeguarding and documentation of EBT cards.

Recommendation - We recommend that DHS strengthen formal policies and procedures to maintain adequate security, documentation, and records over EBT Cards to ensure internal controls over EBT cards security are operating effectively.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A Standard Operating Procedures and Procedures (SOPP) document is being developed to outline the EBT Reconciliation process. Additionally, a Director of Support Services will be hired to oversee and review all reports. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-022**
Prior Year Finding Number: **2022-023**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (VIDE)

Child Nutrition Cluster
ALN: 10.555, 10.559, 10.582
Award #: 1VI300308, 4VI300308, 4VI308908
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023
10/01/2022 – 09/30/2024

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 20 of 196 payroll disbursements and noted the following:

- 11 instances where the approved timesheet for the pay period selected was not available for review.
- 20 instances where VIDE did not provide support that time and effort is charged in accordance with A-87 requirements.
- 4 instances where the NOPA provided did not include any evidence that the employee was approved to be federally reimbursed for the project code utilized in the payroll register.
- 4 instances where the employee's pay rate in the approved NOPA provided did not agree with the pay rate in the payroll register.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – $10,789.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was $196,740. The amount sampled is $21,572. The known amount of the instances of inconsistent funding allocation is $10,789.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program. To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-023**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (VIDE)

Child Nutrition Cluster
ALN: 10.555, 10.559, 10.582
Award #: 1VI300308, 4VI300308, 4VI308908
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023
10/01/2022 – 09/30/2024

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Additionally, a non-federal entity may charge to the Federal award, allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency. Unless the federal awarding agency or pass-through entity authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award (2 CFR section 200.344(b)).

Condition – During our testing of costs incurred throughout the year, we sampled and selected 40 disbursements and found one instance where the disbursement was paid outside the extended liquidation period of the grant award. The expenditure in question was paid 18 days after the approved extended liquidation period ending May 5, 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the period of performance compliance requirement.

Questioned Costs – $30,733.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total non-payroll expenditures charged to the program in fiscal year 2023 were $3,524,322. The amount sampled is $873,942. The known amount of the instances of noncompliance is $30,733.

Effect – VIDE is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable liquidation provisions.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for adhering to liquidation provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will enforce strict protocols for grant closeout and liquidation. To achieve this, VIDE will establish an internal hard stop deadline for invoice submission, requiring that all invoices for expiring grants be submitted to the Fiscal Office no later than 45 days prior to the federal liquidation deadline to provide a necessary buffer to resolve vendor disputes and process payments before the federal cutoff. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-024**
Prior Year Finding Number: **2022-024**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN: 10.557
Award #: Various
Award Period: Various

Criteria - The WIC program is subject to the provisions of the Cash Management Improvement Act (CMIA). (42 USC 1786(h)(8)(J); 7 CFR section 246.15(a)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 60 out of 349 drawdowns and noted the following:

- 60 drawdown requests did not contain evidence of review and approval; and
- 5 drawdowns did not adhere to the CMIA average clearance of zero days for payroll activities. In all instances, funds were drawn 1 day in advance of the related payroll payment.

Questioned Costs – None.

Context – This is a condition identified per review of the DOH's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were $4,488,679. The amount sampled is $1,296,470. Total amount of drawdowns with compliance exceptions is $117,231.

Effect – Without proper review and oversight drawdowns may not be in compliance with the CMIA Agreement and cash management compliance requirements.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation – We recommend that the DOH reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Department of Health (DOH) updated drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to require signatures or initials on all supporting documents, certifying proper review. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-025**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN: 10.557
Award #: Various
Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 9 out of 86 procurement transactions, we noted the following:

- 1 procurement that did not have supporting documentation to verify the method of procurement, selection of the contract type and basis for the contract price.
- 2 procurements did not contain evidence that a quotation was obtained prior to selection of the vendor.
- 1 procurement where no supporting documentation was available for review.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $314,776. Total amount sampled was $40,332. The known amount of exceptions is $29,256.

Effect – DPP could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – DPP does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that DPP improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DOH will collaborate with DPP to strengthen internal controls and ensure compliance with federal procurement regulations. DOH will also encourage DPP to review records retention policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-026**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 12 out of 30 drawdowns and noted that all 12 drawdown requests did not contain evidence of review and approval.

Questioned Costs – None.

Context – This is a condition identified per review of the DOH's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were $3,317,520. The amount sampled is $2,992,269.

Effect – Without proper review and oversight drawdowns may not be in compliance with the cash management compliance requirements.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation – We recommend that the DOH reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted internally or externally. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-027**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Further, non-Federal entity must comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project or obtain waiver.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 5 out of 13 procurement transactions, we noted the following:

- 1 procurement transaction did not contain sufficient supporting documentation to validate adherence to procurement policy.
- 1 procurement transaction did not contain evidence that a quotation and justification letter was obtained prior to selection of the vendor.
- 2 procurements did not include Buy America domestic preference provisions in the agreement or obtained a BABA waiver.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $3,133,788. Total amount sampled was $3,100,835. The known amount of exceptions is $3,096,961.

Effect – DPP could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – DPP does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that DPP improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To ensure that the WIC program is included in all processes and receive all documents and correspondence relating to WIC Special Funding as a secondary oversight of the transactions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-028**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 4 out of 8 financial and progress reports and noted the following:

- 2 financial reports where there was no evidence of submission and review by the authorized reviewer. Additionally, sufficient supporting documentation was not available to validate accounting basis used in reporting the data and the respective financial information agreed with accounting records.
- 2 progress reports did not contain evidence that the report was reviewed by an authorized reviewer prior to submission.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample.

Effect – The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the Government does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that Government reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Department of Health will create an internal control procedure to indicate proper review and approval of the SF-425 excel print out from the electronic USDA FPRS System. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-029**
Prior Year Finding Number: **2022-026**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Defense

Government Department/Agency:
Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023

Criteria – CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 60 out of 652 payroll transactions and noted the following:

- 1 instance where health insurance costs continued to be charged to the program after the employee retired, with no related time and effort.
- 1 instance where the employee pay rate did not agree to the pay rate listed on their NOPA form.
- 7 instances where the timesheet for the pay period selected was not provided.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements using a statistically valid sample. The total amount of payroll expenditures charged to the program during fiscal year 2023 were $1,810,965 and the total amount of our sample was $188,082. The known amount of the exceptions amounted to $26,694.

Effect – OTAG is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – OTAG does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles stipulations.

Recommendation – We recommend that OTAG improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-030**
Prior Year Finding Number: **2022-027**
Compliance Requirement: **Cash Management and Reporting**

Program:
U.S. Department of Defense

Government Department/Agency:
Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M) Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023

Criteria – U.S. Department of the Treasury (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Subpart A of those regulations requires state recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down federal funds (funding techniques) for federal programs listed in the Assistance Listing that meet the funding threshold for a major federal assistance program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred.

Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements. SF-270, *Request for Advance or Reimbursement Report,* is required to be filed in connection with cash drawdowns.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – We were unable to verify the completeness of the SF-270 (cash management and reporting) population. As a result, we were unable to test compliance and internal controls over compliance related to the cash management and reporting compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

Effect – OTAG is not in compliance with the stated provisions. Inaccurate information may have been reported to the Federal government in the absence of required reconciliations and reviews.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation - We recommend that OTAG reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-031**
Prior Year Finding Number: **2022-028**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Defense

Government Department/Agency:
Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023

Criteria – According to the Master Cooperative Agreement Section 303, *Cost Sharing*, cost sharing requirements are found in a grantees individual Cooperative Agreements. The Government has various cost-sharing requirements within their Cooperative Agreements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – OTAG was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement. Therefore, we were unable to determine if the matching requirement has been met or if the expenditures being claimed towards the matching requirement are allowable activities/costs.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the matching compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

Effect – OTAG is not in compliance with the stated provisions.

Cause – OTAG does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement.

Recommendation – We recommend that OTAG deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the matching requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-032**
Prior Year Finding Number: **2022-029**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Defense

Government Department/Agency:
Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023

Criteria – National Guard Bureau O&M cooperative agreements (CA) are funded with one-year appropriations. By policy, only state costs obligated during the period of the federal fiscal year or period of performance identified in the CA are reimbursable. (National Guard Regulation (NGR) 5-1, chapters 3 and 11).

The recipient shall not request reimbursement for any expenditure it made before the date that all required parties execute the Master Cooperative Agreement (MCA) unless the United States Property & Fiscal Officer (USPFO) expressly authorizes expenditures made during the funding period, but prior to the date of final signature, the parties may also agree on a specific start or effective date (NGR 5-1, Chapter 11).

Within 90 days after the end of the federal fiscal year or upon termination of the CA, whichever is earlier, the recipient shall promptly deliver to the USPFO a final accounting of all funding and disbursements under the agreement for the fiscal year (NGR 5-1, Chapter 11).

If unliquidated claims and undisbursed obligations arising from the recipient's performance of the CA will remain 90 days after the close of the federal fiscal year, the recipient shall provide a detailed listing of uncleared obligations and a projected timetable for their liquidation and disbursement no later than 31 December. The USPFO shall then set an appropriate new timetable for the recipient to submit its final accounting (NGR 5-1, Chapter 11).

Costs incurred in a federal fiscal year, which are not disclosed by the recipient within 90 days of the end of the federal fiscal year, except costs associated with unliquidated claims and undisbursed obligations arising from the recipient's performance of the CA that the recipient has reported, shall not be eligible for reimbursement by NGB. The USPFO may extend the 90-day limit for good cause shown (NGR 5-1, Chapter 11).

Additionally, a non-federal entity may charge to the Federal award, allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – We sampled and selected 163 out of 1,533 transactions and noted the following:

- 21 instances where transactions were charged to the incorrect grant award.
- 34 instances where the transaction was paid outside the liquidation period.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the period of performance compliance requirements.

Questioned Costs – $384,389.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements using a statistically valid sample. The total amount expenditures subject to sampling were $4,170,938 and the total amount of our sample was $937,482. The known amount of the exceptions amounted to $384,389.

Effect – OTAG is not in compliance in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – OTAG did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations.

Recommendation – We recommend that OTAG strengthen its processes with respect to setting up and charging expenditures between various grant awards. We also recommend that OTAG enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-033**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of the Interior

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 620 payroll disbursements and noted the following:

- 8 instances where the approved timesheet for the pay period selected were not available for review.
- 10 instances where an employees assigned project code documented on the Notice of Personnel Action was not a project code associated with the grant. Additionally, the payroll register reflected a different project code for these transactions.
- 1 instance with a variance between the hours reported on the payroll register and the hours reported on the Detail Check History.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – $38,914.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was $1,572,926. The amount sampled is $165,134. The value of transactions with exceptions totaled $38,914.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – The Government does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that the Government reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. We recognize that these findings highlight areas where improvements are necessary to ensure better compliance with applicable policies and regulations governing payroll and grant management. We are committed to implementing corrective actions and enhancing the internal controls to prevent recurrence. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-034**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of the Interior

Government Department/Agency:
Department of Planning and Natural Resources

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Period: Various

Criteria – Per 2 CFR section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) maintains the equipment register for the Government. DPP was unable to provide an accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2023.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2023 totaled $259,076.

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation – We recommend that DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Asset Management Division (AMD) adheres to Federal equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). In 2022, AMD inventoried four agencies, ensuring compliance with Federal regulations. The completed Standard Operation Policies and Procedures (SOPP) are pending approval, crucial for enhancing internal controls. Training sessions for fixed assets employees are planned, and additional staff will be needed to support the initiative effectively. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-035**
Prior Year Finding Number: **2022-030**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of the Interior

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources
Virgin Islands Energy Office

Criteria – US Department of the Treasury (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Subpart A of those regulations requires state recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down federal funds (funding techniques) for federal programs listed in the Assistance Listing that meet the funding threshold for a major federal assistance program under the CMIA. The CMIA agreement for this program stipulates a reimbursement method with 7-day clearance.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 23 out of 109 drawdowns and noted the following:

- No supporting invoices were available for review for 2 drawdowns.
- No supporting documentation was available for review for 1 drawdown.
- Documentation confirming receipt of the funds was not available for review for 2 drawdowns.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2023 drawdown requests were $8,059,011. Total amount sampled is $4,705,168. The total amount of the exceptions is $1,023,933.

Effect – The Government is not in compliance with the stated provisions.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation - We recommend that the Government reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures to ensure compliance with stated provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-036**
Prior Year Finding Number: **2022-031**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria – Per 2 CFR section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) maintains the equipment register for the Government. DPP was unable to provide an accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2023.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2023 totaled $1,452,046.

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation – We recommend that DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-037**
Prior Year Finding Number: **2022-032**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria – When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 15 out of 78 procurement transactions, we were unable to obtain the contract files for 4 procurement transactions to validate adherence to procurement policy. In addition, we noted 5 procurements did not include the following:

- Contract file documents showing the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.

- The procurement provides full and open competition.

- Documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.

- Cost or price analysis in connection with procurement action, including contract modifications and that this analysis supported the procurement action.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of DPP's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $4,159,155. Total amount sampled was $2,948,589. The known amount of exceptions is $2,336,143.

Effect – DPP could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – DPP does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that DPP improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-038**
Prior Year Finding Number: **2022-033**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 18 out of 164 financial and performance reports and noted the following:

- 6 financial reports and 4 performance reports were not available for review.
- 3 financial reports where sufficient supporting documentation were not available to validate that the respective financial information agreed with the underlying records.
- 2 performance reports did not contain evidence of review or approval before submission.

Additionally, the Government did not submit FFATA reports where subawards were made for more than $30,000 for fiscal year 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample.

Effect – The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the Government does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that Government reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-039**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of the Interior

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Criteria **-** A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements – Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 2 of 4 subrecipients and found the following:

- No supporting documentation of monitoring the subawards and evaluating the risk of noncompliance for each subrecipient.
- No evidence that pass-through entity verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F.
- No supporting documentation if the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient.

Additionally, there was no evidence of review of performance and special reports, as no supporting documentation was available for review by the pass-through entity for 1 of the 2 subrecipients tested.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements.

Questioned Costs **-** None.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 were $341,920. The total amount of our sample totaled $131,920.

Effect **-** Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause – DPNR does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation – We recommend that DPNR implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, subrecipient and compliance monitoring. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-040**
Prior Year Finding Number: **2022-034**
Compliance Requirement: **Activities Allowed or Unallowed**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Criteria – In accordance with the Uniform Guidance in 2 CFR Section Part 200, a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of Uniform Guidance and extend such policies to all sub-recipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its sub-recipients.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – VIDOL was unable to provide reconciled accounting information relating to the majority of the Unemployment Insurance Trust Fund accounts. As such, we are unable to conclude on the fiscal and administrative requirements with respect to expending and accounting for all funds related to the Unemployment Insurance program.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the above referenced compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements.

Effect – Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or Federal reports. A lack of timely preparation of complete and accurate reconciliations results in the absence of adequate control over both cash receipts and disbursements.

Cause – VIDOL does not appear to have adequate policies and procedures in an effort to adequately administer the expending and accounting for all funds.

Recommendation – We recommend that VIDOL improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds. In order to prevent significant errors in the financial records as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-041**
Prior Year Finding Number: **2022-035**
Compliance Requirement: **Eligibility**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Criteria – Public Law 112-96 Sec. 2101 requires that as a condition of eligibility for regular compensation, a claimant must be able to work, available to work, legally authorized to work in the United States and actively seeking work. Claimants must meet other conditions of eligibility for Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC) and Federal Pandemic Unemployment Compensation (FPUC).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 60 out of 4,741 unemployment claim files and noted the following:

- 1 instance where VIDOL was not able to provide evidence that the claimant met the criteria for participating in the UI program but had received benefits during the year. Benefits paid to the individual during 2023 totaled $6,832.
- 2 instances where VIDOL was not able to provide evidence to confirm benefit payments were discontinued when the eligibility period expired.

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate claims charged to the program.

Questioned Costs – $6,832.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total amount of unemployment claims charged to the program during fiscal year were $5,125,575. The total amount sampled is $81,571. The known amount of the exceptions is $6,832.

Effect – Noncompliance with program requirements could result in disallowances of costs and participants could receive benefits that they are not entitled to receive.

Cause – VIDOL does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its claimant files.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirm that only eligible participants are receiving benefits they are entitled to.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-042**
Prior Year Finding Number: **2022-036**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with the program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 28 out of 103 financial, performance and special reports required to be submitted. We noted the following reports did not have supporting documentation available for review:

- 2 ETA 191, Financial Status of UCFE/UCX reports
- 4 ETA 2112, UI Financial Transaction Summary
- 2 ETA 2208A, Quarterly UI Above-Base Report
- 4 ETA 9050, Time Lapse of All First Payments except Workshare
- 4 ETA 9052, Nonmonetary Determination Time Lapse Detection
- 4 ETA 9055, Appeals Case Aging – Lower and Higher Authority Appeals

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

Questioned Costs – None.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample.

Effect - VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, VIDOL does not appear to have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by the appropriate official who would ensure that information reported is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-043**
Prior Year Finding Number: **2022-038**
Compliance Requirement: **Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Criteria – The UI program serves as one of the principal "gateways" to the workforce system. It is often the first workforce program accessed by individuals who need workforce services. The WPRS and RESEA programs service as UI's primary programs that facilitate the reemployment needs of UI claimants.

