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, 2022

The report accompanying these procedures 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

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Financial Statements (with Independent
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Required Supplementary Information
Year Ended September 30, 2022

Government of the United States Virgin Islands

Contents

Independent Auditor's Report 3-10

Management's Discussion and Analysis 11-23

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position 24-25

Statement of Activities 26-27

Fund Financial Statements

Balance Sheet – Governmental Funds 28

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 29

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds 30

Statement of Net Position – Proprietary Funds 31

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds 32

Statement of Cash Flows – Proprietary Funds 33-34

Statement of Fiduciary Net Position 35

Statement of Changes in Fiduciary Net Position 36

Notes to Basic Financial Statements 37-144

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios 145

Schedule of Net Pension Liability 146

Schedule of Pension Contributions and Related Notes 147-148

Schedule of Revenues and Expenditures – Budget and Actual Budgetary Basis – General Fund 149

Notes to Schedule of Revenues and Expenditures – Budget and Actual Budgetary Basis – General Fund 150-151

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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

Disclaimer and Unmodified Opinions

We have audited the accompanying 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, 2022, 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	Disclaimer
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	Disclaimer

Disclaimer of Opinions

Based on our audit and the reports of other auditors, because of the significance of the matters discussed in the Basis for Disclaimer Opinion paragraphs below, 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, the General Fund, the Federal Grants Fund, the Unemployment Insurance-Enterprise Fund, the Aggregate Remaining Fund Information, and the Aggregate Discretely Presented Component Units of the Government of the United States Virgin Islands. Accordingly, we do not express an opinion on these financial statements.

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Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the 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 of the United States Virgin Islands as of September 30, 2022, 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 Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Virgin Islands Public Broadcasting System (VIPBS), and Virgin Islands Housing Finance Authority (VIHFA), discretely presented component units, which collectively represent 17.1%, 8.2%, and 18.7%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely Presented Component Units.
- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 59.4%, 72.1%, and 60.5%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information.

Those financial 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 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). Accordingly, the Government has not recorded an expense for the current period change in that liability. 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, 2022, may have been affected by this condition.

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, 2022, may have been affected by this condition.

The Government did not maintain the requisite documentation to substantiate its reported interest and other and charges for services revenues in the amount of $4.5 and $1.9 million, respectively, for the Aggregate Remaining Fund Information as of and for the year ended September 30, 2022. As such, we are unable to determine whether adjustments are required to the Aggregate Remaining Fund information and Business-Type Activities.

The Government did not maintain the requisite documentation to substantiate its reported general expenses in the amount of $24.0 million for the Aggregate Remaining Fund Information as of and for the year ended September 30, 2022. As such, we are unable to determine whether adjustments are required in the Aggregate Remaining Fund Information and Business-Type Activities.

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, 2022, 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, 2022. 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 capital asset activity related to capital asset additions in the amount of $23.1 million, construction in process in the amount of $366.7 million, or depreciation expense in the amount of $56.6 million as of and for the year ended September 30, 2022. As such, we are unable to determine whether adjustments were required to the Governmental Activities.

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, deferred inflows of $75.9 million, related expenses of $35.0 million, and the required supplementary information as of and for the year ended September 30, 2022. 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.

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

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.

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

The Government did not maintain the requisite documentation to support its expenses in the amount of $766.6 million for the General Fund, $628.3 Million for the Federal Grants Fund, and $73.5 million for the Aggregate Remaining Fund information as of and for the year ended September 30, 2022. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the General Fund, Federal Grants Fund, Aggregate Remaining Fund Information, Governmental Activities and Business-Type Activities.

Basis for Disclaimer of Opinion on Governmental Activities, General Fund and Federal Grants 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, Federal Grants Fund, and Governmental Activities.

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 $51.0 million as of the year ended September 30, 2022. 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 $700.1 million as of and for the year ended September 30, 2022. 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 interest and other revenues in the amount of $18.7 million as of and for the year ended September 30, 2022. 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.

Basis for Disclaimer of Opinion on the Governmental Activities and Aggregate Remaining Fund Information

The Government did not maintain the requisite documentation to support its capital outlay expenses in the amount of $21.3 million as of and for the year ended September 30, 2022. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Aggregate Remaining Fund Information and Governmental Activities.

Basis for Disclaimer of Opinion on the Governmental Activities, General Fund, and Aggregate Remaining Fund Information

The Government did not maintain the requisite documentation to support its interest and other and charges for services revenues in the amount of $30.4 and $6.2 million, respectively, as of and for the year ended September 30, 2022. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the General Fund, Aggregate Remaining Fund Information, and Governmental Activities.

Basis for Disclaimer of Opinion on the Governmental Activities and General Fund

The Government did not maintain the requisite documentation to support its health insurance accrual in the amount of $24.8 million as of the year ended September 30, 2022. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the General Fund and Governmental Activities.

Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units

The financial statements of the University of the Virgin Islands Research and Technology Park Corporation (RTPark), University of the Virgin Islands (UVI), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Water and Power Authority (VIWAPA), Magens Bay Authority (MBA), and Virgin Islands Port Authority (VIPA), have not been audited, and we were not engaged to audit the financial statements of RTPark, UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA, MBA, and VIPA, nor was the information available as part of our audit of the Government's basic financial statements. RTPark's financial activities for the year ended September 30, 2022, are not included in the Government's basic financial statements. The financial activities of UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA, MBA, and VIPA are included in the Government's basic financial statements and represent 89.8%, 100.0%, and 48.8% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

The Government's notes to the basic financial statements do not present complete note disclosures for RTPark, UVI, Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center, VIWAPA, MBA, and VIPA. In our opinion, the disclosure of this information is required by accounting principles generally accepted in the United States of America.

The report of other auditors on the 2022 financial statements of VIWMA, a discretely presented component unit, was qualified because the auditors were unable to obtain sufficient audit evidence to determine whether capital assets and accounts payable were properly classified. Accordingly, the auditors were unable to determine whether adjustments were required.

The report of other auditors on the 2022 financial statements of VIHFA, a discretely presented component unit, was qualified because the VIHFA's notes to the financial statements do not include the necessary information under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as required by accounting principles generally accepted in the United States of America.

The report of other auditors on the 2021 financial statements of VIHA, a discretely presented component unit, was qualified because the auditors were unable to obtain sufficient audit evidence for the balances of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the VIHA pension plan. Accordingly, the auditors were unable to determine wither adjustments were required.

Basis for Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for 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 unmodified audit opinions.

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

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.

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, 2022, 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 September 30, 2025, 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.

September 30, 2025

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, 2022 and 2021.

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 10.0% of the corresponding totals for all governmental or enterprise funds and at least 5.0% 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, Matching Fund Special Purpose Securitization Corporation (MFSPSC) Debt Service 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 PFA on behalf of the Government. The bond proceeds have been designated for certain necessary public safety and capital development projects that are accounted for in this 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.
>
> 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 10.0% matching requirement to receive this funding to 2.0%.

The Government has also been challenged by the COVID-19 pandemic. All cruise ship ports in the Territory were closed due to "No Sail Orders" (NSOs) issued by the Centers of Disease Control and Prevention through August 2021. The tourism industry began a recovery in 2022 and the Virgin Islands Bureau of Economic Research reported an increase of 274 cruise ship calls in 2022, and an increase of 767,000 cruise passenger arrivals. During 2022, tourism visitor arrivals increased to 1.8 million from 1.1 million in 2021.

The Government regained access to capital markets in April 2022 with the issuance of the Matching Fund Securitization Bonds, Series 2022 A and Series 2022 B Securitization Bonds in the amount of $952.8 million, issued by the Matching Fund Special Purpose Securitization Corporation, and the issuance in June 2022 of the Port Facilities Bonds in the amount of $52.6 million, issued by WICO. The Series 2022 bonds were rated "BBB" by Kroll Bond Rating Agency and the WICO bonds were placed with private investors and not rated.

Financial Analysis of the Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2022 and 2021 were approximately $3.8 billion and $4.3 billion, respectively. Total liabilities and deferred inflows were approximately $9.2 billion and $9.7 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 $5.1 billion and $5.5 billion at September 30, 2022 and 2021.

As of 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. As of September 30, 2021, the Government's net deficit of $5.3 billion consisted of a $584.2 million net investment in capital assets; $300.5 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.2 billion.

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. For the fiscal year ended September 30, 2021, the primary government earned program and general revenue amounting to $2.6 billion and reported expenses of $2.9 billion, resulting in an increase in net deficit of approximately $178.8 million.

Overall, revenue decreased in fiscal 2022 by approximately $152.0 million, when compared to fiscal, 2021, mainly due to a decrease in operating and capital grants and contributions of $112.7 million, a decrease in COVID-19 pandemic relief assistance of $141.7 million, a decrease in charges for services of $12.9 million, offset by an increase in taxes of $67.2 million, an increase of $40.0 million in interest and other revenue, and an increase in payments in lieu of taxes of $8.2 million.

Overall expenses decreased in fiscal 2022 by $379.7 million when compared to fiscal 2021, mainly due to a decrease in general government expense of $140.4 million, a decrease in public safety of $30.2 million, a decrease in health expense of $4.2 million, a decrease in education expense of $73.7 million, a decrease in transportation and communication of $18.6 million, a decrease in culture and recreation expense of $3.6 million, a decrease in unemployment insurance expense of $99.5 million, a decrease in other business program expense of $19.5 million and a decrease in interest expense on long-term debt of $1.7 million. These decreases were offset by an increase in public housing and welfare expense of $6.9 million and an increase in WICO and viNGN expense of $4.8 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,	**2022***	2021*	**2022**	2021*	**2022**	2021
Assets and Deferred Outflows						
Current assets	**$ 1,512,898**	$ 1,949,248	**$ 63,824**	$ 38,495	**$ 1,576,722**	$ 1,987,743
Internal balances	**49,662**	49,015	**(49,662)**	(49,015)	**-**	-
Capital assets	**1,041,331**	979,087	**98,806**	106,142	**1,140,137**	1,085,229
Leases receivable	**-**	-	**6,663**	-	**6,663**	-
Other assets	**5,187**	5,282	**1,602**	1,272	**6,789**	6,554
Deferred outflows of resources	**1,036,403**	1,244,521	**-**	-	**1,036,403**	1,244,521
Total assets and deferred outflows	**3,645,481**	4,227,153	**121,233**	96,894	**3,766,714**	4,324,047
Liabilities and Deferred Inflows						
Long-term liabilities	**7,011,835**	7,425,898	**97,375**	49,009	**7,109,210**	7,474,907
Other liabilities	**1,261,974**	1,689,646	**123,901**	165,395	**1,385,875**	1,855,041
Deferred inflows of resources	**725,424**	352,831	**2,729**	-	**728,153**	352,831
Total liabilities and deferred inflows	**8,999,233**	9,468,375	**224,005**	214,404	**9,223,238**	9,682,779
Net Position						
Net investment in capital assets	**779,374**	556,530	**19,036**	27,657	**798,410**	584,187
Restricted	**437,074**	292,702	**10,228**	7,748	**447,302**	300,450
Unrestricted deficit	**(6,570,200)**	(6,090,454)	**(132,036)**	(152,915)	**(6,702,236)**	(6,243,369)
Total net deficit	**$ (5,353,752)**	$ (5,241,222)	**$ (102,772)**	$ (117,510)	**$ (5,456,524)**	$ (5,358,732)

**Figures do not reflect implementation of GASB Statement No.87, Leases.*

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2022***	2021*	**2022**	2021*	**2022**	2021
Revenues						
Program revenue:						
Charges for services	**$ 34,068**	$ 31,657	**$ 46,862**	$ 62,219	**$ 80,930**	$ 93,876
Operating grants and contributions	**995,122**	1,006,537	**21,983**	100,605	**1,017,105**	1,107,142
Capital grants and contributions	**16,344**	39,207	**906**	679	**17,250**	39,886
General revenue:						
Taxes	**1,172,506**	1,105,323	**-**	-	**1,172,506**	1,105,323
Interest and other	**130,824**	102,901	**23,054**	10,964	**153,878**	113,865
COVID-19 pandemic relief assistance	**1,932**	143,678	**-**	-	**1,932**	143,678
Payment in lieu of taxes	**21,821**	13,660	**-**	-	**21,821**	13,660
Tobacco settlement rights	**1,193**	1,224	**-**	-	**1,193**	1,224
Total revenues	**2,373,810**	2,444,187	**92,805**	174,467	**2,466,615**	2,618,654
Expenses						
General government	**1,548,620**	1,689,055	**-**	-	**1,548,620**	1,689,055
Public safety	**90,713**	120,947	**-**	-	**90,713**	120,947
Health	**75,404**	79,618	**-**	-	**75,404**	79,618
Public housing and welfare	**333,613**	326,665	**-**	-	**333,613**	326,665
Education	**284,798**	358,470	**-**	-	**284,798**	358,470
Transportation and communication	**49,376**	67,999	**-**	-	**49,376**	67,999
Culture and recreation	**9,796**	13,370	**-**	-	**9,796**	13,370
Interest on long-term debt	**84,020**	85,705	**-**	-	**84,020**	85,705
West Indian Company	**-**	-	**15,112**	10,634	**15,112**	10,634
Unemployment insurance	**-**	-	**42,208**	141,694	**42,208**	141,694
viNGN	**-**	-	**9,532**	9,195	**9,532**	9,195
Other	**-**	-	**25,336**	44,852	**25,336**	44,852
Total expenses	**2,476,340**	2,741,829	**92,188**	206,375	**2,568,528**	2,948,204
Changes in net position (deficit) before transfers and special item	**(102,530)**	(297,642)	**617**	(31,908)	**(101,913)**	(329,550)
Transfers	**(10,000)**	135	**10,000**	(135)	**-**	-
Special item – insurance recoveries on capital assets	**-**	555	**-**	-	**-**	555
Special item – Community Disaster Loan forgiveness	**-**	150,186	**-**	-	**-**	150,186
Changes in net deficit	**(112,530)**	(146,766)	**10,617**	(32,043)	**(101,913)**	(178,809)
Net deficit, beginning of year, as restated	**(5,241,222)**	(5,094,456)	**(113,389)**	(85,467)	**(5,354,611)**	(5,179,923)
Net deficit, end of year	**$ (5,353,752)**	$ (5,241,222)	**$ (102,772)**	$ (117,510)	**$ (5,456,524)**	$ (5,358,732)

**Figures do not reflect implementation of GASB Statement No. 87, Leases.*

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.

As of September 30, 2022, the Government's governmental funds reported a combined fund balance of $273.0 million, a decrease of $58.9 million when compared to the prior-year combined fund balance of $331.9 million. Approximately $538.9 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 ($549.2 million), ii) committed for particular purposes ($86.0 million), or iii) assigned for particular purposes ($176.5 million).

The General Fund is the chief operating fund of the primary Government. As of September 30, 2022, the unassigned fund deficit of the General Fund was $419.3 million while the total fund deficit of the General Fund was $376.5 million. The fund deficit balance of the General Fund increased by $267.1 million when compared to the prior-year fund deficit of $109.4 million. This increase was mainly due to an increase in General Fund expenditures of $270.8 million and an increase in General Fund transfers of 201.3 million, offset by an increase in revenues of $336.1 million.