RESEA is authorized by Section 306 of the Social Security Act and builds on the success of both WPRS and RESEA's predecessor, the former UI Reemployment and Eligibility Assessment (REA) program. RESEA uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. RESEA is a voluntary program and under certain circumstances may be designed to also satisfy WPRS requirements. Operating guidance for the RESEA program is updated annually. UIPL 7-19 provides RESEA operating guidance for FY 2019.

Per 2 CFR section 200.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing of VIDOL's compliance with UI Reemployment Programs, we found VIDOL did not submit the 9129 Quarterly RESEA reports.

Further, it appears controls are not designed to ensure the timely and proper submission of required reports.

Questioned Costs – None.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements.

Effect – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Cause – VIDOL does not appear to have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by the appropriate official who would ensure that information reported is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-044**
Prior Year Finding Number: **2022-042**
Compliance Requirement: **Activities Allowed or Unallowed, Allowable Costs/Cost Principles – Non-Payroll Activities and Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Criteria – Recipients may use CSLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (codified as 42 USC 802 and 42 USC 803 respectively), Treasury's Interim Final Rule and Final Rule at 31 CFR sections 35.7 and 35.8.

The following activities are not permitted under CSLFRF:

- Offset a reduction in net tax revenue (applicable to states and territories)
- Deposits into pension funds (applicable to all recipients except Tribes)
- Debt service or replenishing financial reserves (e.g., "rainy day funds") (applicable to all recipients)
- Satisfaction of settlements and judgements (applicable to all recipients)
- Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

Recipients may use payments from CSLFRF to:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In mid-2024, an inquiry was conducted by the United States Department of Justice ("DOJ") into potential criminal activity associated with three individuals, each of whom were senior GVI officials working in their respective capacities as Director/Commissioner of the U.S. Virgin Islands Office of Management and Budget, Virgin Islands Police Department, and Department of Sports, Parks, and Recreation. As of January 2025, the DOJ filed formal indictments against the these now former USVI officials (collectively the "Indicted Individuals").

The DOJ alleged that the Indicted Individuals were involved in activities associated with bribery, specifically providing, or attempting to provide, accelerated approval of contracts and payments on invoices to a vendor, Mon Ethos Pro Support, LLC. The court cases are on-going. In 2023, Mon Ethos Pro Support, LLC was paid $60,387 from Coronavirus State and Local Fiscal Recovery Funds, which are considered questioned costs.

Further, internal controls over compliance do not appear to be operating effectively to ensure compliance with the allowable activities and procurement compliance requirements.

Questioned Costs – $60,387.

Context – This is a condition identified per review of current events and specific transactions related to the vendor identified in the DOJ indictment.

Effect – Fraudulent transactions associated with a Federal program can lead to an assessment of penalties, claw back of federal funds and termination of awards. Further, an ineffective control system related to procuring of vendors and submission of allowable costs that could ultimately lead to disallowed costs for the major programs.

Cause – OMB does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and procurement standards. Specifically, there appears to be a lack of monitoring controls and an appropriate level of review and approval of transactions prior to charging costs to a federal program.

Recommendation – We recommend that OMB evaluate its policies and procedures to ensure appropriate internal controls in order to comply with federal regulations relating to the procurement of goods and services and review current records retention policies.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-045**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of the Treasury

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Criteria – Recipients may use payments from SLFRF to replace lost public sector revenue to provide government services. Recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

Under the Final Rule, recipients can elect a one-time "standard allowance" of $10.0 million (not to exceed the recipient's award amount) to spend on the "provision of government services" during the period of performance. Alternatively, recipients can calculate lost revenue for the years 2020, 2021, 2022, and 2023 based on the formula provided in the Final Rule to determine the amount of SLFRF funds that can be used for the "provision of government services."

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government opted to calculate the lost revenue for the years 2020, 2021, 2022, and 2023 using the formula provided in the Final Rule. We reviewed the revenue loss calculation and noted that there was no evidence of review of the calculation.

Questioned Costs – None.

Context – This is a condition identified per review of OMB's compliance with the specified requirements.

Effect – Without adequate internal controls to ensure compliance with earmarking requirements, there is an increased risk that earmarking requirements will not be properly applied, and funding could be jeopardized.

Cause – OMB does not appear to have adequate policies and procedures to ensure consistent review and monitoring of the requirements.

Recommendation – We recommend that OMB improve internal controls to ensure adherence to federal regulations to the earmarking requirements by deploying resources that are given responsibility to ensure periodic monitoring and review of the earmarking requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. Moving forward, OMB will enhance its internal controls to ensure all procedural documentation is thoroughly reviewed and approved, with clear evidence of such approval. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-046**
Prior Year Finding Number: **2022-043**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Criteria – Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in sections 602I and 603I of the Act and Treasury's Interim Final Rule and Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. Specifically, a state must follow the same policies and procedures it uses for procurements from its non-federal funds and comply with 2 CFR sections 200.321, 200.322, and 200.323. States must also ensure that every contract includes the applicable contract clauses required by 2 CFR section 200.327.

Per Procurement Manual, User Agencies are required to submit a written justification letter to DPP, which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source, and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement. As such, please provide the justification letter for these three Task Order Contracts.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 10 out of 99 procurement transactions, we noted 5 transactions where documentation demonstrating compliance with the VI Procurement Laws were not available for review.

Further, internal controls over compliance do not appear to be designed to ensure relevant procurement documentation is retained to demonstrate compliance with the procurement compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. Total amount of the procurement transactions was $32,835,869. The total amount of the samples was $5,210,713. The known amount of the exceptions is $4,507,396.

Effect – OMB could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – OMB does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that OMB and DPP improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures. Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition. User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-047**
Prior Year Finding Number: **2022-044**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Treasury

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Criteria – There are two types of reporting requirements for the CSLFRF program:

Project and Expenditure Report: Report on financial data, projects funded, expenditures, and contracts and subawards over $50,000, and other information. Project and Expenditure Reports are due on a regular, recurring basis after the Interim Reports. The reporting frequency and deadlines vary by type of recipient and total allocation amount.

Recovery Plan Performance Report: The Recovery Plan Performance Report (the "Recovery Plan") will provide information on the projects that large recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to Treasury.

In addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – Of the 5 reports submitted during the fiscal year, we selected the following reports to review:

- Projects and Expenditures Report – Quarter Ended December 31, 2022
- Projects and Expenditures Report – Quarter Ended March 31, 2024
- Recovery Plan Performance Report – Year ended June 30, 2023

We found all reports did not contain evidence of review and approval prior to submission. Further, we noted all reports contained inaccurate data.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample.

Effect – OMB is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, OMB does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that OMB reevaluates its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-048**
Prior Year Finding Number: **2022-045**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Treasury

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Criteria **-** A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements – Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 10 of 21 subrecipients and found no evidence the subrecipient monitoring workbook was reviewed by the American Rescue Plan Act (ARPA) Grants Administrator.

Questioned Costs – None.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 were $104,779,873. The total amount of our sample totaled $89,247,731.

Effect – Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause – OMB does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation – We recommend that OMB implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-049**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027A, 84.027X
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Furthermore, CFR 200.113 requires that an applicant, recipient, or subrecipient of a Federal award must promptly disclose, in writing, whenever it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code, or a violation of the civil False Claims Act, in connection with the Federal award (including any activities or subawards thereunder). The disclosure must be made to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable).

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 40 of 2,573 payroll disbursements and noted 2 instances where the employee's pay rate in the approved Notice of Personnel Action provided did not agree with the pay rate in the payroll register.

Additionally, a fraud incident related to falsified payroll timesheet entries charged to this program was discovered and investigated during the year. It was discovered that bus driver timesheets were being approved with falsified time entries. An analysis conducted by VIDE determined the amount of theft to be $5,221. This incident was not disclosed or reported to the Federal awarding agency as required.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – $5,221.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was $5,744,863. The amount sampled is $102,945.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review was completed prior to charging costs to a federal program.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll transactions. Additionally, fraud incident should be reported to the appropriate federal awarding agency in accordance with mandatory disclosure requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE is taking immediate action to align payroll controls with our established fiscal improvement plan and to institutionalize a mandatory federal reporting protocol for fraud. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-050**
Prior Year Finding Number: **2022-046**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027A, 84.027X
Award #: Various
Award Period: Various

Criteria – Per the Uniform Guidance in 2 CFR Section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition date including the date of disposal and sale price of the property.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of the VIDE's compliance with the specified requirements.

Effect – There is a risk that inadequate recordkeeping or equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. We recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions. VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-051**
Prior Year Finding Number: **2022-047**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027A, 84.027X
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, Internal Controls, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Further, in accordance with the Uniform Guidance in 2 CFR Section 200.306, a State may not reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement.

Additionally, an LEA can use not more than 15% of the amount of federal Part B funds the LEA receives for any fiscal year (less any amount by which it reduces its expenditures under 20 USC 1413(a)(2)(C)) (see III.G.2.1.b.(6) in this section), in combination with other funds, to develop and implement, early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f); 34 CFR section 300.226).

Condition – We reviewed the level of effort calculations and noted the following:

- At the Local Education Agency (LEA) level, we noted that although the two LEAs appeared to meet the required financial support thresholds on the per child basis based on the level of effort compliance requirement, we were unable to verify the number of students for each LEA.
- At the State Education Agency (SEA) level, we were unable to review documentation that included the approval /certification of the amounts in the Maintenance of Financial support at the State Education level. In addition, although the calculation shows that VIDE met the Maintenance of Effort at the State level, we were unable to review documentation that would allow us to verify the number of students served in the current year.

We reviewed the earmarking documentation and noted the following:

- At the State Education Agency (SEA) level, for the non-ARP grant, we were unable to verify the total numbers of students and the number of students in poverty. We were therefore unable to confirm that the allocation of the remaining funds to the LEA agreed with the relative numbers of children living in poverty.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the level of effort and earmarking compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements.

Effect – VIDE is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with level of effort requirements and earmarking, there is an increased risk that level of effort and earmarking requirements will not be properly applied, and funding could be jeopardized.

Cause – VIDE did not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of the requirements.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the level of effort and earmarking requirements at the SEA and LEA levels by deploying resources that are given the responsibility to ensure periodic monitoring and compliance of the level of effort and earmarking requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2023-052**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 40 of 4,518 payroll disbursements and noted the following:

- 18 instances where the approved timesheet for the pay period selected were not available for review.
- 2 instances where the per diem support were not readily identifiable.
- 1 instance where the employee's pay rate in the approved NOPA provided did not agree with the pay rate in the payroll register.

As a result, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 was $7,738,716. The amount sampled is $95,985.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE is taking immediate action to align payroll controls with the established fiscal improvement plan. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2023-053**
Prior Year Finding Number: **2022-049**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria – Per the Uniform Guidance in 2 CFR Section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition date including the date of disposal and sale price of the property.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Condition – The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of the VIDE's compliance with the specified requirements.

Effect – There is a risk that inadequate recordkeeping or equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2023-054**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria – When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 40 out of 354 procurement transactions, we noted 2 transactions in which the approved Short Form Contract required for service-related procurement were not available for review.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the procurement compliance requirements.

Questioned Costs – None.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $6,434,229. Total amount sampled was $1,428,065. The known amount of exceptions is $95,120.

Effect – VIDE could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the procurement of services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE recognizes that the unavailability of approved Short Form Contracts during the audit indicates a gap in record retention and file maintenance. To address this, the Business Office will not process any payment voucher for service-related procurements unless the approved Short Form Contract is attached to the ERP transaction as a mandatory supporting document. To ensure records are maintained and readily available for future reviews, the Procurement Division will digitize all executed Short Form Contracts and upload them to the department's centralized SharePoint repository immediately upon execution. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2023-055**
Prior Year Finding Number: **2022-050**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires that non-federal entities, receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – VIDE failed to submit subaward data to fulfill the Transparency Act reporting requirements for the first tier subawards of $30,000 or more.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – None.

Context – This is a condition per review of VIDE's compliance with reporting requirements. In fiscal year 2023, VIDE passed through approximately $842,000 to 9 subrecipients.

Effect – VIDE is not in compliance with reporting requirements as it failed to provide evidence of identifying and reporting Transparency Act reporting requirements.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that VIDE should implement policies, procedures and controls that will comply with all required laws, guidelines, and requirement under the award.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-056**
Prior Year Finding Number: **2022-052**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

COVID-19 – Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 – 09/30/2022
01/13/2021 – 09/30/2023

COVID-19 – American Rescue Plan – Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records:
- Reasonable reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – For ALN 84.425 subprogram A and X, we sampled and selected 60 of 6,465 payroll expenditures and noted the following:

- 29 instances where the timesheet for the pay period selected were not available for review.
- 1 instance where the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 1 instance where the check detail payment support was not available for review.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the activities allowed or unallowed and allowable costs/cost principles compliance requirements.

Questioned Costs **-** $74,108.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to program in fiscal year 2022 is $9,237,083. Total amount sampled is $116,136. The known amount of the exceptions is $74,108.

Effect **–** Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work on multiple activities or cost objectives, a distribution of salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of VIDE in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-057**
Prior Year Finding Number: **2022-053**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 – American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

Criteria - Each State or Territory must file various financial, programmatic and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Specifically for this program, the CARES Act 15011(b)(2) requires institution receiving funds under ESF II-Governor and ESF II-SEA to submit the required quarterly reports to the Secretary at such time and manner and containing such information as the Secretary may require.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Furthermore, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed OMB and VIDE's compliance with the reporting requirements and noted the following:

- OMB was unable to provide evidence of submission of the annual performance review report, quarterly progress update reports, and FFATA reports for ALN 84.425, subprogram H.
- Amounts included in the annual performance review report for ALN 84.425, subprograms A and X, did not agree to supporting documents provided.
- The annual performance review report for ALN 84.425, subprograms A and X, did not contain evidence that the report was reviewed and approved prior to submission.

Further, it does not appear that the controls in place are operating at a level of precision to ensure the timely filing of reports.

Questioned Costs **-** None.

Context – This is a condition identified per review of OMB and VIDE's compliance with the specified requirements using a statistically valid sample.

Effect **-** Failure to properly track all reporting requirements, including the due dates of those reports, could result in missed or late reporting. This could also lead to a reduction in funding due to noncompliance with the terms of the Federal award.

Cause – The internal controls established for submission of reporting requirements did not fully operate as designed causing late submission and not in compliance with reporting requirements under the Transparency Act related to the program's subrecipients.

Recommendation – We recommend that OMB and VIDE reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-058**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

Criteria A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements – Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 10 out of 27 subrecipients and noted that, all 10 samples where VIDE and OMB failed to provide the evidence of monitoring and reviewing sub-grantee to ensure effective management of sub-awards.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements or proper identification of subrecipients.

Questioned Costs – None.

Context – This is a condition identified per review of VIDE and OMB's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 was $4,220,685. The total amount of our sample totaled $3,051,101.

Effect – VIDE and OMB are not in compliance with the stated provisions. Failure to properly identify and monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause – VIDE and OMB do not have internal controls in place to properly identify and monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation – We recommend that VIDE and OMB implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. During the period under review, gaps in documentation and monitoring were impacted by staff turnover, leadership transitions, and programmatic shifts, which limited the consistency and precision of subrecipient oversight across programs. In response, Office of Federal Grants (OFG) has taken steps to reinforce its role as the pass-through entity and to formalize monitoring expectations and processes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-059**
Prior Year Finding Number: **2022-054**
Compliance Requirement: **Special Tests and Provisions – Participation of Private School Children**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governors I and II)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 – American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per Compliance Supplement, the State or Territory or agency receiving financial assistance under ESF-SEA I and ESF-Governor I, must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency, consortium, or entity makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency, consortium, or entity must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served. For the programs under ESF-SEA, ESF II-SEA, ESF-Governor, ESF II- Governor will ensure equitable services will be provided to students and teachers in non-public elementary and secondary schools in the same manner provided under section 8501 of the Elementary and Secondary Education Act (ESEA).

Condition – We sampled and selected 9 out of 27 non-public schools for VIDE and noted following:

- VIDE was not able to provide documentation that they reviewed the planned services and communication.
- Computation by VIDE of the amount allocated to nonpublic schools did not contain evidence of review and approval.
- VIDE did not provide the Affirmation of Consultation/Intent to Participate for 9 out of 27 nonpublic schools consulted.
- VIDE did not provide documentation to support that the educational services that were planned were provided.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the special tests and provisions requirements.

Questioned Costs **-** None.

Context – This is a condition identified per review of OMB and VIDE's compliance with the specified requirements using a statistically valid sample.

Effect **-** Noncompliance with program requirements could result in disallowances of costs and ineligible schools could be participating in the program.

Cause – OMB and VIDE do not appear to have an effective system in place to ensure consistent and systematic review of documentation and file maintenance.

Recommendation – We recommend that OMB and VIDE implement policies, procedures, and controls that will ensure equitable services are provided to eligible private school children and their teachers and other educational personnel. OMB and VIDE should also review its record retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-060**
Prior Year Finding Number: **2022-055**
Compliance Requirement: **Special Tests and Provisions – Wage Rate Requirements**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 – American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Non-federal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the Department of Labor regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition – We reviewed VIDE's compliance with the wage rate requirements and noted the following:

- VIDE did not implement a formal process for the wage rate requirements compliance for fiscal year 2023.
- We randomly selected 3 contracts for classroom and office repair services and determined it did not indicate a provision that the contractor complies with wage rate requirements.
- VIDE did not provide the certified payrolls required to be submitted by the contractor.