The PFA Debt Service Fund accounts for the resource accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. As of September 30, 2022, the restricted fund balance of the PFA Debt Service Fund was $303.7 million, an increase of $11.3 million from the prior fiscal year fund balance of $292.4 million. This increase is mainly due to an increase in transfers from other funds of $158.5 million offset by net payments on the bond refunding of $42.9 million, a contribution to GERS of $89.2 million, a decrease in tax revenue of $8.3 million and a decrease in investment income of $2.7 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. As of September 30, 2022, the restricted fund balance of the PFA Capital Projects Fund was $113.1 million, an increase of $10.0 million from the prior fiscal year fund balance of $103.1 million. This was mainly due to transfers from other funds of $15.3 million offset by capital outlays and other expenditures of $4.6 million.

The MFSPSC Debt Service Fund accounts for the long-term general obligation debt issued by MFSPSC on behalf of the Government. As of September 30, 2022, the restricted fund balance of the MFSPSC Debt Service Fund and the PFA Capital Projects Fund was $112.2 million, resulting from the issuance of the Series 2022A and Series 2022B Securitization Bonds, net of debt refunding.

The Federal Grants Fund accounts for payments that are restricted to expenditures for specified purposes. As of September 30, 2022, the fund deficit of $52.8 million was $38.7 million less than the prior year fund deficit of $91.5 million. The decrease in the fund deficit was due to federal grant revenues exceeding federal grant expenditures.

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 viNGN as these funds are considered to be major funds.

As of September 30, 2022, the primary Government's proprietary funds reported a combined net deficit of $102.8 million, a decrease in deficit of $14.7 million when compared to the prior-year combined net deficit of $117.5 million. The deficit is the result of an unrestricted deficit in the proprietary funds of $132.0 million, offset by net investment in capital assets of $19.0 million and restricted net position of $10.2 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. As of September 30, 2022, the net deficit of WICO was $15.6 million, an increase in fund deficit of $7.6 million from the prior fiscal year. This increase was mainly due to an operating loss of $6.3 million, interest expense of $2.7 million and bond issuance cost of $2.2 million offset by grant revenue of $4.0 million. WICO was required to close its port during part of the fiscal year due to the COVID-19 pandemic.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. As of September 30, 2022, the net deficit of the fund was $84.4 million, a decrease in deficit of $6.0 million from the prior fiscal year. The decrease is mainly due to a increase in unemployment grant revenue after the COVID-19 pandemic.

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. As of September 30, 2022, viNGN, reported net position of $15.4 million, a decrease of $4.0 million from the prior fiscal year. This decrease was mainly due to an operating loss of $4.8 million offset by grant revenues of $906,000.

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, 2022, follows (expressed in thousands):

Year ended September 30, 2022	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 912,290	$ 912,290	$ 1,040,377	$ 128,087
Total expenditures	984,839	1,052,323	1,015,432	36,891
(Deficiency) excess of revenues over expenditures	(72,549)	(140,033)	24,945	164,978
Other financing sources (uses), net	(136,407)	(136,407)	(239,056)	(102,649)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (208,956)	$ (276,440)	$ (214,111)	$ 62,329

For fiscal year 2022, the General Fund realized a favorable budgetary variance of $62.3 million mainly due to a favorable revenue variance of $128.1 million and a favorable expenditure variance of $36.9 million.

The General Fund realized a favorable revenue variance of $128.1 million mainly due to tax revenues exceeding budgeted amounts by $81.8 million, federal grant revenue received of $7.7 million, charges for services revenues being under budget by $37.2 million and interest and other revenues exceeding the budget by $75.7 million during the fiscal year. The General Fund realized a favorable expenditures variance of $36.9 million due to spending efficiencies when compared to budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2022 amounted to $120.4 million for governmental activities and $7.7 million for business-type activities, net of adjustments. Capital assets additions during fiscal year 2021 amounted to $73.6 million for governmental activities and $1.8 million for business-type activities, 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,	**2022***	2021*	**2022**	2021*	**2022**	2021
Land and land improvements	**$ 230,610**	$ 228,790	**$ 5,883**	$ 5,854	**$ 236,493**	$ 234,644
Building and improvements	**654,013**	651,998	**80,864**	90,546	**734,877**	742,544
Machinery and equipment	**285,138**	260,643	**83,108**	81,982	**368,246**	342,625
Infrastructure	**284,641**	241,947	**-**	-	**284,641**	241,947
Right-to-use building and improvement	**-**	-	**2,139**	-	**2,139**	-
Intangible assets	**-**	-	**30,774**	30,774	**30,774**	30,774
Construction in progress	**220,218**	172,311	**6,936**	6,127	**227,154**	178,438
Total capital assets	**1,674,620**	1,555,689	**209,704**	215,283	**1,884,324**	1,770,972
Less depreciation and amortization	**(633,289)**	(576,602)	**(110,898)**	(109,141)	**(744,187)**	(685,743)
Total capital assets, net	**$ 1,041,331**	$ 979,087	**$ 98,806**	$ 106,142	**$ 1,140,137**	$ 1,085,229

**Figures do not reflect implementation of GASB Statement No. 87,* Leases.

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 10.0% 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, 2022 (expressed in thousands):

Bond Issue	**Maturity**	**Rates (%)**	**Balance**
Series 2022 A Securitization Bonds	2039	4.05 - 4.73	$ 930,315
Series 2022 B Securitization Bonds	2025	6.00	22,510
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	9,573
Series 2015 Federal-Aid Highway Bonds	2016 - 2033	3.00 – 5.00	62,905
Series 2014 D Revenue Bonds	2015 - 2033	6.03	4,355
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	208,510
Series 2014 A Revenue Bonds	2015 - 2034	5.00	37,535
Series 2012 C Revenue Bonds	2017 - 2042	3.00 – 5.00	21,215
Series 2012 A and B Revenue & Refunding Bonds	2017 - 2032	2.25 – 5.25	134,335
Series 2006 A Revenue Bonds	2007 - 2029	3 50 – 5.00	153,970
Series 2006 A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
Series 2001 A Tobacco Bonds	2031	4.62 – 5.13	1,215
Total bonds outstanding			1,593,728
Plus (less):			
Bonds premium			47,773
Bonds discount			(234)
Bonds accretion			13,876
Net bonds outstanding			$ 1,655,143

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 $95.0 million during fiscal year 2022 and $90.7 million during fiscal year 2021.

In October 2021 and February 2022, Moody's Investors Service affirmed a "stable" Caa3 rating of the PFA's bonds.

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 March 2023, Moody's Investor Services withdrew the Government's issuer rating. 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 the Virgin Islands Water and Power Authority (VIWAPA). The ratings for VIWAPA 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,	**2022**	2021*
Governmental activities:*		
Accrued compensated absences	**$ 38,944**	$ 43,695
Retroactive union arbitration	**151,064**	188,300
Accrued 8.0% salary reduction	**1,583**	49,837
Litigation	**7,873**	12,538
Landfill closure and post closure	**129,542**	118,815
Business-type activities:		
Workers' compensation claims	**46,387**	53,189
Lease liability - viNGN	**559**	-
Compensated absences – WICO	**1,338**	1,255
Loan payable – U.S. Treasury	**95,744**	96,143
Loans payable - WICO	**717**	42,397
Bonds payable - WICO	**51,586**	-
Total other liabilities	**$ 585,975**	$ 606,169

Figures do not reflect implementation of GASB Statement No. 87,* Leases.**

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 2022 and 2021 (expressed in thousands):

September 30,	2022	2021
Net pension liability	**$ 4,091,016**	$ 4,527,445

Net Other Postemployment Benefit (OPEB) Liabilities

During fiscal year 2018, the Government implemented 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 of the Government and ten (10) of the Government's component units under a special funding arrangement.

Following is the net OPEB liability reported in fiscal years 2022 and 2021 (expressed in thousands):

September 30,	2022	2021
OPEB liability	**$ 976,613**	$ 992,301

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 Government 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, 2022 and 2021, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to $5.1 billion and $5.5 billion, respectively.

The Government's defined benefit pension plan was 8.2% and 9.2% funded as of the measurement dates of September 30, 2022, and 2021, respectively.

Based on actuarial projections as of September 30, 2022, absent additional contributions from the Government, the plan may not be able to meet its responsibilities by March 2025. A Pension Reform Joint Task Force has provided recommendations to the Legislature of the Virgin Islands to (i) increase the retirement age of Government workers; (ii) restructure plan benefits; and (iii) to no longer allow retirees to both work and collect benefits from the Government. 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 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 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 of $89.2 million was made to GERS. In October 2022 and 2023, a second and third payment were made to GERS in the amounts of $158.0 million and $124.0 million, respectively.

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, 2022	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Assets				
Cash and cash equivalents	$ 640,682	$ 39,245	$ 679,927	$ 158,257
Investments, at fair value	553,150	1,679	554,829	9,645
Receivables, net	220,022	3,245	223,267	216,847
Internal balances	49,662	(49,662)	-	-
Due from federal government	51,039	698	51,737	36,037
Due from component units	33,822	-	33,822	111
Due from primary government	-	-	-	27,629
Inventories	-	-	-	17,716
Prepayments and other assets	-	-	-	33,996
Restricted:				
Cash and cash equivalents	-	18,957	18,957	54,247
Investments	-	-	-	86,495
Other	-	-	-	15,873
Capital assets, net	1,041,331	98,806	1,140,137	2,426,463
Leases receivable	-	6,663	6,663	72
Notes receivable	14,183	-	14,183	10,147
Other assets	5,187	1,602	6,789	123,301
Total assets	2,609,078	121,233	2,730,311	3,216,836
Deferred Outflows of Resources				
Deferred amounts related to pension	892,699	-	892,699	291,177
Deferred charges on bond refunding	7,852	-	7,852	7,378
Deferred amounts related to OPEB	135,852	-	135,852	15,073
Total deferred outflows of resources	1,036,403	-	1,036,403	313,628
Total assets and deferred outflows of resources	$ 3,645,481	$ 121,233	$ 3,766,714	$ 3,530,464

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2022	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 365,323	$ 8,730	$ 374,053	$ 680,681
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,545
Due to primary government	-	-	-	33,072
Due to component units	27,629	-	27,629	-
Due to federal government	-	-	-	5,042
Refundable advance	449,336	-	449,336	-
Interest payable	37,657	992	38,649	10,470
Other current liabilities:				
Unearned revenues	226,165	11,304	237,469	36,903
Tax refunds payable	85,167	-	85,167	-
Line of credit	-	-	-	33,262
Loans and notes payable	15	96,461	96,476	9,306
Bonds payable	50,502	-	50,502	57,799
Other liabilities	20,180	3,157	23,337	11,417
Noncurrent liabilities:				
Line of credit	-	-	-	2,740
Tax refunds payable	29,203	-	29,203	-
Loans and notes payable	1,536		1,536	6,195
Bonds payable	1,604,641	51,586	1,656,227	207,415
Net pension liability	4,091,016	-	4,091,016	1,104,135
Other postemployment benefits liability (OPEB)	976,613	-	976,613	139,071
Unearned revenues	-	662	662	13,735
Other liabilities	308,826	45,127	353,953	128,988
Total liabilities	8,273,809	221,276	8,495,085	2,510,776
Deferred Inflows of Resources				
Deferred amounts related to OPEB	75,883	-	75,883	16,067
Deferred amounts related to pension	649,541	-	649,541	202,390
Deferred amounts related to leases	-	2,729	2,729	3,491
Total liabilities and deferred inflows of resources	$ 8,999,233	$ 224,005	$ 9,223,238	$ 2,732,724
Net Position (Deficit)				
Net investment in capital assets	$ 779,374	$ 19,036	$ 798,410	$ 2,073,269
Restricted:				
Unemployment insurance	-	9,930	9,930	-
Debt service	415,960	188	416,148	-
Capital projects	21,114	110	21,224	-
Other purposes	-	-	-	196,486
Unrestricted deficit	(6,570,200)	(132,036)	(6,702,236)	(1,472,015)
Total net deficit	$ (5,353,752)	$ (102,772)	$ (5,456,524)	$ 797,740

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2022	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 1,548,620	$ 32,696	$ 782,776	$ 8,306	$ (724,842)	$ -	$ (724,842)	$ -
Public safety	90,713	374	4,314	-	(86,025)	-	(86,025)	-
Health	75,404	129	26,546	-	(48,729)	-	(48,729)	-
Public housing and welfare	333,613	266	149,702	-	(183,645)	-	(183,645)	-
Education	284,798	-	24,567	-	(260,231)	-	(260,231)	-
Transportation and communication	49,376	476	6,922	8,038	(33,940)	-	(33,940)	-
Culture and recreation	9,796	127	295	-	(9,374)	-	(9,374)	-
Actuarial pension expense	-	-	-	-	-	-	-	-
Interest on long-term debt	84,020	-	-	-	(84,020)	-	(84,020)	-
Total governmental activities	2,476,340	34,068	995,122	16,344	(1,430,806)	-	(1,430,806)	
Business-type activities:								
WICO	15,112	3,081	4,000	-	-	(8,031)	(8,031)	-
Unemployment insurance	42,208	21,969	17,953	-	-	(2,286)	(2,286)	-
viNGN	9,532	4,644	-	906	-	(3,982)	(3,982)	-
Other	25,336	17,168	30	-	-	(8,138)	(8,138)	-
Total business-type activities	92,188	46,862	21,983	906	-	(22,437)	(22,437)	
Total primary government	$ 2,568,528	$ 80,930	$ 1,017,105	$ 17,250	$ (1,430,806)	$ (22,437)	$ (1,453,243)	$ -
Component units:								
Virgin Islands Housing Authority	$ 73,701	$ 11,224	$ 53,921	$ 8,945	$ -	$ -	$ -	$ 389
Virgin Islands Port Authority*	70,447	61,557	-	35,678	-	-	-	26,788
Virgin Islands Water and Power Authority:								
Electric System*	338,470	317,383	-	289,676	-	-	-	268,589
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*	99,786	14,062	89,728	4,607	-	-	-	8,611
Virgin Islands Housing Finance Authority	94,106	5,311	88,118	-	-	-	-	(677)
Other component units**	60,316	21,343	56,093	110	-	-	-	17,230
Total component units	$ 937,912	$ 576,388	$ 350,403	$ 357,336	$ -	$ -	$ -	$ 346,215
Total primary government and component units								$ 346,215

**Unaudited*

See accompanying notes to financial statements.