Further, it does not appear that there are controls in place to ensure compliance with the special tests and provisions compliance requirements.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements not using a statistically valid sample.

Effect – VIDE is not in compliance with the stated provisions. There is potential that contractor or subcontractors could have paid their employees less than the prevailing wage rates established by the Department of Labor.

Cause – VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Recommendation – We recommend the VIDE implement policies, procedures, and controls that will ensure adherence to Federal regulations related to wage rate requirements, and to ensure that responsible project management personnel obtain and review the required certified payroll reports for each week in which contract work is performed.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance. Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number:	**2023-061**
	Not used.

Finding Number: **2023-062**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria **–** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 42 out of 520 non-payroll transactions, we noted 1 instance in which the expenditure was not approved by the personnel authorized to do so.

Questioned Costs **–** None.

Context – This is a condition identified per review of the DHS' compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program were $6,751,631. Total amount sampled is $4,475,308. The known amount of the exceptions is $441,706.

Effect **–** Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure internal controls are consistently and diligently applied.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. A workflow is established to ensure the proper review and processing of Accounts Payables payments. This includes a level of approval by the Chief Financial Officer. Any transactions $50,000 and above require approval by the Agency Head or their Designee. The workflow is then automatically released to the Department of Finance for review, approval and check processing. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-063**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 2,941 payroll disbursements and noted 1 instance where fringe benefits were incorrectly charged to the program.

We found the employer share of fringe benefits charged to the program with no associated time and effort by the employee. The employee retired and the fringe benefit continued to be charged to the program subsequent to retirement.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – $4,688.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2023 were $7,037,992. The amount sampled is $150,246. The known amount of instances of noncompliance is $4,688, which represents the fringe benefits charged to the program for the entire fiscal year with no associated time and effort by the employee.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – DHS does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has incorporated into its internal controls a step to ensure that the accounts, in retrospect, are reconciled to the actual Flex earning report. DHS intends on meeting with the Department of Finance to identify the nuances that create postings to occur contrary to the Flex Earning Report account coding. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-064**
Prior Year Finding Number: **2022-058**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – Real property, equipment, and intangible property, that are acquired or improved with a federal award must be held in trust by the nonfederal entity as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The HHS awarding agency may require the nonfederal entity to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a federal award and that use and disposition conditions apply to the property (45 CFR section 75.323 and 45 CFR section 1303 – Subpart E).

Real property acquired or improved under a federal award must be used for the authorized purpose so long as it is needed for that purpose, during which time the HSA may not dispose of, replace or encumber the property without prior ACF approval (45 CFR section 75.318; 45 CFR section 75.308(c)(1)(xi)).

Equipment acquired under a federal award must be used for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project. A HSA may not dispose of, replace, or encumber title to equipment without prior ACF approval (45 CFR section 75.319; 45 CFR section 75.308(c)(1)(xi)).

Property records must be maintained for equipment acquired under a federal award that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in the previous two years.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation – We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-065**
Prior Year Finding Number: **2022-059**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, in accordance with the compliance supplement, the states and territories are required to submit to the Federal administering agency, the Administration for Children and Families (ACF), the SF-429 *Real Property Status Report and SF-429 A General Reporting* on an annual basis 90 days after the end of the reporting period and the SF-428, SF-428 B, and if needed, SF-428 S *Tangible Personal Property Report* at closeout 90 days after the grant closes.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 4 out of 14 special reports required to be submitted during the fiscal year and noted program personnel did not ensure 4 SF-429 reports were prepared and submitted to the federal grantor agency as prescribed.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements not using a statistically valid sample.

Effect – DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Cause – It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Recommendation – We recommend that DHS strengthen its process with respect to ensuring proper retention, monitoring, and review of the required reports by an appropriate official.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-066**
Prior Year Finding Number: **2022-060**
Compliance Requirement: **Special Test and Provision – Protection of Federal Interest in Real Property and Facilities**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – Head Start uses specific terms related to real property and facilities, which are defined at 45 CFR section 1305.2, including construction, facility, federal interest, major renovation, and modular unit.

Facilities activities (purchase, construction, major renovation, subordination of a federal interest, refinancing, and disposition) are initiated through the submission of Form SF429 (cover sheet) and applicable attachments B (Request to Acquire, Improve or Furnish) or C (Disposition or Encumbrance Request).

With written prior approval from ACF, a HSA may use Head Start funds to purchase, construct, or renovate (major) a facility, including using Head Start funds to pay ongoing purchase costs which include principal and interest on approved loans (45 CFR sections 1303.40 through 1303.44).

A HSA that uses Head Start funds to purchase real property or purchase, construct, or renovate (major) a facility appurtenant to real property (either owned or leased) must record a Notice of Federal Interest (also referred to as "reversionary interest") (45 CFR sections 1303.46). The Notice of Federal Interest must include the required language content from 45 CFR section 1303.47(a) and be properly recorded in the official real property records for the jurisdiction where the facility is or will be located. A similar Notice of Federal Interest is required for leased facilities on land the HSA does not own (45 CFR section 1303.47(b)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – Based on audit procedures performed, we identified 5 of 8 facilities with major repairs that did not have evidence of the required Notice of Federal Interest.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect – There is a risk that lack of compliance with the stated requirements can result in significant fiscal issues that may put the Head Start program they administer at risk along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with protection of Federal interest in real property and facilities.

Recommendation – We recommend that DHS strengthen and improve internal controls to ensure adherence to Federal regulations related to protection of Federal interest in real property and facilities. This includes incorporating the necessary internal controls to ensure the Notice of Federal Interest is obtained when required.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

Finding Number: **2023-067**
Prior Year Finding Number: **2022-061**
Compliance Requirement: **Special Tests and Provisions – Program Governance**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – A Head Start Agency (HAS) must share accurate and regular financial information with the governing body and the policy council, including monthly financial statements, including credit card expenditures and the financial audit (42 USC 9837(d)(2)(A) and (E)).

Head Start governing body has a legal and fiscal responsibility for the HSA. The governing body's responsibilities include approving financial management, accounting, and reporting policies, and compliance with laws and regulations related to financial statements, including the:

- approval of all major financial expenditures of the agency;
- annual approval of the operating budget of the agency;
- selection (except when a financial auditor is assigned by the state under state law or is assigned under local law) of independent financial auditors; and
- monitoring of the agency's actions to correct any audit findings and of other action necessary to comply with applicable laws (including regulations) governing financial statement and accounting practices (42 USC 9837(c)(1)(E)(iv)(VII)(aa) through (dd)).

The auditee has provided training and technical assistance to the governing body and policy council to support understanding of financial information provided to them and support effective oversight of the Head Start award (42 USC 9837(d)(3)).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – When evaluating DHS' compliance with the above-mentioned compliance requirements, we found the following:

- DHS was unable to validate that they provided training and technical assistance to the governance board during the fiscal period under review.
- Financial information is not shared with the governing board monthly. We observed financial information being shared quarterly.
- We found no discussion by the governing board relating to monitoring of DHS' actions to correct audit findings.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect – There is a risk that lack of compliance with the stated requirements can result in significant fiscal issues that may put the Head Start program they administer at risk along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with program governance.

Recommendation – We recommend that DHS strengthen and improve internal controls to ensure adherence to Federal regulations related to program governance training and technical assistance to governing body and policy council. There should be regular training that will enable the governing body to perform it's legal, fiscal, and oversight responsibilities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular trainings are now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-068**
Prior Year Finding Number: **2022-064**
Compliance Requirement: **Eligibility**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – DHS must have in place procedures for documenting and verifying eligibility in accordance with the Federal requirements, as well as the specific eligibility requirements selected by the Territory in its approved Plan.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The CCDF program appears to have policies and procedures in place for eligibility determinations and childcare provider voucher preparation and distribution. However, DHS was unable to provide a complete listing of childcare provider voucher distributions that includes relevant information to test eligibility of recipients. As a result, it appears DHS did not perform a reconciliation of the benefits paid to eligible participants and the expenditures recorded in the general ledger.

Further, internal controls were not operating at a level of precision to ensure compliance with the eligibility compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS's compliance with the specified requirements and general compliance principles. Approximately $1.0 million was expended for child care vouchers.

Effect – Noncompliance with program requirements could result in disallowances of costs and program participants could be receiving benefits that they are not entitled to receive.

Cause – It appears that policies and procedures, including review over eligibility transactions, were not functioning as intended.

Recommendation - We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-069**
Prior Year Finding Number: **2022-065**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – The annual appropriations law for CCDF Discretionary Funds (Assistance Listing 93.575), the CARES Act (Pub. L. No. 116-136), and the CRRSA Act (Pub. L. No. 116-260) all specify that funds shall be used to supplement, not supplant State general revenue funds for child care assistance for low-income families. Funds appropriated by the ARP Act (Pub. L. No. 117-2) shall be used to supplement and not supplant other federal, state, and local public funds expended to provide child care services for eligible individuals.

In accordance with the Compliance Supplement, the State or Territory:

- May not spend on administrative costs more than five percent of total CCDF awards expended (i.e., the total of Assistance Listings 93.575, 93.596, and 93.489 with the exception of any ARP Act stabilization funds and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (42 USC 9858c(c)(3)(C); Pub. L. no. 116-20; CFR section 98.52).
- Quality Earmark – For FY 2020 and succeeding fiscal years, states and territory Lead Agencies must spend on quality activities, as provided in the state/territorial plan, not less than nine percent of CCDF funds expended (i.e. the total of Assistance Listing 93.575, 93.596, and 93.489 with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (45 CFR section 98.53). States and territory Lead Agencies must spend at least an additional three percent on quality improvement for infants and toddlers (45 CFR section 98.50(b)).
- Direct Spending Earmarks - (1) From the aggregate amount of Discretionary funds (Assistance Listing 93.575) and Disaster Relief funds (Assistance Listing 93.489) provided for a year (with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds used for construction or major renovation), state Lead Agencies, territory Lead Agencies, as well as those tribal Lead Agencies with allocations of at least $250,000 must reserve funds for administrative costs (described above) and the minimum amount required for quality activities (described above). (2) From the remainder, the Lead Agency must use not less than 70 percent to fund direct services. In addition, states and territories must spend not less than 70 percent of the Mandatory and federal and state share of Matching funds (Assistance Listing 93.596) to provide child care assistance to families who: (a) receive Temporary Assistance for Needy Families (TANF); (b) are attempting through work activities to transition of TANF; and (c) are at risk of becoming dependent on TANF (45 CFR section 98.50(e) and (f)).

Direct spending requirements do not apply to supplemental funds provided by the CARES Act (Pub. L. No. 116-136), the CRRSA Act (Pub. L. No. 116-260) and the ARP Act (Pub. L. No. 11702).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We discussed with management the process to ensure compliance with the level of effort requirement noting they do not appear to have adequate policies and procedures to monitor and ensure compliance with level of effort requirements.

In addition, for one project that ended during the fiscal year, management was unable to provide a final ACF-696 Financial Reporting Form for State and Territory Child Care and Development Fund (CCDF) Lead Agencies that reconciled to accounting records. As such we are unable to determine if the Administrative, Quality and Direct Spending earmarks for this project have been met.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS's compliance with the specified requirements.

Effect – DHS is not in compliance with the stated provisions.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic monitoring of the requirements.

Recommendation - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the requirements throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS acknowledges the need to strengthen policies, procedures, and monitoring controls to ensure consistent compliance with the Child Care and Development Fund (CCDF) matching, level of effort, and earmarking requirements, as well as to ensure that final financial reporting fully reconciles to accounting records. DHS also emphasizes maintaining internal controls to support timely, accurate federal reporting. While the Child Care program does not require local matching funds, DHS will include the GVI-approved spending plan (in addition to ERP budget journals) with audit submissions so auditors can readily confirm any applicable matching requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-070**
Prior Year Finding Number: **2022-067**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – Pursuant to CCDF regulations at 45 CFR 98.65(g), and as part of the terms and conditions of the grant award, States and Territories are required to complete and submit a quarterly financial status report (ACF-696). The form must be submitted quarterly (reports are due 30 days after the end of the quarter). States must submit quarterly reports for each federal fiscal year until all funds are expended or when the liquidation period expires. Since CCDF funds are awarded each federal fiscal year, a Lead Agency might submit multiple separate quarterly ACF-696 forms for multiple overlapping grant award years simultaneously.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 9 reports of 31 reports expected to be filed during the fiscal year. During our testing, we found the following:

- 8 financial reports had not been submitted in a timely manner, ranging from 95 to 399 days late.
- 1 financial report that did not appear to be submitted as required.
- 8 financial reports where we could not determine if the amounts reported were complete and accurate.

Further, internal controls were not operating at a level of precision to ensure compliance with the reporting compliance requirement.

Questioned Costs – None.

Context – This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, DHS does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that DHS reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-071**
Prior Year Finding Number: **2022-068**
Compliance Requirement: **Special Tests and Provisions – Health and Safety Requirements**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – As part of their CCDF plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to health and safety. These requirements must address 11 specific areas—including first aid and CPR, safe sleeping practices, and administration of medication—and child care workers must be trained in these areas (42 USC 9858c(c)(2)(I); 45 CFR section 98.41).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 9 of 66 child care providers and noted no evidence of monitoring of the child care service providers for applicable minimum health and safety requirements.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. The total amount of child care expenditures charged to the program were $1,020,396. Total amount sampled is $315,509.

Effect – DHS in not in compliance with the stated provisions. Noncompliance with program requirements could result in disallowances of costs and ineligible providers could be participating in the program.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the health and safety requirements are documented throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-072**
Prior Year Finding Number: **2022-069**
Compliance Requirement: **Special Tests and Provisions – Fraud Detection and Repayment**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – Lead Agencies shall recover childcare payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud (45 CFR section 98.60). The Lead Agency must correctly identify and report fraud and take steps to recover payment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – While DHS has a procedure for identifying and recovering payments resulting from fraud, via its internal audit process, it was unable to evidence that such audit(s) had been conducted during the fiscal year.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS's compliance with the specified requirements.

Effect – There may be prolonged, ongoing cases of unnecessary utilization and fraud that may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance with fraud detection and repayment requirements throughout the fiscal year. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-073**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575, 93.489
Award #: Various
Award Period: Various

Criteria – To be qualified to receive ARP Act stabilization funds, a provider on the date of application for the award must either be: (1) open and available to provide child care services, or (2) closed due to public health, financial hardship, or other reasons relating to the COVID-19 public health emergency. In addition, the provider must either (1) be eligible to serve children who receive CCDF subsidies at the time of application for stabilization funds, or (2) be licensed, regulated, or registered in the state, territory, or tribe as of March 11, 2021 and meet applicable state and local health and safety requirements at the time of application for stabilization funds. In their application for stabilization funds, a child care provider must certify:

a. That the provider will, when open and providing services, implement policies in line with guidance and orders from corresponding state, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the CDC.
b. For each employee, the provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.
c. The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected a sample of 10 of 45 child care providers that received ARP Act stabilization funds. During our testing, were not provided evidence to substantiate that the child care providers selected for testing were eligible to receive ARP Act stabilization funds.

Further, internal controls were not operating effectively to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. The total amount of ARP Act stabilization expenditures charged to the program were $14,833,930. Total amount sampled is $4,572,894.

Effect – DHS in not in compliance with the stated provisions. Noncompliance with program requirements could result in disallowances of costs and ineligible providers could be participating in the program.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the ARP Act stabilization provider eligibility requirements throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-074**
Prior Year Finding Number: **2022-071**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria – CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – We sampled and selected 60 of 1,380 payroll transactions and noted the following:

- 2 instances in which the project code on an employee's Notice of Personnel Action (NOPA), which is used to record time and effort to the appropriate grant, was expired and had not been updated. During the fiscal year, program personnel did make adjustments to ensure the employee's time and effort was recorded to the correct grant.
- 1 instance in which the hours noted per the employee's timesheet did not agree to the hours in the payroll register.

We also sampled 60 of 251 non-payroll transactions and noted the following:

- 18 expenditures that do not seem to conform to DHS requirements for disbursing program funds.
- 6 instances where the approved requisition was not available for review.
- 1 instance where the invoice date is prior to the date of the Purchase Order.
- 1 instance where no supporting documentation was available for review other than the approved requisition.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of compliance with the specified requirements using a statistically valid sample.

Total amount of payroll expenditures charged to the program in fiscal year 2023 were $3,343,590. Total amount sampled is $180,273. The known amount of the exceptions is $408.

Total amount of non-payroll expenditures charged to the program in fiscal year 2023 were $2,551,775. Total amount sampled is $1,004,88. The known amount of the exception is $388,742.

Effect - Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll and non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-075**
Prior Year Finding Number: **2022-072**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria – A Non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Additionally, the Uniform Guidance in 2 CFR Section 200.344(b), states that unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 10 out of 91 expenditures recorded during the grant's liquidation period. We found 6 expenditures that were charged to the grant during the liquidation period and incurred outside the period of availability. Such expenditures totaled $7,081.

Additionally, internal controls do not appear to be operating at a level of precision to ensure grant expenditures are charged to the correct grant and within the allowable period of performance.

Questioned Costs – $7,081.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of expenditures subject to sampling were $56,385. Total amount sampled is $12,211.

Effect - DHS is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations.

Recommendation – We recommend that DHS strengthen its process with respect to charging expenditures between various grant awards. We also recommend that DHS enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-076**
Prior Year Finding Number: **2022-073**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, in accordance with the compliance Supplement, the states and territories are required to submit to the Federal administering agency, the Office of Community Services (OCS), SF-425 'Federal Financial Report' and an annual 'Post Expenditure Report' (42 USC 1397e) no later than six months following the close of the fiscal year. Further, in accordance with OCS SSBG Supplemental Terms and Conditions, SSBG is required to submit an interim and final SF-425 report covering Year 1 and the entire 2-year of the project period, 90 days following Year 1 (FFY 1) and 90 days following the end of Year 2 (FFY 2), respectively.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 2 out of 4 financial (SF-425) and special (Post-Expenditure) reports and noted the following:

- 1 financial report was not available for review.
- For 1 special report, we noted no evidence of the date the report was prepared, reviewed, and submitted to the Federal grantor. Additionally, we were not able to agree the key line item of the report to the underlying records.

Additionally, internal controls do not appear to be operating at a level of precision to ensure federal reports are prepared accurately, reviewed and submitted timely, and maintained for inspection.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect - DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Cause – It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Recommendation – We recommend that DHS strengthen its process with respect to ensuring proper retention, monitoring, and review of the required reports by an appropriate official.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Currently, there is a collaboration with Federal Partners to consolidate reporting in the Payment Management System portal, as there is no single report for the SSBG as required. Report requests are currently inconsistent with one consolidated grant. Additionally, pre and post expenditures are submitted through the portal, accompanied by a submission log. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-077**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 – 09/30/2023

Criteria – Federal funds can be used only for Medicaid and CHIP benefit payments (as specified in the state plan, federal regulations, or an approved waiver/demonstration), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for the establishment and operation of state MFCUs (42 CFR 435.10, 440.210, 440.220, and 440.180). Payments may only be made to providers determined by the SMA to be eligible to participate in the Medicaid program.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – DHS was unable to provide a reconciliation of claims paid between the Medicaid Management Information System (MMIS) and the general ledger, which is used to prepare the Schedule of Expenditures of Federal Awards (SEFA).

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles.

Effect – DHS is not in compliance with the stated provisions. Failure to properly review and report expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure monitoring and compliance of stated requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will strengthen internal controls by implementing clearer, auditable reconciliation processes to support SEFA preparation and demonstrate compliance. DHS will continue coordinating with auditors and stakeholders to ensure required documentation is received and compliance can be readily determined. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-078**
Prior Year Finding Number: **2022-075**
Compliance Requirement: **Eligibility**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 – 09/30/2023

Criteria – Plan and eligibility requirements must comply with various Federal requirements. The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with the State Plan under Title XIX of the Social Security Act, Section 4.7, *Maintenance of Records,* the Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provisions of medical assistance, and administrative costs, statistical, fiscal and other records necessary for reporting and accountability.

Condition – In our review of 60 out of 34,534 participant case files, we noted 29 instances where there was no documentation to support the eligibility determinations made.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – Noncompliance with program requirements could result in disallowances of costs and program participants could be receiving benefits that they are not entitled to receive.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review and maintenance of the data in its participant case files.

Recommendation – We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness and confirming that only eligible participants are receiving the entitled benefits. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the eligibility process.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-079**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 – 09/30/2023

Criteria – The state is required to pay part of the costs of providing Medicaid and CHIP services and part of the costs of administering the program. The percentage of federal funding is determined based on the amount of the expenditure and the application of the FMAP that is determined for each state using a formula set forth in section 1905(b) of the Act (42 USC 1396d), or other applicable federal matching rates specified by the statute. In particular, the matching rates for states' administrative expenditures authorized by the Act are found in section 1903(a) of the Act (42 USC 1396b).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – DHS was unable to readily exhibit and provide its computation of the matching calculation or provide evidence that it was monitoring compliance with said requirement. Therefore, we were unable to determine if the matching requirement has been met.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles and matching compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles.

Effect – DHS is not in compliance with the stated provisions. Failure to properly review and report expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure monitoring and compliance of stated requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-080**
Prior Year Finding Number: **2022-076**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 – 09/30/2023

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

In accordance with the Compliance Supplement, the State or Territory is required to submit CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program*, thirty days after the end of the quarter.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 2 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted the reports did not contain evidence of review or approval.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-081**
Prior Year Finding Number: **2022-077**
Compliance Requirement: **Special Tests and Provisions - Utilization Control and Program Integrity**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Criteria – The state plan must provide methods and procedures to safeguard against unnecessary utilization of care and services. In addition, the state must have (1) methods of determining criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Credible allegations of provider fraud must be referred to the state MFCU or an appropriate law enforcement agency in states with no certified MFCU (42 CFR Part 455.21).

The SMA must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for, and the quality and timeliness of, Medicaid services. The SMA may conduct this review directly or may contract with an independent entity (42 CFR 456.5, 456.22 and 456.23).

In addition, the SMA as required per Section 1902(a)(68) – [42 USC 1396a(a)(68)] False Claims Education must ensure that providers and contractors receiving or making payments of at least $5 million annually under a state's Medicaid program have (a) established written policies for all employees (including management) about the Federal False Claims Act, whistleblower protections, administrative remedies, and any pertinent state laws and rules; (b) included as part of these policies detailed provisions regarding detecting and preventing fraud, waste, and abuse; and (c) included in any employee handbook a discussion of the False Claims Act, whistleblower protections, administrative remedies, and pertinent state laws and rules.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – Upon investigation, DHS was not able to provide evidence of compliance with the above referenced compliance requirements. Specifically, we found the following:

- No evidence of a method of determining criteria for identifying suspected fraud cases.
- No evidence of a method for investigating these cases.
- No evidence of procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.

Further, we noted DHS had not provided evidence of established and used written criteria for evaluating the appropriateness and quality of Medicaid services, including procedures for the ongoing post-payment review.

Additionally, DHS did not provide evidence they ensure that providers and contractors receiving or making payments of at least $5 million annually under a state's Medicaid program have (a) established written policies for all employees (including management) about the Federal False Claims Act, whistleblower protections, administrative remedies, and any pertinent state laws and rules; (b) included as part of these policies detailed provisions regarding detecting and preventing fraud, waste, and abuse; and (c) included in any employee handbook a discussion of the False Claims Act, whistleblower protections, administrative remedies, and pertinent state laws and rules.

Finally, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect – There may be prolonged, ongoing cases of unnecessary utilization and fraud which may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately, with no methodology of properly identifying or tracking the amounts.

Cause – DHS does not appear to have an effective system in place to address the program's requirements.

Recommendation – DHS should reconsider whether it would like to be directly responsible for Utilization Control and Program Integrity, or if the use of a QIO would better suit current needs. Once this is decided, DHS should take the necessary steps to ensure compliance with this requirement. The written procedures should reflect the actual actions to be taken. In the event a QIO is used, DHS should be involved throughout, so that it is aware of the program's vulnerabilities and has the opportunity to make the necessary changes for improvement in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-082**
Prior Year Finding Number: **2022-078**
Compliance Requirement: **Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Criteria – The SMA pays for inpatient hospital services and long-term care facility services through the use of rates that are economic and efficient and are in accordance with the state plan. To the extent the state pays reconciled costs, the SMA must provide for the filing of uniform cost reports for each participating provider in order to establish payment rates. The SMA must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the state plan (42 CFR 447.253).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DHS provides Medicaid services to eligible Territory residents through inpatient hospitals and long-term care facilities. These hospitals and facilities include various Territory agencies and third-party service providers. The costs incurred by these facilities are summarized in a cost report that is submitted to DHS. DHS awarded a contract in August 2017 for the audit of these cost reports; however, we noted that DHS had not received any audited cost reports for fiscal year 2023.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect – Without timely audits of the cost reports, DHS has no assurance that the costs incurred by the medical facilities are actual costs incurred. Further, the difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than Federal, dollars to fund Medicaid expenditures.

Cause – DHS does not appear to have adequate policies and procedures in place for the provision of audited cost reports of its participating providers.

Recommendation – We recommend that DHS evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow DHS to reduce the time between the Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services intends to shift the responsibility of Cost Reports internally to the Fiscal Office, under the supervision of Director of Audit and Compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-083**
Prior Year Finding Number: **2022-079**
Compliance Requirement: **Special Tests and Provisions – ADP Risk Analysis and System Security Review**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Criteria – SMAs must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate and cost-effective safeguards are incorporated into new and existing systems. SMAs must perform risk analyses whenever significant system changes occur. SMAs shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The SMA shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR 95.621).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DHS performed two ADP Risk Analysis and System Security Reviews for the systems that support the Medicaid Programs. A SOC1, Type 2 review was performed over the MMIS system covering the period October 1, 2022 through September 30, 2023 as well as a Cybersecurity review released in September 2024. Both reviews were performed by third-party organizations.

Upon review of the reports, we noted the following:

- The SOC1, Type 2 contained a qualified opinion stating that controls were not operating effectively to prevent unauthorized changes to the application and supporting infrastructure.
- They Cybersecurity review was performed outside of fiscal year 2023. Additionally, the conclusion reached noted several critical vulnerabilities that need immediate attention.

We did not note any analysis performed by DHS to assess the risk of the opinion qualification over their internal control environment nor the steps being taken to remedy the critical vulnerabilities noted in the Cybersecurity review.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs - None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements.

Effect - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

Cause – DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Medicaid claims reside.

Recommendation - We recommend that management should perform and review a risk analysis and system security review for all systems that support the Medicaid program. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS has conducted an overall cybersecurity risk assessment for entire IT infrastructure. The strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-084**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Provider Eligibility**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2015 – 09/30/2023

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2021 – 09/30/2023

Criteria – *Medicaid* – In order to receive Medicaid payments, providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program (42 CFR 431.107 and 447.10; and Section 1902(a)(9) of the Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR Part 455, Subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the Medicaid program (see 42 CFR 455.436).

CHIP – In order to receive CHIP payments, CHIP providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the CHIP program (42 CFR 457.900); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR 457.990(a), cross referencing 455.107). CHIP managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Guidance was provided to states in the Medicaid Provider Enrollment Compendium (MPEC) to enroll CHIP providers into their Medicaid programs to ensure that they meet federal requirements. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the CHIP program (42 CFR 457.990, 42 CFR 455 Subpart E).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled 20 of 194 providers that provided Medicaid and CHIP services during fiscal year 2023. DHS was unable to provide documentation that the providers selected were:

- screened, licensed, and enrolled in accordance with the state plan and the requirement of 42 CFR 455 Subpart E.

- comply with the requirements of the state plan, including the disclosure requirement of 42 CFR 455 Subpart B.
- comply with the requirements of the state plan, including the disclosure requirements of 42 CFR 455 Subpart B and Section 1.4 of the MPEC.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with the stated provisions. Noncompliance with program requirements could result in disallowances of cous and ineligible providers could be participating in the program.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure documentation is maintained and available to be inspected.

Recommendation - We recommend that DHS implement policies and procedures to ensure provider enrollment documentation is maintained and available for inspection.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-085**
Prior Year Finding Number: **2022-081**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN: 97.036
Award#: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Periods: 09/20/2017 – 09/07/2026
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 11 projects with first-tier subawards greater than $30,000 and found that internal controls over compliance with FFATA reporting provisions had not been implemented.

Questioned Costs – None.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – Lack of internal controls over compliance may lead to material noncompliance with stated provision.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Recommendation – We recommend that VITEMA reevaluate its policies and procedures to ensure proper review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A formalized process for the preparation and submission of financial and performance reports is now established, with clearly defined roles and responsibilities. The Disaster Program Financial Specialist is tasked with preparing the reports quarterly and submitting them to the Territorial Public Assistance Officer for review. The reports and associated certifications will be placed in a centralized database. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-086**
Prior Year Finding Number: **2022-082**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN: 97.036
Award#: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Periods: 09/20/2017 – 09/07/2026
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – A pass-through entity (PTE) must:

Identify the Award and Applicable Requirements – Clearly identify to the subrecipient:

1. The award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
2. All requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2));
3. Any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

Monitor – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.

2. Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 8 of 27 subrecipients and found the following:

- 4 instances where we were unable to obtain subrecipient agreements.
- 8 instances with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the subrecipient monitoring compliance requirements or proper identification of subrecipients.

Questioned Costs – None.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2023 was $134,242,935. The total amount of our sample totaled $124,398,401.

Effect – VITEMA is not in compliance with the stated provisions. Failure to properly identify and monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Cause – VITEMA does not have internal controls in place to properly identify and monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation – We recommend that VITEMA implement policies, procedures, and controls to ensure subrecipients are identified and monitored in accordance with federal statutes.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the Recipient, the Territory is responsible for notifying the Subrecipient when federal funds are obligated and providing them with a subrecipient agreement outlining the program's terms and conditions. The Disaster Program Financial Specialist is responsible for ensuring that the subrecipient agreement is signed by both the Applicant and the Governor's Authorized Representative and provided to the Territorial Public Assistance Officer. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-087**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Homeland Security

Homeland Security Grant Program
ALN: 97.067
Award#: Various
Award Periods: Various

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

As directed by section 2008(b)(2) of the Homeland Security Act of 2002 (codified as amended at 6 USC 609(b)(2)), all personnel and personnel-related costs, including those of intelligence analysts and operational overtime, are allowed up to 50 percent of HSGP funding without time limitation placed on the period of time that such personnel can serve. FEMA may provide a waiver at the request of the recipient to allow personnel expenses to exceed 50 percent of the amount awarded.

Condition – It appears that controls do not exist, such as monitoring controls, to ensure VITEMA is in compliance with the earmarking requirements at the end of each grant period.

Questioned Costs – None.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements.

Effect – An ineffective control system related to monitoring of earmarking requirements can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – VITEMA does not appear to have adequate policies and procedures to ensure compliance with the earmarking requirements and ensure that an appropriate level of monitoring is completed prior to closing out of the grant.

Recommendation – We recommend that VITEMA reevaluate and improve internal controls to ensure each grant is monitored throughout its life to ensure compliance with the earmarking requirement at the end of a grants period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. This information is documented in BSIR as part of the submittal process and does not allow for the submittal of reporting if not verified to meet this requirement. VITEMA will also document this information when preparing the SF 425 report by including this information in the notes section of this report. This will be conducted on a quarterly basis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2023-088**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Homeland Security

Homeland Security Grant Program
ALN: 97.067
Award#: Various
Award Periods: Various

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 2 of 3 projects with first-tier subawards greater than $30,000 and found the following:

- No evidence of review of the reporting prior to submission.
- We are unable to verify the timeliness of FFATA reporting.
- We are unable to agree amounts reported to adequate source documentation.

Questioned Costs – None.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – A lack of internal controls over compliance may lead to material noncompliance with stated provision.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Recommendation – We recommend that VITEMA reevaluate its policies and procedures to ensure proper review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VITEMA's Deputy Director of Grants Management will review the FFTA information and validate that the information is true and correct based on the amount approved by DHS and sub-recipient agreement. This FFTA document will be signed and dated by the Deputy Director of Grants Management within the 30 days of required enrollment The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Management's Appendices

Summary Schedule of Prior Audit Findings

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DEPARTMENT OF FINANCE

Appendix A
Summary Schedule of Prior Audit Findings

Section I – Financial Statement Findings

Finding 2022-001, 2021-002, 2020-002, 2019-002, 2018-002, 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process and Financial Deficit

Timeliness and Methodology of Close Process

Current Status: Repeated. Finding 2023-001 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with Departments and Agencies (D&A) will be essential through setting expectations, establishing realistic goals, and providing support. GVI does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2023-001 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise.

For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices.

Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year 2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads).

Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.

Journal Entries

Current Status: Repeated. Finding 2023-001 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.

Finding 2022-002, 2021-003, 2020-003, 2019-003, 2018-003, 2017-004, 2016-002, 2015-002 and 2014-003: Revenue and Receivables

Reconciliation of Subsidiary Registers

Current Status: Repeated. Finding 2023-002 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: - The Government will ensure that the general ledger accounts are reconciled to the detailed records on a quarterly basis.

Tax Return Processing Method

Current Status: Repeated. Finding 2023-002 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.

Real Property Tax

Current Status: Repeated. Finding 2023-002 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties.

Other Revenues

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-003, 2021-004, 2020-004, 2019-004, 2018-004, 2017-005, 2016-003, 2015-003 and 2014-004: Grants Management

Control Systems Over the Schedule of Expenditures of Federal Awards

Current Status: Repeated. Finding 2023-003 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance.

Key improvements from the system to include:

- Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system.
- Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions.
- Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness.
- Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations.
- Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions.
- Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting.

Immediate corrective actions aligned with the audit's recommendations will include:

- Quarterly reviews of ALN, expenditures, and cash receipts postings to grants.
- Continuous reconciliations of SEFA with departments and agencies.
- Enhanced documentation, monitoring, and training for all grant management staff.
- Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.

Federal Grants and Contributions

Current Status: Repeated. Finding 2023-003 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that receivables are tracked by each individual Government agency by performing the following:

- Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred.

- Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government.

- Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.

Federal Grants Accounting

Current Status: Repeated. Finding 2023-003 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues. A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources.

Monthly reconciliations between Treasury's cash receipts records and OMB Federal Grants Management Unit (FGMU) will be performed to detect and correct discrepancies on a timely manner. In addition, the Accounting Division will conduct a comprehensive review of the working trial balance to identify and correct object code misclassifications, particularly for Asset Recovery Fund transactions previously reported as federal grant revenues.