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

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2022	Net Revenue (Expense) and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total	Component Units
General revenue:				
Taxes	$ 1,172,506	$ -	$ 1,172,506	$ -
Payment in lieu of taxes	21,821	-	21,821	-
Interest and other	130,824	23,054	153,878	31,726
Tobacco settlement rights	1,193	-	1,193	-
COVID-19 pandemic relief assistance	1,932	-	1,932	-
Special item - insurance recoveries on capital assets, net	-	-	-	118
Transfers – internal activities of primary government	(10,000)	10,000	-	-
Total general revenue and other items	1,318,276	33,054	1,351,330	31,844
Changes in net position (deficit)	(112,530)	10,617	(101,913)	378,059
Net position (deficit), beginning of year, as restated	(5,241,222)	(113,389)	(5,354,611)	419,681
Net position (deficit), end of year	$ (5,353,752)	$ (102,772)	$ (5,456,524)	$ 797,740

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(in thousands)

September 30, 2022	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total Governmental
Assets							
Cash and cash equivalents	$ 127,816	$ 230,731	$ 42,434	$ 30,550	$ -	$ 209,151	$ 640,682
Investments, at fair value	362,615	57,733	36,044	91,826	-	4,932	553,150
Receivables:							
Taxes, net	191,449	27,457	-	-	-	-	218,906
Other	115	-	-	-	-	116	231
Due from federal government	-	-	-	-	51,039	-	51,039
Due from:							
Other funds	55,788	-	37,128	-	-	27,160	120,076
Component units, net	26,447	-	-	-	-	7,375	33,822
Total assets	764,230	315,921	115,606	122,376	51,039	248,734	1,617,906
Liabilities							
Accounts payable and accrued liabilities	237,817	-	958	4	103,794	22,750	365,323
Tax refunds payable	53,732	-	-	-	-	-	53,732
Refundable advance	442,018	-	-	-	-	7,318	449,336
Unearned revenues	216,027	-	-	10,138	-	-	226,165
Due to:							
Other funds	25,041	-	-	-	-	45,373	70,414
Component units	26,072	-	1,557	-	-	-	27,629
Total liabilities	1,000,707	-	2,515	10,142	103,794	75,441	1,192,599
Deferred Inflows of Resources							
Unavailable revenues	140,072	12,195	-	-	-	-	152,267
Total liabilities and deferred Inflows of resources	1,140,779	12,195	2,515	10,142	103,794	75,441	1,344,866
Fund balances (deficit)							
Restricted	-	303,726	113,091	112,234	4,213	15,951	549,215
Committed	42,325	-	-	-	-	43,658	85,983
Assigned	452	-	-	-	-	176,377	176,829
Unassigned	(419,326)	-	-	-	(56,968)	(62,693)	(538,987)
Total fund balances (deficit)	(376,549)	303,726	113,091	112,234	(52,755)	173,293	273,040
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 764,230	$ 315,921	$ 115,606	$ 122,376	$ 51,039	$ 248,734	
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.							1,041,331
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.							5,187
Note receivable related to the sale of capital assets therefore, not reported in the funds.							14,183
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.							7,852
Other long-term assets, primarily taxes receivable, will not be available to pay for current-period expenditures and therefore, are deferred in the funds.							153,152
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.							303,127
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.							(37,657)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(4,091,016)
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.							(2,046,338)
Net deficit of governmental activities							$ (5,353,752)

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, 2022	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total Governmental
Revenues							
Taxes	$ 908,801	$ 335,193	$ -	$ -	$ -	$ 17,635	$ 1,261,629
Payment in lieu of taxes	21,821	-	-	-	-	-	21,821
Federal grants and contributions	144,554	7,576	-	-	832,971	26,365	1,011,466
COVID-19 pandemic relief assistance	-	-	-	-	-	1,932	1,932
Charges for services	18,577	-	-	-	-	15,491	34,068
Tobacco settlement rights	-	-	-	-	-	1,231	1,231
Interest and other	61,716	66	143	(522)	17,823	50,279	129,505
Total revenues	1,155,469	342,835	143	(522)	850,794	112,933	2,461,652
Expenditures							
Current:							
General government	968,392	527	1,119	-	420,975	45,730	1,436,743
Public safety	73,084	-	-	-	3,954	454	77,492
Health	33,547	-	-	-	33,720	661	67,928
Public housing and welfare	62,797	-	-	-	262,081	854	325,732
Education	179,114	-	-	-	54,081	1,559	234,754
Transportation and communication	18,912	-	-	-	4,675	14,071	37,658
Culture and recreation	7,787	-	-	-	295	99	8,181
Capital outlays	33,309	-	3,519	-	32,280	51,261	120,369
Debt service:							
Principal - bond refunding	-	890,685	-	-	-	-	890,685
Principal	-	93,825	-	-	-	1,150	94,975
Interest	1,708	85,448	-	-	-	118	87,274
Total expenditures	1,378,650	1,070,485	4,638	-	812,061	115,957	3,381,791
Excess (deficiency) of revenue over expenditures	(223,181)	(727,650)	(4,495)	(522)	38,733	(3,024)	(920,139)
Other financing sources (uses)							
Bonds issued	-	-	-	952,825	-	-	952,825
Premium on issuance of bonds	-	-	-	28,061	-	-	28,061
Cost of issuance of debt	-	(1,618)	-	(14,304)	-	-	(15,922)
Loss on refunding of bonds	-	(4,461)	-	-	-	-	(4,461)
GERS Funding Note payment	-	(89,198)	-	-	-	-	(89,198)
Transfers - bond refunding	-	853,826	-	(853,826)	-	-	-
Transfers from other funds	166,554	158,598	15,273	-	-	44,054	384,479
Transfers to other funds	(210,526)	(178,214)	(739)	-	-	(5,000)	(394,479)
Total other financing sources (uses), net	(43,972)	738,933	14,534	112,756	-	39,054	861,305
Net change in fund balances	(267,153)	11,283	10,039	112,234	38,733	36,030	(58,834)
Fund balances (deficit), beginning of year	(109,396)	292,443	103,052	-	(91,488)	137,263	331,874
Fund balances (deficit), end of year	$ (376,549)	$ 303,726	$ 113,091	$ 112,234	$ (52,755)	$ 173,293	$ 273,040

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, 2022

Net change in fund balances – total governmental funds	$	(58,834)
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.		62,244
Income from note receivable interest income not producing current resources.		1,319
Tax revenues in the statement of activities, which provide current financial resources, are reported as revenue in the funds.		(28,523)
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 is the amount of debt repayments as no bonds or loans were issued.		32,835
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 the increase in certain liabilities reported in the statement of net position of the previous year increased expenses reported in the statement of activities that do not require the use of current financial resources.		23,540
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.		(94)
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 interest expense 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.		(16,021)
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 decrease in interest payable reported in the statement of net position.		3,254
Certain OPEB 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 increase in OPEB liabilities for the allocable share of OPEB expense reported in statement of net position.		(35,046)
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 increase in pension liabilities for the allocable share of pension expense reported in statement of net position.		(97,204)
Change in net deficit of governmental activities	$	(112,530)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position – Proprietary Funds

(in thousands)