Report Submission

Current Status: Repeated. Finding 2023-003 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will:

- Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date).

- Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders.
- Government-wide Standard Operating Policies and Procedures will be developed to provide a uniform and consistent approach across all agencies in Grant Management, Fixed Assets, Fraud Waste and Abuse (FWA), Cash Management and with an automated training schedule requirement through a training platform.
- Supplemental detail for example cheat sheets, checklists, and training guides will be developed based on the Government-wide Standard operating policies and procedures (SOPP).
- All staff involved in the audit and reporting process will receive annual training on federal grant management and reporting requirements.

Finding 2022-004, 2021-005, 2020-005, 2019-005, 2018-005, 2017-002, 2017-006, 2016-004, 2015-004 and 2014-005: Capital Assets and Related Expenditures

Record Keeping

Current Status: Repeated. Finding 2023-004 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal yar 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary.

Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.

Reconciliation and Review of Subsidiary Registers

Current Status: Repeated. Finding 2023-004 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

Construction in Progress (CIP) Monitoring

Current Status: Repeated. Finding 2023-004 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.

Capital Assets Impairment Process

Current Status: Repeated. Finding 2023-004 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Capital Assets – Business-Type Activities

Current Status: Repeated. Finding 2023-004 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2022-005, 2021-006, 2020-006, 2019-006, 2018-006, 2017-007, 2016-005, 2015-005 and 2014-006: Recording of Liabilities

Retroactive Pay Liability

Current Status: Repeated. Finding 2023-005 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Medical Malpractice Liability

Current Status: Repeated. Finding 2023-005 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.

Health Insurance Accrual

Current Status: Corrective action was taken. Finding not repeated in current year.

Accounts Payable

Current Status: Repeated. Finding 2023-005 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices.

Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage. The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.

Landfill Closure and Post Closure Costs Liability

Current Status: Repeated. Finding 2023-005 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.

Quality of Census Data

Current Status: Repeated. Finding 2023-005 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.

Income Tax Refunds Payable

Current Status: Repeated. Finding 2023-005 F.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Plan Funding Considerations

Current Status: Repeated. Finding 2023-005 G.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Finding 2022-006, 2021-007, 2020-007, 2019-007, 2018-007, 2017-008, 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Current Status: Repeated. Finding 2023-006.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. DHS consider this a high-priority initiative that will provide much-needed revenues to the coffers.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2022-007, 2021-008, 2020-008, 2019-008, 2018-008, 2017-009, 2016-007, 2015-007 and 2014-008: Unemployment Insurance Trust Fund

Account Reconciliation Process

Current Status: Repeated. Finding 2023-007.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Finding 2022-008, 2021-009, 2020-009, 2019-009, 2018-009, 2017-010, 2016-008, 2015-008 and 2014-011: Workers Compensation Program

Plan Valuation Methodology

Current Status: Repeated. Finding 2023-008.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Finding 2022-009, 2021-011, 2020-011, 2019-011, 2018-011, 2017-002, 2017-011, 2016-011, 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures

Payroll Expenditures

Current Status: Repeated. Finding 2023-009 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Payroll Unit will monitor accrual liabilities bi-annually.

Transactions with Personnel

Current Status: Repeated. Finding 2023-009 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.

Reporting for Expenditures

Current Status: Repeated. Finding 2023-009 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Lack of monthly reconciliations at the D&A creates untimely adjustments in the system. Accordingly, the Government will:

- Require CFOs to generate Flexible Period Reports of all final balances by the 30th of the following month, which will allow D&As the opportunity to enter, release, and obtain approval for journal entries.
- Create a workflow in the ERP system for general journals to assign responsibility to CFOs for timely adjustments and to support the requirement to provide Flexible Period Reports.
- Have the DOF Accounting Operations Manager and Director of Accounting work with Tyler Technologies to evaluate options for tracking timeliness within the ERP system.

Formalize Emergency Payroll Procedures

Current Status: Repeated. Finding 2023-009 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes.

This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Finding 2022-010, 2021-012, 2020-012, 2019-012, 2018-012, 2017-012, 2016-010, 2015-010 and 2014-002: Bank Accounts

Strengthen Controls Over Bank Reconciliations

Current Status: Repeated. Finding 2023-010 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.

Cash Pooling and Allocation(s)

Current Status: Repeated. Finding 2023-010 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.

Check Sequences

Current Status: Repeated. Finding 2023-010 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager.

Finding 2022-011, 2021-010, 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Actuarial Valuation

Current Status: Repeated. Finding 2023-011 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP.

Administration and Recordkeeping

Current Status: Repeated. Finding 2023-011 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.

Update of Mortality Tables

Current Status: Repeated. Finding 2023-011 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.

Finding 2022-012: Accounting Standards Implementation

Current Status: Repeated. Finding 2023-012.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.

Finding 2022-013: Irregularities related to Procurement Activities

Current Status: Repeated. Finding 2023-013.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Finding 2022-014, 2021-017, 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2023-014.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY.

Finding 2022-015, 2021-013, 2020-013, 2019-013, 2018-013, 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology (IT) Environment

User Access and Administration

Current Status: Repeated. Finding 2023-015.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training by February 28, 2026.

Finding 2022-016, 2021-014, 2020-014 and 2019-014: Collateral of Depository

Current Status: Repeated. Finding 2023-016 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts.

Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.

Finding 2022-017, 2021-015, 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2023-016 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Finding 2022-018, 2021-016, 2020-016, 2019-016, 2018-015, 2017-015, 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2023-016 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Finding 2022-019, 2021-018, 2020-018, 2019-018, 2018-017 and 2017-017: Casino Control Commission

Current Status: Corrective action was taken. Finding not repeated in current year.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Section II - Federal Award Findings (By Program)

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.551, 10.561
Award #: 4VI400408
Award Year: 10/01/20 – 09/30/21
10/01/21 – 09/30/22

Finding 2022-020 and 2021-019: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2023-019.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: Provisional Payroll Codes are requested (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.(2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal for certification by the CFO. (4) NOPA's are updated with the provisional codes.

Finding 2022-021 and 2021-020: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-020.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2022-022, 2021-021, 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions – EBT Card Security

Current Status: Repeated. Finding 2023-021.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program has drafted a Standard Operating Procedures and Procedures (SOPP) document to outline the EBT Reconciliation process, once the internal review is completed, it will be submitted to the cognizant agency for approval. Additionally, onboarding a Director of Support Services will provide the required compliance and oversight for the EBT card security.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (DOE)

Child Nutrition Cluster
ALN: 10.555, 10.559
Award #: 1VI300308
Award Year: 10/01/2017 – 09/30/2018

Finding 2022-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2023-022.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE acknowledges the audit finding regarding the Child Nutrition Cluster payroll and concurs with the recommendation. Because this is a recurring finding from prior year 2022-023, VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program. To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. Furthermore, VIDE will implement a control where the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed to match the action against the approved grant application or staffing list and ensure the project code and pay rate are accurate before the payroll cycle begins. To address the unavailability of timesheets, the program will implement a strict reconciliation protocol wherein the Program Director or designee will verify that the payroll register aligns with approved timesheets prior to performing the drawdown and posting.

These timesheets will then be digitally archived in a centralized SharePoint repository organized by pay period to ensure that time and effort documentation is securely retained and immediately available for audit review. To support these new protocols, mandatory training will be conducted for relevant staff and supervisors on these new timesheet procedures, federal time and effort requirements, and the new NOPA reconciliation workflow. Finally, the Office of Fiscal and Administrative Services will conduct monthly spot checks of the SharePoint repository and ERP logs to measure the effectiveness of these controls.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN: 10.557
Award #: Various
Award Year: Various

Finding 2022-024 and 2021-022: Cash Management

Current Status: Repeated. Finding 2023-024.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health concurs with the auditor's findings and recommendations. To address this, DOH revised drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.

Finding 2022-025: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Defense

Government Department/Agency:
Office of the Adjutant General (OTAG)

National Guard Military Operations and Maintenance
(O&M) Projects
ALN: 12.401
Award #: W9127P-22-2, W9127P-21-2
Award Year: 10/01/2020 – 09/30/2021
10/01/2021 - 09/30/2022

Finding 2022-026, 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles – Payroll Activities and Period of Performance

Current Status: Repeated. Finding 2023-029.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement.

Finding 2022-027, 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management and Reporting

Current Status: Repeated. Finding 2023-030.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.

Finding 2022-028, 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-031.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year.

Finding 2022-029, 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: Repeated. Finding 2023-032.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring.

Finding 2022-027, 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2023-030.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development
of the Territories
ALN: 15.875
Award #: Various
Award Year: Various

Finding 2022-030, 2021-025, 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2023-035.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. To address documentation gaps and mitigate risks associated with staff turnover, the department will implement a Naming Convention and File Structure Standard. This will ensure all supporting documentation (invoices, receipts, confirmations) is stored in a consistent, organized manner to facilitate quick retrieval of documents during audits or compliance reviews and secure storage to maintain integrity and accessibility. Training will be provided to all staff on updated SOPPs and documentation standards.

Finding 2022-031, 2021-026, 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-036.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements.

Finding 2022-032: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2023-037.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced.

Finding 2022-032, 2021-027, 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2023-038.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award.

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Year: Various

Finding 2022-034, 2021-028, 2020-028, 2019-033, 2018-038, 2017-071, 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2023-040.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

Finding 2022-035 and 2021-029: Eligibility

Current Status: Repeated. Finding 2023-041.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention.

VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. VIDOL staff will collaborate with USDOL for technical assistance and data validation to ensure eligibility and record maintenance.

Finding 2022-036 and 2021-030: Reporting

Current Status: Repeated. Finding 2023-042.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The UI Division will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

Finding 2022-037 and 2021-031: Special Tests and Provisions – Employer Experience Rating

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-038, 2021-033 and 2020-029: Special Tests and Provisions: UI Reemployment Programs: (WPRS and RESEA)

Current Status: Repeated. Finding 2023-043.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. VIDOL will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is implementing a RESEA case management system for reporting and program services, currently in the testing and configuration phase. This case management system will serve as the official system for documenting all services provided to RESEA claimants participating in the program.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of the Treasury

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Year: 03/02/2020 – 12/31/2021

Government Department/Agency:
Office of Management and Budget (OMB)

Finding 2022-039: Period of Performance

Current Status: OMB has strengthened its expenditure review and approval procedures to ensure that all costs are incurred within the authorized period of performance. A detailed review is required including expenditure date against the grant period prior to approval and payment. Additionally, entries require a multilevel review for compliance before it reached the Department of Finance for payment. These enhanced controls are designed to ensure expenditures are properly reviewed and authorized in compliance with Federal grant regulations.

Finding 2022-040, 2021-035 and 2020-031: Reporting

Current Status: OMB has implemented enhanced reporting safeguards to ensure the accuracy, timeliness, and proper documentation of all required reports. These measures include the establishment of a formal reporting calendar to track due dates and deliverables, the designation of a primary staff member responsible for preparing and submitting reports, and granting multiple team members access for review and verification prior to submission. These controls are designed to strengthen accountability, improve timeliness, and ensure that supporting documentation is properly maintained to substantiate all reports submitted to the Federal Government.

Finding 2022-041, 2021-036 and 2020-032: Subrecipient Monitoring

Current Status: OMB acknowledges the finding and has since implemented formal subrecipient monitoring documents and procedures applicable to all grants received. These measures ensure that subrecipient risk assessments are conducted prior to award, and ongoing monitoring is performed throughout the grant period. The new procedures establish clear responsibilities, documentation requirements, and review protocols to ensure compliance with all subrecipient monitoring requirements.

Program:
U.S. Department of the Treasury

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Government Department/Agency:
Office of Management and Budget (OMB)

Finding 2022-042: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities and Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2023-044.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The Government has developed detailed policies and procedures to ensure compliance with federal regulations, including internal controls for subrecipient vetting, documentation, monitoring of expenditures, and clear communication regarding non-compliance. Efforts are underway to finalize overarching policies, such as a Fraud, Waste, and Abuse policy with a whistleblower process. Robust internal controls have been established, including regular financial reviews, segregation of duties, and staff training. Additionally, a monitoring and evaluation framework has been set up through the OMB Compliance Unit, supported by an Audit Committee, to assess and improve the effectiveness of controls. Regular training sessions are provided to all staff involved in grant management to ensure they understand and adhere to compliance requirements.

Finding 2022-043 and 2021-038: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2023-046.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures. Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition.
User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement.

Finding 2022-044, 2021-039: Reporting

Current Status: Repeated. Finding 2023-047.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23.

Finding 2022-045: Subrecipient Monitoring

Current Status: Repeated. Finding 2023-048.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. For revenue replacement projects, Treasury's Final Rule FAQ (13.14) states that these funds do not create subrecipient relationships, thus exempting them from the Single Audit Act due to the absence of a federal program or purpose.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 84.027X)
Award #: Various
Award Periods: Various

Finding 2022-046 and 2021-041: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-050.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE acknowledges the recurring finding regarding Equipment and Real Property Management and concurs with the recommendation. VIDE recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions.

VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. Additionally, VIDE is clarifying the role of the Fixed Asset Management Division to ensure they perform the mandatory post-delivery validation as a secondary check to confirm the location, condition, and accuracy of the data recorded by Procurement, thereby ensuring the hand-off between divisions is complete and documented. Due to recent staffing changes, VIDE will conduct mandatory "Roles and Responsibilities" training wherein the Assistant Commissioner will oversee training for Fixed Asset staff regarding validation protocols and the Deputy Commissioner of Fiscal and Administrative Services will oversee training for Procurement staff regarding intake and tagging. VIDE is also updating the data fields within its asset tracking system to strictly mandate the inclusion of all data points required by 2 CFR 200.313, including acquisition date, cost, percentage of federal participation, and ultimate disposition data. Furthermore, the Procurement Division and Fixed Asset Division will conduct quarterly inventory reconciliations to ensure the physical assets match the property records, with any discrepancies identified resolved within 30 days of the audit. Finally, the Fixed Asset Director will submit a "Monthly Asset Status Report" to the Assistant Commissioner for operational review, with a copy submitted to the Deputy Commissioner of Fiscal and Administrative Services for audit compliance tracking, detailing new acquisitions, validation status, and explicitly reporting on any instances where the dual-control process was not followed.

Finding 2022-047, 2021-042 and 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-051.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE acknowledges need to enhance monitoring and internal controls. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Periods: Various

Finding 2022-048 and 2021-043: Cash Management

Current Status: Corrective action was taken. Finding not repeated in current year.

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Summary Schedule of Prior Audit Findings

Finding 2022-049 and 2021-044: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-053.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates.

Finding 2022-050, 2021-045 and 2020-038: Reporting

Current Status: Repeated. Finding 2023-055.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. Roles and responsibilities of involved personnel will be clearly defined. VIDE will enhance existing system or implement a new system for tracking subawards and provide comprehensive training to staff. Data verification and validation procedures will be strengthened, with formal processes for reviewing data accuracy before submission and regular reconciliations to ensure consistency. Mandatory training sessions will ensure all personnel understand FFATA requirements and new reporting procedures.

Finding 2022-051: Subrecipient Monitoring

Current Status: Corrective action was taken. Finding not repeated in current year.

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Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 – American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

Finding 2022-052 and 2021-046: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2023-056.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. Additionally, VIDE will strengthen rate verification processes with a standardized checklist for comparing NOPA rates with payroll system rates, requiring payroll staff to complete it at each pay cycle and maintain a discrepancy tracker. Mandatory training sessions will be conducted for employees and supervisors to ensure understanding of the new policies, covering timesheet completion, rate verification, and adherence to guidelines.

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Summary Schedule of Prior Audit Findings

Finding 2022-053 and 2021-049: Reporting

Current Status: Repeated. Finding 2023-057.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. This includes implementing a structured review and approval process for all performance and special reports, ensuring they are vetted by appropriate officials. Additionally, training will be provided to all staff involved in report preparation and submission.

Finding 2022-054 and 2021-051: Special Tests and Provisions – Participation of Private School Children

Current Status: Repeated. Finding 2023-059.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is committed to addressing issues related to the participation of private school children in the COVID-19 Education Stabilization Fund. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children.

Finding 2022-055: Special Tests and Provisions: Wage Rate Requirements

Current Status: Repeated. Finding 2023-060.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance.

Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious Diseases
ALN: 93.323
Award #: NU50CK000507
Award Year: 08/01/19 – 07/31/24

Finding 2022-056: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-057 and 2017-061: Equipment and Real Property Management

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Periods: Various

Finding 2022-058, 2021-053, 2020-041, 2019-052, 2018-049, 2017-041, 2016-021, 2015-030 and 2014-028: Equipment and Real Property Management

Current Status: Repeated. Finding 2023-064.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.

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Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2022-059: Reporting

Current Status: Repeated. Finding 2023-065.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

Finding 2022-060: Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities

Current Status: Repeated. Finding 2023-066.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.

Finding 2022-061 and 2021-054: Special Tests and Provisions – Program Governance

Current Status: Repeated. Finding 2023-067.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular training is now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. Technical Assistance from the Region II TA team assists the Head Start program in meeting this requirement.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575
Award #: 1701VICCDF, 1801VICCDF, 1901VICCDF
Award Year: 10/01/2016 – 09/30/2022

Finding 2022-062: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-064, 2020-046 and 2019-047: Eligibility

Current Status: Repeated. Finding 2023-068.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff.

Finding 2022-065: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2023-069.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is in the process of finalizing corrective actions to address the conditions noted and to enhance compliance across all CCDF funding sources:

1. Formalization of Policies and Procedures:
   DHS will develop and document written policies and procedures governing compliance with CCDF administrative cost caps, quality earmarks, direct services requirements, and level of effort provisions. These procedures will define roles, monitoring responsibilities, documentation standards, and supervisory review requirements.

2. Strengthened Monitoring Throughout the Fiscal Year:
   DHS has already implemented periodic monitoring throughout the fiscal year to track administrative, quality, and direct service expenditures against federal requirements, rather than relying solely on final year reporting. Monitoring includes monthly reconciliation of expenditures to accounting records in addition to reoccurring monthly meetings jointly with Program and Fiscal to align plans with outcomes.

3. Improved Financial Reporting Controls:
   DHS now ensure that all required ACF 696 Financial Reporting Forms are prepared accurately, fully reconciled to the general ledger, and retained in accordance with record keeping requirements. Any discrepancies identified during reconciliation are reviewed and resolved prior to final submission.

4. Designation of Compliance Oversight Responsibility
   DHS has onboarded a Federal Grants Financial Analyst dedicated to the Child Care program in September of 2024. Additionally, in August 2025, a Director of Audit and Compliance was also onboarded. This will allow for a closer collaboration with the external auditors in ensuring compliance with documentation to support audit and federal review.

These corrective actions are intended to strengthen DHS's internal control framework, improve documentation and monitoring processes, and ensure sustained compliance with CCDF matching, level of effort, and earmarking requests.

Finding 2022-066: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-067: Reporting

Current Status: Repeated. Finding 2023-070.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor.

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Finding 2022-068: Special Tests and Provisions – Health and Safety Requirements

Current Status: Repeated. Finding 2023-071.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes.

Finding 2022-069: Special Tests and Provisions – Fraud Detection and Repayment

Current Status: Repeated. Finding 2023-072.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: An internal programmatic audit process is actively utilized, involving the exchange of caseloads between workers. Eligibility and subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Justice (DOJ)

Child Support Enforcement
ALN: 93.563
Award #: 2001VICSES, 2101VICES, 2201VICSES
Award Year: 10/01/2019 - 09/30/2020
10/01/2020 - 09/30/2021
10/01/2021 - 09/30/2022

Finding 2022-070, 2021-055, 2020-042, 2019-041, 2017-063 and 2016-038: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrected.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Year: Various

Finding 2022-071, 2021-056 and 2020-051: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Current Status: Repeated. Finding 2023-074.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notice's of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process. (2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal certification by the CFO, (4) NOPAS are updated with the provisional codes.

Finding 2022-072, 2021-057 and 2020-053: Period of Performance

Current Status: Repeated. Finding 2023-075.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance.

Finding 2022-073 and 2021-058: Reporting

Current Status: Repeated. Finding 2023-076.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report in the Payment Management System financial reporting module. All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants. Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Year: 10/01/2015 – 09/30/2022

Finding 2022-074, 2021-061, 2020-057, 2019-057 and 2018-057: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2022-075, 2021-062, 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2023-078.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files.

Finding 2022-076, 2021-063, 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2023-080.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.

Finding 2022-077, 2021-064, 2020-061, 2019-061, 2018-065, 2017-055, 2016-028, 2015-040, 2014-033, 2013-018 and 2012-15: Special Tests and Provisions - Utilization Control and Program Integrity

Current Status: Repeated. Finding 2023-081.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.

Finding 2022-078, 2021-065, 2020-062, 2019-062, 2018-066, 2017-052, 2016-025, 2015-036, 2014-035, 2013-019 and 2012-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2023-082.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of the Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed, and subsequently the utilization of a template for quick calculation. We consider this a high-priority initiative that will provide much-needed revenues to the coffers. Once the contract has been executed, goal is to be up-to-date within 6-9 months.

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Finding 2022-079, 2021-066, 2020-063, 2019-063, 2018-067 and 2017-054: Special Tests and Provisions – ADP Risk Analysis and System Security Review

Current Status: Repeated. Finding 2023-083.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department understands the importance of System Security and recognizing its weaknesses and vulnerabilities. In lieu of this, we have conducted an overall cybersecurity risk assessment for entire IT infrastructure. The Department's strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews.

Finding 2022-080, 2021-069 and 2020-068: Special Tests and Provisions – Medicaid National Correct Coding Initiative

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:
U.S. Department of Homeland Security

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN: 97.036
Award #: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Year: 09/20/2017 – 09/07/2026
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Finding 2022-081, 2021-072, 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2023-085.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: In accordance with 2CFR #200.303 federal recipients VITEMA/ODR must create internal controls that provide reasonable assurance that FFATA reporting requirements are met. Currently, internal controls have been established to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA). On a monthly basis, the Disaster Program Administrative Assistant in responsible for obtaining the P5 report from the Grants Manager and entering all project with obligated funds exceeding $30,000 into the SAM.gov database, formerly FSRS.gov. The report must be submitted by the end of the following month. Once the data is entered, the Territorial Public Assistance Officer reviews the submission and, upon the verification, certifies that the information has been accurately reported in the federal database. The reports and associated certifications will be placed in a centralized database.

Finding 2022-082: Subrecipient Monitoring

Current Status: Repeated. Finding 2023-086.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the recipient, it is the territory's responsibility to notify the Subrecipient when the federal funds are obligated and provide them with a subrecipient agreement which outlines the terms and conditions of the program. The Disaster Program Financial Specialist is responsible for obtaining the subrecipient agreement and ensure it has been signed by the Applicant/Subrecipient and Governor's Authorized Rep and later provided to the Territorial Public Assistance Officer (TPAO). As such, no funds will be disbursed until the Subrecipient signs and returns the agreement. These agreements are saved in a centralized location for documentation and audit purposes. In accordance with the 2CFR #200 Subpart F, all Subrecipients must comply with applicable audit requirements because the applicant is in the receipt of federal funding. Under 2CFR #200.500 Subpart F applies to any non-federal entity that expends $750,000 or more in federal awards during a fiscal year. Subrecipients meeting this threshold are required to undergo a single audit or a program specific audit for that fiscal year. The TPAO will review audit requirements during the applicant's briefing and will incorporate these requirements into the Subrecipient Agreement.

Program:
U.S. Department of Homeland Security

Hazard Mitigation Grant Program
ALN: 97.039
Award #: FEMA-4335-DR, FEMA-4340-DR-VI
Award Periods: 09/20/2017 – 09/30/2027
09/07/2017 – 11/30/2025

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Finding 2022-083 and 2021-074: Reporting

Current Status: Corrective action was taken. Finding not repeated in current year.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Commerce

Bipartisan Budget Act of 2018
ALN: 11.022
Award #: NA19NOS0220008, NA19NOS0220001, NA19NMF0220004
Award Year: 10/01/2018 – 09/30/2023
04/01/2019 – 03/31/2021
08/01/2019 – 07/31/2024

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2021-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: On-going implementation. The Department of Planning & Natural Resources is continuing its efforts to ensure that all necessary payroll adjustments are completed accurately and in time.

Program:
U.S. Environmental Protection Agency

Drinking Water State Revolving Fund Cluster
ALN: 66.468
Award #: Various
Award Year: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2021-040, 2020-036 and 2019-036: Allowable Costs/Cost Principles – Payroll Activities

Current Status: On-going implementation. The Department of Planning & Natural Resources is in the process of hiring fiscal staff that will be responsible for preparing, updating, and maintaining the necessary documentation needed for the program to update Notice of Personnel Action's (NOPAs).

Program:
U.S. Department of Health and Human Services

Children's Health Insurance Program
ALN: 93.767
Award #: Various
Award Year: 10/01/2015 – 09/30/2022

Government Department/Agency:
Department of Human Services (DHS)

Finding 2021-060 and 2020-055: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2023-084.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions.

Program:
U.S. Department of Homeland Security

Government Department/Agency:
Department of Labor (VIDOL)

COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
ALN: 97.050
Award #: 4513DRVISPLW
Award Period: 08/1/2020 – 12/27/2021

Finding 2021-075: Activities Allowed or Unallowed – Non-Payroll Activities

Current Status: On-going implementation. VIDOL concurs with finding and is constantly monitoring lost wage transactions and is focused on making improvements to eliminate finding.

Finding 2021-076: Cash Management

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-077: Eligibility

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is committed to training UI staff on self-certifications and benefit payment calculation to ensure compliance with program requirements.

Finding 2021-078: Period of Performance

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-079: Reporting

Current Status: On-going implementation. VIDOL concurs with this finding and have since assigned the Director of IT to help facilitate the accuracy and timeliness of reports.

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Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (DOE)

Immediate Aid to Restart School Operations
ALN: 84.938A
Award #: S938A180004
Award Periods: 05/14/2018 – 09/30/2021

Finding 2020-039: Allowable Costs/Cost Principles – Indirect Cost Activities

Current Status: In accordance with CFR 200.511, no further action is warranted. Two years have passed since the audit report in which the finding occurred was submitted to the FAC. The federal agency is not currently following up on the audit finding and a management decision was not issued.

Corrective Action Plan

OFFICE OF
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DEPARTMENT OF FINANCE

Appendix B
Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-001: Year-End Close Process and Financial Deficit			
A. Timeliness and Methodology of Close Process	DOF-Commissioner's Office; Executive Assistant Commissioner, Audit Lead (under the Commissioner of Finance); Executive Assistant Commissioner (Lead for CFO Executive Order no. 480-2017 under the Commissioner of Finance), DOF Directors; Benham and Hodge, CPA (Extended Accounting Team). OMB-Director's Office; OMB Compliance Unit Lead; and Federal Manager. DPP-Commissioner's Office; Fixed Asset Team; and Procurement Team. D&As - all CFOs, lead fiscal personnel,	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with Departments and Agencies (D&A) will be essential through setting expectations, establishing realistic goals, and providing support. GVI does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
	Commissioners, Directors, Managers, and Supervisors		
B. Components Units Reporting	Department of Finance Management, specifically, the Executive Assistant Commissioner	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report.
C. Deficits in Unrestricted Net Position	OMB Director and DOF Commissioner	On-going	The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise. For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices. Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year 2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads).

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
			Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.
D. Government Insurance Fund	The management team of Department of Labor (DOL) and DOF, specifically, the Executive Assistant Commissioner of Finance	On-going	Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses.
E. Journal Entries	Management Information System (MIS) Director and Accounting and Financial Reporting Director	On-going	Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.
Finding 2023-002: Revenue and Receivables			
A. Reconciliation of Subsidiary Registers	Management Team of Bureau of Internal Revenue (IRB)	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis.

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Corrective Action Plan

Finding	Contact	Estimated Completion Date	Corrective Action
B. Tax Return Processing Method	The management team of the Bureau; specifically, the Computer Operations and Processing Branches	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.
C. Real Property Tax	The management team of the Office of the Lieutenant Governor (LGO)	On-going	Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties.
D. Recording of Notes Receivables	Treasury Director and Executive Assistant Commissioner, DOF	Fiscal Year 2026	The Government will ensure that the general ledger accounts are reconciled to detailed supporting records on a regular basis. In addition, the Government will strengthen controls over receivables, which includes an accurate accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, to help prevent audit adjustments at year-end.
Finding 2023-003: Grants Management			
A. Control Systems Over the Schedule of Expenditures of Federal Awards	Amplifund implementation – OMB's Federal Grant Management and Compliance Unit and Executive Order Enforcement, DOF Executive team members	Immediate, Amplifund 1st phase scheduled to be implemented by Fiscal Year 2026	The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance.

Finding	Contact	Estimated Completion Date	Corrective Action
			Key improvements from the system to include: • Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system. • Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions. • Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness. • Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations. • Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions. • Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting. Immediate corrective actions to aligned with the audit's recommendations will include:

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Finding	Contact	Estimated Completion Date	Corrective Action
			• Quarterly reviews of ALN, expenditures, and cash receipts postings to grants. • Continuous reconciliations of SEFA with departments and agencies. • Enhanced documentation, monitoring, and training for all grant management staff. • Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.
B. Federal Grants and Contributions	The management team of OMB Compliance Unit and DOF Treasury team	On-going	The Government will ensure that receivables are tracked by each individual Government agency by performing the following: • Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred. • Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government. • Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.
C. Federal Grants Accounting	DOF Treasury and Accounting Divisions, OMB FGMU, and departmental and agency program managers and CFOs.	On-going	The DOF, Treasury and Accounting Divisions, in collaboration with OMB, departments, and agencies, will strengthen controls over the accounting and reporting of federal grant revenues.

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Finding	Contact	Estimated Completion Date	Corrective Action
			A standardized reconciliation process will be implemented to ensure grant-related receipts are accurately classified between federal and local sources. Monthly reconciliations between Treasury's cash receipts records and OMB Federal Grants Management Unit (FGMU) will be performed to detect and correct discrepancies on a timely manner. In addition, the Accounting Division will conduct a comprehensive review of the working trial balance to identify and correct object code misclassifications, particularly for Asset Recovery Fund transactions previously reported as federal grant revenues.
D. Report Submission	The OMB Management team	Fiscal Year 2026	The Government will: • Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date). • Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders. • Government-wide Standard Operating Policies and Procedures will be developed to provide a uniform and consistent approach across all agencies in Grant Management, Fixed Assets, Fraud Waste and Abuse (FWA), Cash Management and with an automated training schedule requirement through a training platform. • Supplemental detail for example cheat sheets, checklists, and training guides will be developed based on the Government-wide Standard operating policies and procedures (SOPP).

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Finding	Contact	Estimated Completion Date	Corrective Action
			• All staff involved in the audit and reporting process will receive annual training on federal grant management and reporting requirements.
Finding 2023-004: Capital Assets and Related Expenditures			
A. Record Keeping	Capital Asset Coordinators, in collaboration with the Treasury Director and/or designee	Immediately	The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary. Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.
B. Reconciliation and Review of Subsidiary Registers	Management team of DOF Accounting and Financial Reporting Division	On-going	The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.
C. Construction in Progress (CIP) Monitoring	Capital Asset Coordinator, Director of Accounting, DPW	Second quarter of Fiscal Year 2026	Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that

Finding	Contact	Estimated Completion Date	Corrective Action
	Fiscal Director, and DPW Assistant Commissioner		appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.
D. Capital Assets Impairment Process	Management team of DPP and DOF	On-going	The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.
E. Capital Assets - Business-Type Activities	Capital Asset Coordinator and Benham and Hodge, CPA	Second quarter of Fiscal Year 2026	The Capital Asset Coordinator will work with Benham and Hodge, CPA, to identify opportunities to make the process less manual.
Finding 2023-005: Recording of Liabilities			
A. Retroactive Pay Liability	DOF and Division of Personnel (DOP) management, including the Payroll Director	On-going	Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected.

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			In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.
B. Medical Malpractice Liability	The Commissioner, Department of Health	On-going	The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.
C. Accounts Payable	Director of Accounting, Accounting Operation Manager, Chief Accounts Payable, and Financial Accounting Analyst	On-going	The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices. Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage. The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.

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D. Landfill Closure and Post-Closure Costs Liability	The Management Team of Waste Management Authority and DOF	On-going	The Government will collaborate closely with the Virgin Islands Waste Management Authority and the third-party engineering firm responsible for calculating the closure and post-closure landfill liability. A report should be prepared to implement monitoring controls and ensure the timely review of all calculations. Additionally, the Government will conduct a comprehensive review of all reports and calculations to ensure the accuracy of the included assumptions.
E. Completeness and Accuracy of Census Data	DOF management, specifically, the Executive Assistant Commissioner	On-going	The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.
F. Income Tax Refunds Payable	DOF management team	On-going	The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.
G. Plan Funding Considerations	The Government Financial Team	On-going	The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.
Finding 2023-006: Management of the Medicaid Program			

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Finding	Contact	Estimated Completion Date	Corrective Action
Cost Report Audits, System Security Review, and Approvals	Chief Financial Officer, DHS and Program Administrator, DHS	On-going	The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. DHS consider this a high-priority initiative that will provide much-needed revenues to the coffers.
Finding 2023-007: Unemployment Insurance Trust Fund			
Account Reconciliation Process	DOL management team	On-going	The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.
Finding 2023-008: Workers Compensation Program	DOF management, specifically the Executive Assistant Commissioner	On-going	The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.
Finding 2023-009: Payroll, Related Accruals, and Other Expenditures			
A. Payroll Expenditures	Director of Payroll	September 2026	The Payroll Unit will monitor accrual liabilities bi-annually.