	Business-type Activities				
September 30, 2022	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 1,373	$ 3,360	$ 3,287	$ 31,225	$ 39,245
Investments, at fair value	-	-	-	1,679	1,679
Receivables, net:					
Grants receivable	152	-	546	-	698
Leases receivable	271	-	-	-	271
Premiums receivable	-	1,277	-	-	1,277
Other receivables	233	-	371	1,093	1,697
Due from other funds	-	-	-	300	300
Other assets	1,089	-	378	135	1,602
Total current assets	3,118	4,637	4,582	34,432	46,769
Noncurrent assets:					
Restricted cash and cash equivalents	9,027	9,930	-	-	18,957
Leases receivable	6,663	-	-	-	6,663
Capital assets	34,061	-	52,259	12,486	98,806
Total noncurrent assets	49,751	9,930	52,259	12,486	124,426
Total assets	$ 52,869	$ 14,567	$ 56,841	$ 46,918	$ 171,195
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,111	$ -	$ 672	$ 6,947	$ 8,730
Lease liability	-	-	180	-	180
Due to other funds	9,956	-	36,804	3,202	49,962
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	2,913	2,913
Loan payable to U.S. Treasury	-	95,744	-	-	95,744
Loans payable	717	-	-	-	717
Interest payable	992	-	-	-	992
Unearned revenue	-	-	2,695	8,609	11,304
Compensated absences payable	64	-	-	-	64
Total current liabilities	12,840	99,001	40,351	21,671	173,863
Noncurrent liabilities:					
Bonds payable	51,586	-	-	-	51,586
Workers compensation	-	-	-	43,474	43,474
Compensated absences payable	1,274	-	-	-	1,274
Lease liability	-	-	379	-	379
Deferred revenue	-	-	662	-	662
Total noncurrent liabilities	52,860	-	1,041	43,474	97,375
Total liabilities	$ 65,700	$ 99,001	$ 41,392	$ 65,145	$ 271,238
Deferred Inflows of Resources					
Deferred amounts related to leases	2,729	-	-	-	2,729
Total liabilities and deferred inflows of resources	$ 68,429	$ 99,001	$ 41,392	$ 65,145	$ 273,967
Net Position (Deficit)					
Net investment in capital assets	$ (8,346)	$ -	$ 14,896	$ 12,486	$ 19,036
Restricted:					
Unemployment insurance	-	9,930	-	-	9,930
Debt service	188	-	-	-	188
Capital projects	110	-	-	-	110
Unrestricted (deficit)	(7,512)	(94,364)	553	(30,713)	(132,036)
Total net position (deficit)	$ (15,560)	$ (84,434)	$ 15,449	$ (18,227)	$ (102,772)

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, 2022	Business-type Activities				
	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Operating revenues					
Charges for services	$ 3,081	$ 21,969	$ 4,644	$ 17,168	$ 46,862
Operating expenses					
Cost of services	6,350	42,208	4,978	24,455	77,991
Depreciation and amortization	3,076	-	4,512	881	8,469
Total operating expenses	9,426	42,208	9,490	25,336	86,460
Operating loss	(6,345)	(20,239)	(4,846)	(8,168)	(39,598)
Non-operating revenues (expenses)					
Grants revenue	4,000	17,953	906	30	22,889
Interest and other income	459	8,312	3	14,280	23,054
Bond issuance costs	(2,228)	-	-	-	(2,228)
Payment in lieu of taxes	(700)	-	-	-	(700)
Interest expense	(2,758)	-	(42)	-	(2,800)
Total non-operating (expenses) revenues, net	(1,227)	26,265	867	14,310	40,215
(Loss) income before operating transfers	(7,572)	6,026	(3,979)	6,142	617
Transfers from other funds	-	-	-	10,000	10,000
Transfers to other funds	-	-	-	-	-
Change in net position	(7,572)	6,026	(3,979)	16,142	10,617
Net position (deficit), beginning of year, as restated (Note 2)	(7,988)	(90,460)	19,428	(34,369)	(113,389)
Net position (deficit), end of year	$ (15,560)	$ (84,434)	$ 15,449	$ (18,227)	$ (102,772)

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, 2022	Business-type Activities: WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	$ 3,245	$ 21,969	$ 5,457	$ 16,813	$ 47,484
Cash paid to beneficiaries and suppliers	(3,577)	(42,208)	(2,483)	(32,124)	(80,392)
Cash paid to employees	(2,775)	-	(2,329)	-	(5,104)
Net cash provided by (used in) operating activities	(3,107)	(20,239)	645	(15,311)	(38,012)
Cash flows from noncapital financing activities					
Other income	-	8,312	-	14,280	22,592
Transfer from other funds	-	-	-	10,000	10,000
Federal grants	4,000	17,953	3,380	30	25,363
Contribution to the Government	(53)	-	-	-	(53)
Issuance of debt	-	8,045	-	-	8,045
Principal paid on debt issuances, including interest	-	(8,444)	-	-	(8,444)
Net cash provided by noncapital financing activities	3,947	25,866	3,380	24,310	57,503
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(63)	-	(987)	(1,390)	(2,440)
Proceeds from sale of capital assets	-	-	-	2,083	2,083
Proceeds of bond issuance	51,573	-	-	-	51,573
Bond issuance costs	(2,228)	-	-	-	(2,228)
Principal payments on lease liabilities	-	-	(264)	-	(264)
Repayment of loan payable	(41,680)	-	-	-	(41,680)
Interest paid	(1,752)	-	(42)	-	(1,794)
Net cash provided by (used in) capital and related financing activities	5,850	-	(1,293)	693	5,250
Cash flows from investing activities					
Interest income	33	-	3	-	36
Purchase of investments	-	-	-	(1)	(1)
Net cash provided by (used in) investing activities	33	-	3	(1)	35
Net increase in cash and cash equivalents	6,723	5,627	2,735	9,691	24,776
Cash and cash equivalents, beginning of year	3,677	7,663	552	21,534	33,426
Cash and cash equivalents, end of year	$ 10,400	$ 13,290	$ 3,287	$ 31,225	$ 58,202
Reconciliation of operating loss to net cash used in operating activities					
Operating loss	$ (6,345)	$ (20,239)	$ (4,846)	$ (8,168)	$ (39,598)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,076	-	4,512	881	8,469
Provision for doubtful accounts	49	-	-	-	49
Other income	91	-	-	-	91
Change in operating assets and liabilities:					
Receivables, net	67	-	151	(29)	189
Unearned revenue	-	-	662	(326)	336
Other assets	(205)	-	(101)	(24)	(330)
Accounts payable and accrued liabilities	77	-	267	(843)	(499)
Compensated absences payable	83	-	-	-	83
Workers compensation	-	-	-	(6,802)	(6,802)
Due to other funds	-	-	-	-	-
Net cash provided by (used in) operating activities	$ (3,107)	$ (20,239)	$ 645	$ (15,311)	$ (38,012)
Noncash capital and related financing activities					
Initial recognition of lease liabilities	$ -	$ -	$ 823	$ -	$ 823
Initial recognition of right-to-use assets	$ -	$ -	$ 777	$ -	$ 777

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, 2022	Business-type Activities: WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents – current	$ 1,373	$ 3,360	$ 3,287	$ 31,225	$ 39,245
Cash and cash equivalents – restricted	9,027	9,930	-	-	18,957
Total cash and cash equivalents, end of year	$ 10,400	$ 13,290	$ 3,287	$ 31,225	$ 58,202

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

September 30, 2022		Pension Trust
Assets		
Cash and cash equivalents:		
Unrestricted	$	120,282
Restricted		18
Investments, at fair value:		
U.S. Government and agency obligations		21,976
Corporate obligations		21,641
Common stock - U.S.		
Mortgage and asset-backed securities		26,277
Commingled and mutual funds		129,082
Unsettled securities sold		
Investment loans		
Real estate investment trust		
Limited partnerships		9,194
Real estate		62,142
Stock lending collateral		5,606
Receivables, net:		
Loans and advances		13,329
Accrued interest		610
Due from other agencies of the Government		16,199
Other assets		5,362
Total assets	$	431,718
Liabilities		
Retirement benefits in process of payment	$	3,084
Obligation for collateral received under securities lending transactions		5,606
Other liabilities		22,697
Total liabilities		31,387
Net position restricted for pensions	$	400,331

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Changes in Fiduciary Net Position

(in thousands)

Year Ended September 30, 2022		Pension Trust
Additions		
Contributions:		
Employer	$	105,883
Plan members		54,173
Total contributions		160,056
Investment income:		
Net depreciation in fair value of investments		(39,939)
Interest, dividends, and other, net		4,251
GERS Funding Note		89,198
Rental income		756
Total investment income		54,266
Less management and custodian fees		341
Less borrowers' rebates and other agent fees on securities lending transactions		43
Investment income, net		53,882
Other income		7,696
Total additions		221,634
Deductions		
Benefits paid directly to members		272,154
Refunds of members' contributions		9,080
Administrative and operational expenses		15,197
Total deductions		296,431
Change in net position		(74,797)
Net position restricted for pensions, beginning of year		475,128
Net position restricted for pensions, end of year	$	400,331

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 Virgin Islands 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 the 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 are 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 Virgin Islands 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 VIEDA 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 Virgin Islands 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 financial statements of the discretely presented component units included within this report have a fiscal year end of September 30, 2022, except for VIWAPA and VIHA, which have a fiscal year-end of June 30, 2022, and December 31, 2021, 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.