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B. Transactions with Personnel	Executive Assistant Commissioner and Director of Accounting and Financial Reporting	Fiscal Year 2026	The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.
C. Reporting for Expenditures	DOF Directors, Managers, and Supervisors	Fiscal Year 2026	Lack of monthly reconciliations at the D&A creates untimely adjustments in the system. Accordingly, the Government will: • Require CFOs to generate Flexible Period Reports of all final balances by the 30th of the following month, which will allow D&As the opportunity to enter, release, and obtain approval for journal entries. • Create a workflow in the ERP system for general journals to assign responsibility to CFOs for timely adjustments and to support the requirement to provide Flexible Period Reports. • Have the DOF Accounting Operations Manager and Director of Accounting work with Tyler Technologies to evaluate options for tracking timeliness within the ERP system.
D. Formalize Emergency Payroll Procedures	Director of Payroll	Fiscal Year 2026	The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.
Finding 2023-010: Bank Accounts			

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A. Strengthen Controls Over Bank Reconciliations	DOF Treasury Division, Accounting Division, and Commissioner's Office	Fiscal Year 2026	The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.
B. Cash Pooling and Allocation(s)	DOF Treasury Division, Accounting Division, and Commissioner's Office	On-going	DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.
C. Check Sequences	MIS Check Run Processor, Chief Accounts Payable, Accounting Manager, and Director of Accounting	Fiscal Year 2026	The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-011: Other Post Employment Benefit Valuation			
A. Actuarial Valuation	Executive Assistant Commissioner, DOF	On-going	The Government contracted a vendor; however, the implementation of a new system for departments and agencies to upload their census data caused delays for the qualified actuary in performing a comprehensive actuarial valuation of the OPEB plan in accordance with GAAP.
B. Administration and Recordkeeping	Management team of DOP and DOF	On-going	The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.
C. Update of Mortality Tables	DOF management team, specifically, the Executive Assistant Commissioner	On-going	The Government will ensure that the Society of Actuaries updates the generational mortality improvement scales annually. Utilizing a more recent scale or implementing annual updates would enhance the accuracy and relevance of actuarial valuations.
Finding 2023-012: Accounting Standards Implementation	DPP Fixed Asset Unit, Capital Asset Coordinators, Vendor, and Contract Manager (payments)	Fiscal Year 2026	It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2023-013: Irregularities related to Procurement Activities	DPP management team	Fiscal Year 2026	The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.
Finding 2023-014: Procurement Regulations	DPP Management Team	Fiscal Year 2026	The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY.
Finding 2023-015: Information Technology (IT) Environment			
User Access and Administration	IT DOL, DOF, DHS, IRB (Chief of Computer Operations), and LGO	On-going	The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies. IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training by February 28, 2026.

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Finding 2023-016: Noncompliance with Laws and Regulations			
A. Collateral of Depository	Treasury management under the direction of the DOF's executive leadership	Fiscal Year 2026	DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.
B. Landfill Consent Decrees	The Government's Financial Team	On-going	The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.
C. Establishment of a Medical Malpractice Trust Fund	Department of Health Management Team	Fiscal Year 2026	The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.
D. Compliance with Legislative Appropriation	Treasury Director and Executive Assistant Commissioner	Fiscal Year 2026	The Government will establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements.

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Finding	Contact	Estimated Completion Date	Corrective Action
			Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.
2023-017: Not used.			
2023-018: Not used.			
2023-019: Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer and Deputy Commissioner of Human Resources	October 2024	The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: Provisional Payroll Codes are requested (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.(2)Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal for certification by the CFO. (4) NOPA's are updated with the provisional codes.
2023-020: Matching, Level of Effort, Earmarking	Chief Financial Officer and Deputy Commissioner of Human Resources	April 2026	While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program.

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			Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.
2023-021: Special Tests and Provisions – EBT Card Security	Program Administrator	April 2026	The Program has drafted a Standard Operating Procedures and Procedures (SOPP) document to outline the EBT Reconciliation process, once the internal review is completed, it will be submitted to the cognizant agency for approval. Additionally, onboarding a Director of Support Services will provide the required compliance and oversight for the EBT card security.
2023-022: Allowable Cost/Cost Principles – Payroll Activities	Program Deputy Commissioner	January 2026	VIDE acknowledges the audit finding regarding the Child Nutrition Cluster payroll and concurs with the recommendation. Because this is a recurring finding from prior year 2022-023, VIDE will develop and institute stricter fiscal controls to address the root causes of documentation and allocation discrepancies for this program. To prevent discrepancies including unapproved project codes and pay rate mismatches between NOPAs and payroll registers, the Fiscal Team will take the lead in preparing and maintaining the official staffing list for federally funded personnel within this program, an effort that involves reviewing the grant application for all positions and informing HR of required action entries. Furthermore, VIDE will implement a control where the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed to match the action against the approved grant application or staffing list and ensure the project code and pay rate are accurate before the payroll cycle begins. To address the unavailability of timesheets, the program will implement a strict reconciliation protocol wherein the Program Director or designee will verify that the payroll register aligns with approved timesheets prior to performing the drawdown and posting. These timesheets will then be digitally archived in a centralized SharePoint repository organized by pay period to ensure that time and effort documentation is securely retained and immediately available for audit review.

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			To support these new protocols, mandatory training will be conducted for relevant staff and supervisors on these new timesheet procedures, federal time and effort requirements, and the new NOPA reconciliation workflow. Finally, the Office of Fiscal and Administrative Services will conduct monthly spot checks of the SharePoint repository and ERP logs to measure the effectiveness of these controls.
2023-023: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance	Program Deputy Commissioner	January 2026	VIDE acknowledges the audit finding regarding the Child Nutrition Cluster Period of Performance and concurs with the recommendation. We recognize that while the cost was incurred during the valid period, the liquidation payment occurred 18 days past the allowable deadline. To prevent recurrence, VIDE will enforce strict protocols for grant closeout and liquidation. To achieve this, VIDE will establish an internal hard stop deadline for invoice submission, requiring that all invoices for expiring grants be submitted to the Fiscal Office no later than 45 days prior to the federal liquidation deadline to provide a necessary buffer to resolve vendor disputes and process payments before the federal cutoff. Additionally, the State Director of Special Nutrition Programs will implement a scheduled notification system to issue closeout alerts to relevant program staff and fiscal support personnel at 90, 60, and 30 days prior to the liquidation deadline, which will trigger the immediate review of open encumbrances and the expediting of pending invoices to ensure the internal hard stop deadline is met. Furthermore, for any valid expenditures remaining unpaid within 30 days of the liquidation deadline, the Fiscal Office will generate a priority payment list and transmit it to the Department of Finance with a high-priority flag to ensure these specific vouchers are processed before the grant period closes. Finally, the Federal Grants Director and the Deputy Commissioner of Fiscal and Administrative Services will review the Grant Expiration Report monthly to identify grants approaching their liquidation deadline and ensure the internal cut-off dates are being adhered to.

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2023-024: Cash Management	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health concurs with the auditor's findings and recommendations. To address this, DOH revised drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.
2023-025: Procurement and Suspension and Debarment	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health (DOH) concurs with the auditor's findings and recommendations. The DOH will work closely with DPP to improve their internal controls to ensure adherence to federal regulations relating to the procurement of goods and services. DOH will encourage DPP to review current records retention policies. To address this, there will be timely coordination and communication with DPP and the Department of Health for the handling and managing of procurement tasks.
2023-026: Cash Management	Commissioner of DOH, Chief Financial Officer	October 2025	DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted internally or externally.
2023-027: Procurement and Suspension and Debarment	Commissioner of DOH, Chief Financial Officer	September 2025	The Department of Health concurs with the Auditor's findings and recommendations. To ensure that the WIC program is included in all processes and receive all documents and correspondence relating to WIC Special Funding as a secondary oversight of the transactions.
2023-028: Reporting	Commissioner of DOH, Chief Financial Officer	October 2025	The Department of Health will create an internal control procedure to indicate proper review and approval of the SF-425 excel print out from the electronic USDA FPRS System.

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Finding	Contact	Estimated Completion Date	Corrective Action
2023-029: Allowable Costs/Cost Principles – Payroll Activities	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG implemented enhanced payroll controls including a dual manual and electronic timesheet system, verification of pay rates against NOPA forms, and separation controls to discontinue benefit charges upon employee separation or retirement.
2023-030: Cash Management and Reporting	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG established a centralized SF-270 tracking log and implemented reconciliation procedures to ensure completeness and accuracy of cash drawdowns prior to submission.
2023-031: Matching, Level of Effort, Earmarking	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG implemented a formal match tracking mechanism and assigned responsibility for calculating, documenting, and monitoring match requirements throughout the fiscal year.
2023-032: Period of Performance	Director of Administration and Business Management	September 2024	The Government concurs with the finding. OTAG enhanced grant setup, expenditure charging, and closeout controls to ensure costs are charged to the correct award and within the approved period of performance, including 90-day liquidation monitoring.
2023-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Director of Business Administration	On-going	We acknowledge that some timesheets were currently unavailable because the employees in question are no longer employed at DPNR, and as a result, their user profile is no longer active within the system. We have requested assistance from the Department of Finance in retrieving the necessary timesheets unfortunately, the required information has not yet been provided. DPNR will continue to collaborate with the Department of Finance to ensure the retrieval of any relevant files or reports, and we remain committed to resolving all the findings. We recognize that these findings highlight areas where improvements are necessary to ensure better compliance with applicable policies and regulations governing payroll and grant management.

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Finding	Contact	Estimated Completion Date	Corrective Action
			We are committed to implementing corrective actions and enhancing internal controls to prevent recurrence.
2023-034: Equipment and Real Property Management	Director of Business Administration	On-going	DPNR concurs with the auditor's findings and recommendations. The Asset Management Division (AMD) adheres to Federal equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). In 2022, AMD inventoried four agencies, ensuring compliance with Federal regulations. The completed Standard Operation Policies and Procedures (SOPP) are pending approval, crucial for enhancing internal controls. Training sessions for fixed assets employees are planned, and additional staff will be needed to support the initiative effectively.
2023-035: Cash Management	DPNR Director of Business Administration	December 2026	The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, and compliance monitoring. To address documentation gaps and mitigate risks associated with staff turnover, the department will implement a Naming Convention and File Structure Standard. This will ensure all supporting documentation (invoices, receipts, confirmations) is stored in a consistent, organized manner to facilitate quick retrieval of documents during audits or compliance reviews and secure storage to maintain integrity and accessibility. Training will be provided to all staff on updated SOPPs and documentation standards.
2023-036: Equipment and Real Property Management	Assistant Commissioner	On-going	The Department of Property and Procurement (DPP) acknowledges the findings and is actively implementing measures to strengthen compliance with federal equipment requirements.

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2023-037: Procurement and Suspension and Debarment	Chief Procurement Officer	On-going	The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised manuals, along with position-specific Standard Operating Procedures. Processes to enforce internal controls and ensure adherence to procurement laws have been established and are regularly reinforced.
2023-038: Reporting	Manager of Federal Grants Management Unit, Agency Heads – Various Departments and Agencies	On-going	The Government concurs with the auditor's findings and recommendations. The Government plans a high-level review of internal control policies and closely monitoring reports for completeness, accuracy, timeliness, and consistency with Cognizant Agency guidelines. An analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage, ensuring timely submission of all required reports for each grant award.
2023-039: Subrecipient Monitoring	DPNR Director of Business Administration	December 2026	The Government concurs with the auditor's findings and recommendations. The GVI is currently in the process of developing a comprehensive Grants Management Overarching Standard Operating Policies and Procedures (SOPP) to establish uniform guidance for all grant-related processes, including drawdowns, documentation retention, subrecipient and compliance monitoring. Training will be provided to all staff on the SOPPs.
2023-040: Activities Allowed or Unallowed	Unemployment Director	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL acknowledges the auditor's finding regarding balance discrepancies with the general ledger, attributed to an incomplete file for audit. To prevent future issues, VIDOL updated the report writer for balance queries and will work with staff to provide training on VIDOL Standard Operating Policies and Procedures. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.

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2023-041: Eligibility	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. An electronic record-keeping system for claims files is expected to be launched before the end of FY 2026, enhancing record retention. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. VIDOL staff will collaborate with USDOL for technical assistance and data validation to ensure eligibility and record maintenance.
2023-042: Reporting	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The UI Division will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is seeking alternative funding to procure a Trust Fund accounting system due to the loss of previously identified ARPA funding.
2023-043: Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	Director of Administration	On-going	VIDOL concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. VIDOL will provide a copy of the report along with supporting documentation to the Business Administration Unit for recordkeeping. VIDOL is implementing a RESEA case management system for reporting and program services, currently in the testing and configuration phase. This case management system will serve as the official system for documenting all services provided to RESEA claimants participating in the program.

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2023-044: Activities Allowed or Unallowed, Allowable Costs/Cost Principles – Non-Payroll Activities and Procurement and Suspension and Debarment	Federal Grants Management Unit and Compliance Unit	September 2025	The Government concurs with the auditor's findings and recommendations. A comprehensive corrective action plan has been implemented to strengthen grant management and compliance. Key personnel have been hired, including a Grants Administrator and an external accounting firm, to provide oversight and expertise. The Government has developed detailed policies and procedures to ensure compliance with federal regulations, including internal controls for subrecipient vetting, documentation, monitoring of expenditures, and clear communication regarding non-compliance. Efforts are underway to finalize overarching policies, such as a Fraud, Waste, and Abuse policy with a whistleblower process. Robust internal controls have been established, including regular financial reviews, segregation of duties, and staff training. Additionally, a monitoring and evaluation framework has been set up through the OMB Compliance Unit, supported by an Audit Committee, to assess and improve the effectiveness of controls. Regular training sessions are provided to all staff involved in grant management to ensure they understand and adhere to compliance requirements.
2023-045: Matching, Level of Effort, Earmarking	Federal Grants Management Unit and Compliance Unit	September 2025	The Government concurs with the auditor's findings and recommendations. OMB recognizes that documentation evidencing the review of the revenue loss calculations for fiscal years 2020, 2021, 2022, and 2023 is not available. Nevertheless, the revenue replacement figures were submitted to Treasury, and the overall report received approval from the Director of OMB, thereby validating the calculation. Moving forward, OMB will enhance its internal controls to ensure all procedural documentation is thoroughly reviewed and approved, with clear evidence of such approval.
2023-046: Procurement and Suspension and Debarment	Federal Grants Management Unit and Compliance Unit	On-going	The Government concurs with the auditor's findings and recommendations. The Government updated its procurement laws and issued revised procurement manuals, along with issuing position-specific Standard Operating Procedures.

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			Processes for enforcing Internal controls and adherence to procurement laws have been established and are regularly reinforced. In early 2025, the Government-wide training reinforced expectations for full and open competition. User Agencies now access GVIBUY for informal solicitations in the eProcurement system, with ongoing training to prioritize competition and enhance oversight by the Department of Property and Procurement.
2023-047: Reporting	Federal Grants Management Unit and Compliance Unit	September 30, 2025	The Government concurs with the auditor's findings and recommendations. Starting in 2024, OMB has implemented a reporting approval memo, signed by the OMB Director, to confirm the review and approval of Treasury reports. OMB has enhanced the collection and storage of supporting financial information for all projects in quarterly reports, ensuring necessary support is available upon request as of FY23.
2023-048: Subrecipient Monitoring	Federal Grants Management Unit and Compliance Unit	September 30, 2025	The Government concurs with the auditor's findings and recommendations. Starting FY25, OMB will identify and monitor federal awarding agencies, requesting single audit results for applicable recipients and including them in monitoring reviews. For revenue replacement projects, Treasury's Final Rule FAQ (13.14) states that these funds do not create subrecipient relationships, thus exempting them from the Single Audit Act due to the absence of a federal program or purpose.
2023-049: Allowable Costs/Cost Principles – Payroll Activities	Special Education State Director Deputy Commissioner	January 2026	VIDE acknowledges the audit findings regarding the Special Education Cluster payroll discrepancies and the unreported fraud incident and concurs with the recommendation. VIDE is taking immediate action to align payroll controls with the established fiscal improvement plan and to institutionalize a mandatory federal reporting protocol for fraud. To address the pay rate discrepancies between NOPAs and the payroll register, the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action

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			in the ERP prior to the NOPA being executed. This review matches the action against the approved grant application or staffing list to ensure the pay rate is accurate before the payroll cycle begins. To address fraud reporting, VIDE will implement a Federal Mandatory Disclosure Policy in strict accordance with 2 CFR §200.113 that designates the Office of the Commissioner and the Internal Audit Division as the responsible parties for reporting any credible evidence of fraud, bribery, or gratuity violations to the Federal awarding agency and the OIG. Accordingly, the specific incident cited in the finding regarding the $5,221 theft related to bus driver timesheets will be immediately reported to the U.S. Department of Education's Office of Inspector General via the online hotline and formal written correspondence to cure the non-compliance. Furthermore, to prevent recurrence of the specific falsified timesheet scheme, VIDE will implement a Service Verification Log for bus drivers and similar service staff wherein supervisors will be required to cross-reference timesheets against daily trip logs or service logs before approving time in the payroll system. Finally, to ensure ongoing compliance, the Office of Fiscal and Administrative Services will conduct monthly spot checks of ERP logs to ensure pre-execution reviews are occurring, and the Internal Audit Division will maintain a log of all investigations to verify that a Notification of Federal Disclosure is attached to any file involving federal funds.
2023-050: Equipment and Real Property Management	Fixed Assets Director	January 2026	VIDE acknowledges the recurring finding regarding Equipment and Real Property Management and concurs with the recommendation. VIDE recognize that while a dual-control workflow exists, high staff turnover and a lack of strict adherence have led to gaps in compliance, and to address this, VIDE is moving to strictly enforce its established protocols and provide targeted training to new personnel in the Procurement and Fixed Asset divisions. VIDE is enforcing strict adherence to its established collaborative dual-control process to ensure timely identification of federally funded equipment, specifically reinforcing the requirement that the Procurement Warehouse must tag assets immediately upon

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			physical receipt so that no asset is permitted to leave the warehouse or enter the ecosystem without a unique identifier. Additionally, VIDE is clarifying the role of the Fixed Asset Management Division to ensure they perform the mandatory post-delivery validation as a secondary check to confirm the location, condition, and accuracy of the data recorded by Procurement, thereby ensuring the hand-off between divisions is complete and documented. Due to recent staffing changes, VIDE will conduct mandatory "Roles and Responsibilities" training wherein the Assistant Commissioner will oversee training for Fixed Asset staff regarding validation protocols and the Deputy Commissioner of Fiscal and Administrative Services will oversee training for Procurement staff regarding intake and tagging. VIDE is also updating the data fields within its asset tracking system to strictly mandate the inclusion of all data points required by 2 CFR 200.313, including acquisition date, cost, percentage of federal participation, and ultimate disposition data. Furthermore, the Procurement Division and Fixed Asset Division will conduct quarterly inventory reconciliations to ensure the physical assets match the property records, with any discrepancies identified resolved within 30 days of the audit. Finally, the Fixed Asset Director will submit a "Monthly Asset Status Report" to the Assistant Commissioner for operational review, with a copy submitted to the Deputy Commissioner of Fiscal and Administrative Services for audit compliance tracking, detailing new acquisitions, validation status, and explicitly reporting on any instances where the dual-control process was not followed.
2023-051: Matching, Level of Effort, Earmarking	Special Education State Director Deputy Commissioner	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE acknowledges need to enhance monitoring and internal controls. VIDE will establish a team for quarterly reviews of documentation, report issues, and recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. Comprehensive staff training will ensure understanding of new policies and procedures.

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2023-052: Allowable Costs/Cost Principles – Payroll Activities	Special Education State Director Deputy Commissioner	Immediately	VIDE acknowledges the audit findings regarding the Special Education Cluster payroll discrepancies and concurs with the recommendation. VIDE is taking immediate action to align payroll controls with established fiscal improvement plan. To address the pay rate discrepancies between NOPAs and the payroll register, the Budget Team and the Deputy Commissioner of Fiscal and Administrative Services will review and approve every personnel action in the ERP prior to the NOPA being executed. This review matches the action against the approved grant application or staffing list to ensure the pay rate is accurate before the payroll cycle begins.
2023-053: Equipment and Real Property Management	Fixed Assets Director	January 2026	The Government concurs with the auditor's findings and recommendations. VIDE plans to improve management and documentation of federally funded equipment by enhancing its asset tracking system and maintaining centralized records with detailed asset information. The Procurement Division will conduct quarterly inventory audits to reconcile records with actual inventory, resolving discrepancies promptly. The Fixed Asset Director will establish communication protocols among Programs/Divisions, requiring monthly status reports to ensure data accuracy and timely updates.
2023-054: Procurement and Suspension and Debarment	Director of Procurement	Immediately	VIDE acknowledges the audit finding regarding the Consolidated Grant procurement documentation and concurs with the recommendation. VIDE recognizes that the unavailability of approved Short Form Contracts during the audit indicates a gap in record retention and file maintenance. To address this, the Business Office will not process any payment voucher for service-related procurements unless the approved Short Form Contract is attached to the ERP transaction as a mandatory supporting document. To ensure records are maintained and readily available for future reviews, the Procurement Division will digitize all executed Short Form Contracts and upload them to the department's centralized

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			SharePoint repository immediately upon execution. To reinforce these protocols, mandatory refresher training will be conducted for Procurement and Program staff on the new digital archiving requirement and the federal documentation standards for service-related procurements. Finally, the Office of Fiscal & Administrative Services will conduct monthly spot checks of the SharePoint repository to verify that all active service contracts are properly archived and accessible.
2023-055: Reporting	Federal Grants Director	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE plans to address the audit finding on FFATA reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. Roles and responsibilities of personnel involved will be clearly defined. VIDE will enhance existing system or implement a new system for tracking subawards and provide comprehensive training to staff. Data verification and validation procedures will be strengthened, with formal processes for reviewing data accuracy before submission and regular reconciliations to ensure consistency. Mandatory training sessions will ensure all personnel understand FFATA requirements and new reporting procedures.
2023-056: Allowable Costs/Cost Principles – Payroll Activities	Federal Grants Director	Immediately	The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations. Key measures include improving timesheet management through electronic submission, mandatory supervisor review, and secure storage. Additionally, VIDE will strengthen rate verification processes with a standardized checklist for comparing NOPA rates with payroll system rates, requiring payroll staff to complete it at each pay cycle and maintain a discrepancy tracker.

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Finding	Contact	Estimated Completion Date	Corrective Action
			Mandatory training sessions will be conducted for employees and supervisors to ensure understanding of the new policies, covering timesheet completion, rate verification, and adherence to guidelines.
2023-057: Reporting	Director, Office of Management and Budget (for Subprogram H) Federal Grants Director, VIDE (for Subprograms A & X) Deputy Commissioner of Fiscal and Administrative Services, VIDE (for Subprograms A & X)	Immediately	The Government concurs with the auditor's findings and recommendations. VIDE is addressing deficiencies in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA) by committing to enhance reporting practices for compliance with federal requirements. This includes implementing a structured review and approval process for all performance and special reports, ensuring they are vetted by appropriate officials. Additionally, training will be provided to all staff involved in report preparation and submission.
2023-058: Subrecipient Monitoring	Federal Grants Director	On-Going	VIDE, through the Office of Federal Grants (OFG), acknowledges the finding and concurs with the need to strengthen internal controls related to subrecipient identification, monitoring, and compliance with federal audit requirements, as outlined in 2 CFR Part 200, Subpart F. During the period under review, gaps in documentation and monitoring were impacted by staff turnover, leadership transitions, and programmatic shifts, which limited the consistency and precision of subrecipient oversight across programs. In response, OFG has taken steps to reinforce its role as the pass-through entity and to formalize monitoring expectations and processes. OFG is committed to ensuring that all subrecipient agreements clearly identify the federal award and applicable requirements, including reporting, audit, and compliance obligations under 2 CFR Part 200, Subpart F, in accordance with 2 CFR §§ 200.331 and 200.332. Subrecipient agreements will explicitly outline financial, programmatic, and reporting expectations necessary for VIDE to meet its own federal responsibilities. In addition, OFG is strengthening risk-based subrecipient monitoring practices, including evaluating prior audit results, changes in personnel or systems, and the complexity of subawards to determine the appropriate level of oversight.

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			Monitoring activities will include documented reviews of financial and programmatic reports and follow-up on identified deficiencies, as required. Through these actions, OFG is working to ensure that subrecipients are properly identified, monitored, and supported, and that federal funds are expended in accordance with all applicable statutes, regulations, and award terms.
2023-059: Special Tests and Provisions – Participation of Private School Children	Federal Grants Manager & OMB Compliance Unit	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE is committed to addressing issues related to the participation of private school children in the COVID-19 Education Stabilization Fund. OMB will develop and implement formal policies and procedures to ensure compliance with federal regulations. This includes establishing guidelines and a schedule for timely consultations with nonpublic schools and collaborating with the Department of Education to ensure equitable per-pupil expenditures for both private and public school children.
2023-060: Special Tests and Provisions – Wage Rate Requirements	Director of Procurement	March 2026	The Government concurs with the auditor's findings and recommendations. VIDE is addressing compliance gaps related to wage rate requirements under the COVID-19 Education Stabilization Fund by reviewing all contracts to ensure they include appropriate compliance language. Contract templates will be updated to mandate compliance and specify consequences for noncompliance. Additionally, VIDE will implement a system requiring contractors to submit certified payroll reports weekly, with a designated team responsible for collecting, reviewing, and retaining these reports to verify compliance.
2023-061: Not used.			
2023-062: Activities Allowed or Unallowed and	Chief Financial Officer	On-Going	A workflow is established to ensure the proper review and processing of Accounts Payables payments. This includes a level of approval by the Chief Financial Officer.

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Allowable Costs/Cost Principles – Non-Payroll Activities			Any transactions $50,000 and above require approval by the Agency Head or their Designee. The workflow is then automatically released to the Department of Finance for review, approval and check processing.
2023-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer	March 2026	Once payroll is processed by the Department of Finance, on the payday, a Flex Earnings Report is generated by the staff. A reconciliation is performed to ensure that all employees and their respective fringe benefits are captured and drawn. The Department of Finance posts said payroll. Staffing continues to identify deficiencies in the posting which occur in varying periods after the actual pay day. DHS has incorporated into its internal controls a step to ensure that the accounts, in retrospect, are reconciled to the actual Flex earning report. DHS intends on meeting with the Department of Finance to identify the nuances that create postings to occur contrary to the Flex Earning Report account coding.
2023-064: Equipment and Real Property Management	Chief Financial Officer	April 2026	The Department of Human Services (DHS) maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.
2023-065: Reporting	Program Administrator	January 2026	Training was provided directly by the Federal Partner to ensure the completion of said reports. Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.
2023-066: Special Test and Provision –	Program Administrator	January 2026	Training was provided directly by the Federal Partner to ensure the completion of said reports.

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Protection of Federal Interest in Real Property and Facilities			Additionally, the completion and submission of this report is being repositioned to the Fiscal Office. A review of these reports will be incorporated in the Quarterly standing meetings with the Office of Head Start and the Office of Fiscal Management.
2023-067: Special Tests and Provisions – Program Governance	Program Administrator	January 2026	The Governing Board transitioned to virtual meetings due to the pandemic, which pre-empted the FY22 training, and has incorporated electronic voting into its procedures. Regular training is now conducted to enable the governing body to effectively perform its legal, fiscal, and oversight responsibilities. Technical Assistance from the Region II TA team assists the Head Start program in meeting this requirement.
2023-068: Eligibility	CCDF Administrator	January 2026	The Department of Human Services (DHS) has introduced a checklist as an additional internal control measure to ensure compliance with Federal requirements for review of provider enrollment applications by the provider relations staff.
2023-069: Matching, Level of Effort, Earmarking	Program Director, Chief Financial Officer and Director of Audit and Compliance	June 2025	DHS is in the process of finalizing corrective actions to address the conditions noted and to enhance compliance across all CCDF funding sources: 1. Formalization of Policies and Procedures DHS will develop and document written policies and procedures governing compliance with CCDF administrative cost caps, quality earmarks, direct services requirements, and level of effort provisions. These procedures will define roles, monitoring responsibilities, documentation standards, and supervisory review requirements.

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			2. Strengthened Monitoring Throughout the Fiscal Year DHS has already implemented periodic monitoring throughout the fiscal year to track administrative, quality, and direct service expenditures against federal requirements, rather than relying solely on final year reporting. Monitoring includes monthly reconciliation of expenditures to accounting records in addition to reoccurring monthly meetings jointly with Program and Fiscal to align plans with outcomes. 3. Improved Financial Reporting Controls DHS ensures that all required ACF 696 Financial Reporting Forms are prepared accurately, fully reconciled to the general ledger, and retained in accordance with record keeping requirements. Any discrepancies identified during reconciliation are reviewed and resolved prior to final submission. 4. Designation of Compliance Oversight Responsibility DHS has onboarded a Federal Grants Financial Analyst dedicated to the Child Care program in September of 2024. Additionally, in August 2025, a Director of Audit and Compliance was also onboarded. This will allow for a closer collaboration with the external auditors in ensuring compliance with documentation to support audit and federal review. These corrective actions are intended to strengthen DHS's internal control framework, improve documentation and monitoring processes, and ensure sustained compliance with CCDF matching, level of effort, and earmarking requests.
2023-070: Reporting	Chief Financial Officer	January 2026	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Internal controls have been established, requiring final review and approval by a supervisor.

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2023-071: Special Tests and Provisions – Health and Safety Requirements	Program Administrator	January 2026	DHS remains in compliance with this finding from previous audit years, the untimely submission led to the issue in current year. To address this, a shared file will be established to ensure that the necessary information for each year is readily available for audit purposes.
2023-072: Special Tests and Provisions – Fraud Detection and Repayment	Program Administrator	April 2026	An internal programmatic audit process is actively utilized, involving the exchange of caseloads between workers. Eligibility and subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.
2023-073: Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	Program Administrator	October 2026	An internal programmatic audit process is actively utilized. Subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.
2023-074: Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Chief Financial Officer	January 2026	The Department of Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notice's of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office

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			of Management and Budget through the established process. (2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal certification by the CFO, (4) NOPAS are updated with the provisional codes.
2023-075: Period of Performance	Chief Financial Officer	July 2026	As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Fiscal Analyst is being integrated into the workflow to ensure compliance.
2023-076: Reporting	Chief Financial Officer	October 2026	DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report in the Payment Management System financial reporting module. All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants. Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.
2023-077: Allowable Costs/Cost Principles	Program Director and Chief Financial Officer	Immediately	DHS is committed to strengthening internal controls and addressing the auditors' concern related to the reconciliation process and the importance of clear, auditable reconciliation processes that fully support the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and demonstrate compliance with internal control requirements.

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			DHS will continue to collaborate closely with the auditors and other stakeholders in the reconciliation process and SEFA preparation to ensure all affected parties confirm receipt of required documentation so determination of compliance can be readily identified, confirming DHS's commitment to federal funds stewardship. To achieve this, DHS will streamline communication between all parties through a designated point of contact, the Director of Audit & Compliance who onboarded in August 2025, to make certain that necessary documentation is distributed to all stakeholders involved.
2023-078: Eligibility	Director of Operations, Medicaid Director	July 2026	Currently, a Standard Operating Policies and Procedures (SOPPs) for certification and recertification procedures is being updated. Additionally, DHS hired a Program Integrity Director in August 2023 and Medical Eligibility Quality Control (MEQC) Reviewer in June 2025 also tasked with the responsibility of reviewing completed case files.
2023-079: Matching, Level of Effort, Earmarking	Medicaid Director	July 2026	The ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.
2023-080: Reporting	Medicaid Director	October 2026	Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments.

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			Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.
2023-081: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	July 2026	The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.
2023-082: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	Medicaid Director	July 2026	The Department of Human Services intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of the Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed, and subsequently the utilization of a template for quick calculation. We consider this a high-priority initiative that will provide much-needed revenues to the coffers. Once the contract has been executed, goal is to be up-to-date within 6-9 months.
2023-083: Special Tests and Provisions – ADP Risk Analysis and System Security Review	Medicaid Director, MIS Manager	July 2026	The Department understands the importance of System Security and recognizing its weaknesses and vulnerabilities. In lieu of this, we have conducted an overall cybersecurity risk assessment for entire IT infrastructure. The Department's strategy to become compliant with the VIBES System Security Review includes updating the scope of work with contracted vendor for this system. The scope of work will now include annual Risk Assessments and Security Reviews.
2023-084: Provider Eligibility	Medicaid Director	February 2026	DHS continues working with a vendor on the implementation of the Provider Enrollment Application (PEA). Beginning in February 2026, the vendor will assume responsibility for enrolling all USVI providers—both in-territory and out-of-territory. Their enrollment process will address the three bulleted conditions.

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2023-085: Reporting	Territorial Public Assistance Officer	On-going	In accordance with 2CFR #200.303 federal recipients VITEMA/ODR must create internal controls that provide reasonable assurance that FFATA reporting requirements are met. Currently, internal controls have been established to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA). On a monthly basis, the Disaster Program Administrative Assistant in responsible for obtaining the P5 report from the Grants Manager and entering all project with obligated funds exceeding $30,000 into the SAM.gov database, formerly FSRS.gov. The report must be submitted by the end of the following month. Once the data is entered, the Territorial Public Assistance Officer reviews the submission and, upon the verification, certifies that the information has been accurately reported in the federal database. The reports and associated certifications will be placed in a centralized database.
2023-086: Subrecipient Monitoring	Territorial Public Assistance Officer	On-going	The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations. As the recipient, it is the territory's responsibility to notify the Subrecipient when the federal funds are obligated and provide them with a subrecipient agreement which outlines the terms and conditions of the program. The Disaster Program Financial Specialist is responsible for obtaining the subrecipient agreement and ensure it has been signed by the Applicant/Subrecipient and Governor's Authorized Rep and later provided to the Territorial Public Assistance Officer (TPAO). As such, no funds will be disbursed until the Subrecipient signs and returns the agreement. These agreements are saved in a centralized location for documentation and audit purposes. In accordance with the 2CFR #200 Subpart F, all Subrecipients must comply with applicable audit requirements because the applicant is in the receipt of federal funding. Under 2CFR #200.500 Subpart F applies to any non-federal entity that expends $750,000 or more in federal awards during a fiscal year. Subrecipients meeting this threshold are required to undergo a single audit or a program specific audit for that fiscal year.

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			The TPAO will review audit requirements during the applicant's briefing and will incorporate these requirements into the Subrecipient Agreement.
2023-087: Matching, Level of Effort, Earmarking	Territorial Public Assistance Officer	On-Going	VITEMA concurs with this finding. This information is documented in BSIR as part of the submittal process and does not allow for the submittal of reporting if not verified to meet this requirement. VITEMA will also document this information when preparing the SF 425 report by including this information in the notes section of this report. This will be conducted on a quarterly basis.
2023-088: Reporting	Territorial Public Assistance Officer	On-Going	VITEMA concurs with this finding. VITEMA uses the sub-recipient agreement as the source of documentation for enrollment into FFATA. This agreement is signed by the Director of VITEMA and Sub Recipient. VITEMA's Grant Management staff will upload this information into the FRS/SAMS.GOV system. VITEMA's Deputy Director of Grants Management will review the FFTA information and validate that the information is true and correct based on the amount approved by DHS and sub-recipient agreement. This FFTA document will be signed and dated by the Deputy Director of Grants Management within the 30 days of required enrollment.