Government Employees' Retirement System 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 established the MFSPSC Debt Service Fund during the current fiscal year and 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.

- 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.

- MFSPSC Debt Service Fund – 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.

- 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 and shopping mall complex 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, 2022, the Government had $685.7 million in collateral with Banco Popular de Puerto Rico consisting of Municipal Letters of Credit (MULOC) issued by the Federal Home Loan Bank, and $632.1 million in collateral with First Bank consisting of 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 – proprietary funds, 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, 2022, 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, 2022.

- *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 for the investment of funds or other monies 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 102.0% 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 that mature no more than 270 days after the date of purchase.

- *VIHA Investment Policies* – This major component unit is required by the 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 1.0% of the outstanding stock of the corporation.

  The aggregate investments in stock may not exceed 60.0% of the market value of total investments of GERS. Investment in foreign stock should be limited to 10.0% of the market value of the total investments of GERS. Any investment of 20.0% or more of the aggregate value of the portfolio must be approved by two-thirds of the membership of the board of trustees. The investments are administered by several professional investment managers and are held in trust by a commercial bank on behalf of GERS.

  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, 2022.

  GERS invested in two funds of the Mesirow limited partnership. The funds reported a fair market value of $9.2 million as of September 30, 2022.

  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 $1.4 million was reported net of depreciation as of September 30, 2022.

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 receivable 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 now reported as intangible right-to-use assets following the guidance found in GASB Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that were previously reported by the PG and its component units as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease contract. 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.

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 and viNGN's implementation of GASB Statement No. 87 during the year.

- 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, as deferred inflows of resources and deferred outflows of resources 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 requires 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 June 2017, GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The PG and most of its component units are in the process of gathering the required information to implement this Statement. WICO and viNGN adopted this Statement as of October 1, 2021.

The following details the restatement to net position as a result of the adoption of GASB Statement No. 87.

WICO

Net (deficit), October 1, 2021	$ (12,156)
Adoption of GASB Statement No. 87	4,168
Net (deficit), October 1, 2021, as restated	$ (7,988)

viNGN

Net position, October 1	$ 19,475
Adoption of GASB Statement No. 87	(47)
Net position, October 1, as restated	$ 19,428

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for the Government's financial statements for the year ended September 30, 2022.

The Government has evaluated this Statement and has determined there is no impact on the financial statements as the Government did not incur interest costs before the end of a construction period.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement provides additional guidance on: (i) Statement 87 for reinsurance recoveries, (ii) Statements 73 and 74 for intra-entity transfers of assets, (iii) Statement 84 and postemployment benefit arrangements, and (iv) requirements related to the measurement of liabilities associated with asset retirement obligations in a government acquisition. The requirements of this Statement are effective for the Authority's financial statements for periods beginning after June 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. 93, *Replacement of Interbank Offered Rates*. This Statement provides additional guidance for governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). The requirements of this Statement are effective for the Government's financial statements for periods ending after December 31, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements as the Government did not have any outstanding debt subject to an IBOR.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objectives of this Statement are to (i) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board; (ii) mitigate costs associated with the reporting of certain defined contribution pension plans or other postemployment benefit plans (OPEB) in fiduciary financial statements, and (iii) to enhance the relevance, consistency, and comparability of the accounting and financial reporting of Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective immediately except those for Section 457 deferred compensation plans which are effective for reporting periods beginning after June 15, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements as the Government did not have a defined contribution plan and did not have a deferred compensation plan subject to IRC Section 457.

In October 2021, GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for the Authority's financial statements for periods ending after December 15, 2021. The Government has evaluated this Statement and has determined there is no impact as the Government does not issue an ACFR.

Following are statements issued by GASB that are effective in future years as based on the original effective dates:

GASB Statement No.		Adoption in Fiscal Year (as Revised)
91	Conduit Debt Obligations	2023
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
99	Omnibus 2022	2023 and 2024
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

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

Other Component Units (Nonmajor)

- Virgin Islands Economic Development Authority
- 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)

Condensed financial information as of September 30, 2022 of all discretely presented component units (expressed in thousands) is presented on the following page.

September 30, 2022	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	$ 32,226	$ 56,965	$ 59,592	$ 13,053	$ 19,595	$ 9,218	$ 36,019	$ 164,592	$ 45,312	$ 436,572
Due from primary government	-	-	21,923	3,645	1,555	2	-	199	305	27,629
Due from federal government	-	19,652	12,244	359	-	-	-	-	3,782	36,037
Restricted assets	899	10,428	52,291	870	211	-	24,198	48,383	19,335	156,615
Capital assets, net	54,205	328,256	1,548,775	80,246	31,258	122,106	99,102	46,476	116,039	2,426,463
Other noncurrent assets	6,036	-	88,726	-	-	-	-	38,687	71	133,520
Deferred outflows of resources	26,121	31,525	51,921	10,489	42,526	81,797	29,247	22,498	17,504	313,628
Total assets and deferred outflows of resources	119,487	446,826	1,835,472	108,662	95,145	213,123	188,566	320,835	202,348	3,530,464
Liabilities and deferred inflows										
Current liabilities	5,083	39,661	493,668	1,088	44,170	77,809	4,553	151,216	53,135	870,383
Due to primary government	183	-	20,322	-	5,077	377	-	6,386	727	33,072
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	3,375	6,195
Line of credit – long-term	-	-	-	2,740	-	-	-	-	-	2,740
Net pension liability	84,334	156,226	243,071	49,786	153,062	197,173	87,799	43,426	89,258	1,104,135
Other postemployment benefits	36,408	32,647	48,281	9,724	-	-	12,011	-	-	139,071
Other noncurrent liabilities	621	1,171	109,200	-	-	-	5,701	9,351	2,944	128,988
Unearned revenue - long-term	-	-	-	-	-	-	-	3,490	10,245	13,735
Deferred inflows of resources	15,643	23,786	72,050	14,757	33,114	16,868	17,808	6,491	21,431	221,948
Total liabilities and deferred inflows of resources	142,272	279,730	1,171,910	78,095	235,798	292,752	130,167	220,885	181,115	2,732,724
Net assets (deficit):										
Net investment in capital assets	54,205	357,560	1,310,947	102,313	35,550	90,490	(17,628)	23,962	115,870	2,073,269
Restricted	584	16,348	60,991	(126)	920	-	41,562	58,063	18,144	196,486
Unrestricted	(77,574)	(206,812)	(708,376)	(71,620)	(177,123)	(170,119)	34,465	17,925	(112,781)	(1,472,015)
Total net position (deficit)	$ (22,785)	$ 167,096	$ 663,562	$ 30,567	$ (140,653)	$ (79,629)	$ 58,399	$ 99,950	$ 21,233	$ 797,740

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation and Magens Bay Authority (unaudited)*

Information on Statement of Activities	Expenses	Program Revenue Year Ended September 30, 2022 Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Component Units
Virgin Islands Port Authority*	$ 70,447	$ 61,557	$ -	$ 35,678	$ 26,788
Virgin Islands Housing Authority	73,701	11,224	53,921	8,945	389
Virgin Islands Water and Power Authority:					
Electric System*	338,470	317,383	-	289,676	268,589
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*	99,786	14,062	89,728	4,607	8,611
Virgin Islands Housing Finance Authority	94,106	5,311	88,118	-	(677)
Other component units**	60,316	21,343	56,093	110	17,230
Total activities	$ 937,912	$ 576,388	$ 350,403	$ 357,336	$ 346,215
General revenue:					
Interest and other					$ 31,726
Special item - insurance recoveries on capital assets - net					118
Changes in net position					378,059
Net position, beginning of year, as restated					419,681
Net position, end of year					$ 797,740

**Unaudited;*
***University of the Virgin Islands Research and Technology Park Corporation and Magens Bay Authority (unaudited)*

The summary of due to/due from primary government and component units as of September 30, 2022 is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	$ 26,447	$ 26,072
PFA capital projects	-	1,557
Other governmental funds	7,375	-
Discretely presented component units:		
VIWAPA – Electric System*	21,923	20,322
VIWAPA – Water System*	3,645	-
Hospital and Health Facilities Corporation*	1,557	5,454
Virgin Islands Housing Finance Authority	199	6,386
Virgin Islands Housing Authority	-	183
Other component units**	305	727
	$ 61,451	$ 60,701

**Unaudited*
***University of the Virgin Islands Research and Technology Park Corporation and Magens Bay 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, 2022, the PG reported $679.9 million in unrestricted cash and cash equivalents and $19.0 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for $8.6 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, 2022, GERS held $120.3 million in cash and cash equivalents consisting of: $80.6 million in money market accounts and $39.7 million in operational accounts.

Component Units

As of September 30, 2022, discretely presented component units reported $158.3 million in unrestricted cash and cash equivalents and $54.2 million in restricted cash and cash equivalents. Bank balances reported that were not insured or collateralized amounted to $61.2 million.

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. 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 30, 2022, the Government's investments included a non-negotiable certificate of deposit, money market investments, commercial papers and advances for securities, which are not subject to the fair value hierarchy.

Primary Government

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

	September 30, 2022	(In thousands) Level 1	Level 2	Level 3
Investments with contractual maturities:				
Certificates of deposit	$ 353,965	$ -	$ 353,965	$ -
U.S. government, agency, and state obligations	128,118	-	128,118	-
U.S. treasury notes	2,395	-	2.395	-
Subtotal	484,478	$ -	$ 484,478	$ -
Investments, at cost:				
Commercial paper	30,710			
Money market funds	29,290			
Non-negotiable certificate of deposit	10,329			
Other	22			
Total	$ 554,829			

Following is a summary of the investments of the PG categorized by investment type and weighted-average maturity, as of September 30, 2022 (expressed in thousands):

	Fair Value	Maturity (in years) Less Than 1 Year	1 to 5 Years	Over 5 Years
Investments with contractual maturities				
Certificates of deposit	$ 353,965	$ 353,965	$ -	$ -
U.S. government, agency, and state obligations	130,513	34,148	92,812	3,553
Portfolio investments				
Commercial paper	30,710	30,651	-	59
Other investments	22	22	-	-
Total investments with contractual maturities	515,210	$ 418,786	$ 92,812	$ 3,612
Investments without contractual maturities				
Money market funds	29,290			
Non-negotiable certificate of deposit	10,329			
Total	$ 554,829			

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 its exposure to fair value losses arising from increasing interest rates. As a means of keeping the interest-rate risk low, majority of investments held by the PG are short-term 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, 2022, 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 $364.3 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, 2022, more than 5.0% of the PG's investments were invested in: Federal Home Loan Mortgage Corporation (11.9%), certificates of deposit issued by Banco Popular de Puerto Rico (47.4%) and certificates of deposit issued by First Bank (18.3%).

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, 2022, $190.5 million of investments were held in the name of the Bank of New York Trust Company, N.A., as trustee for the Government, $262.9 million of certificates of deposit were issued by Banco Popular de Puerto Rico and $101.4 million of certificates of deposit were issued by First Bank.

Pension Trust Fund

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

		(In thousands)		
	September 30, 2022	Level 1	Level 2	Level 3
Debt securities:				
Government agency obligations	$ 21,727	$ -	$ 21,727	$ -
Municipal obligations	249	-	249	-
Corporate bond	21,641	-	21,641	-
Asset-backed securities	3,655	-	3,655	-
Collateralized mortgage obligations	3,293	-	3,293	-
Commercial mortgaged-backed securities	2,996	-	2,996	-
Residential mortgaged-backed securities	16,333	-	16,333	-
Limited partnerships:				
Private equity fund of fund	9,194	-	-	9,194
Private lending	13,329	-	-	13,329
Real estate/other real assets	66,924	-	-	66,924
Subtotal	159,341	$ -	$ 69,894	$ 89,447
Investment, as cost:				
Money market funds	80,611			
System cash	21,566			
Havensight cash	8,914			
Other cash equivalents	9,191			
Subtotal	120,282			
Investments measured at net asset value (NAV):				
Commingled bond funds	129,082			
Securities lending collateral fund	5,606			
Total	$ 414,311			

Pension trust funds investments that 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 NAV:				
Commingled bond funds	$ 129,082	$ -	Daily	2 – 10 days
Securities lending collateral fund	5,606	-	Daily	None
Total	$ 134,688	$ -		

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. 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, 2022.

Securities lending collateral - GERS' custodian is the agent in lending GERS' securities for collateral and investments that 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, 2022 (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	$ 129,082	$ -	$ -	$ -	$ -	$ 129,082
Corporate obligations	21,641	202	10,656	3,790	6,993	-
Mortgage and asset backed securities	26,277	153	2,601	2,315	21,208	-
Municipal obligations	249	-	-	-	249	-
Limited partnerships	9,194	-	-	-	-	9,194
U.S. Treasury bonds	5,519	-	-	-	5,519	-
U.S. Treasury notes	16,208	-	11,553	4,655	-	-
Total investments with contractual maturities	208,170	$ 355	$ 24,810	$ 10,760	$ 33,969	$ 138,276
Investments without contractual maturities						
Money market funds	80,611					
System cash	21,566					
Havensight cash	8,914					
Other cash equivalents	9,191					
Subtotal	120,282					
Real estate investments:						
Havensight Mall - U.S. Virgin Islands	41,000					
GERS Complex - U.S. Virgin Islands and other real estate	21,142					
Debt lending - member loans	13,329					
Securities lending short-term collateral investment pool	5,606					
Other real assets	4,782					
Total	$ 414,311					

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, 2022 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	$ 317	AAA	$ -	-
Corporate obligations	698	AA+	-	-
Corporate obligations	574	A	-	-
Corporate obligations	2,722	A-	-	-
Corporate obligations	88	AA+	-	-
Corporate obligations	395	AA-	-	-
Corporate obligations	4,888	BBB+	-	-
Corporate obligations	8,138	BBB	-	-
Corporate obligations	3,638	BBB-	-	-
Corporate obligations	181	Not Rated	-	-
Corporate obligations	-	-	405	Aaa
Corporate obligations	-	-	668	A1
Corporate obligations	-	-	1,030	A2
Corporate obligations	-	-	2,918	A3
Corporate obligations	-	-	5,640	Baa1
Corporate obligations	-	-	5,928	Baa2
Corporate obligations	-	-	4,669	Baa3
Corporate obligations	-	-	381	Not Available
Mortgage and asset backed securities	1,816	AAA	-	-
Mortgage and asset backed securities	456	AA	-	-
Mortgage and asset backed securities	125	A	-	
Mortgage and asset backed securities	23,881	Not Available	21,853	Not Available
Mortgage and asset backed securities	-	-	3,597	Aaa
Mortgage and asset backed securities	-	-	828	Aa1
Commingled and mutual funds	129,082	Not Rated	129,082	Not Available
Total	$ 176,999		$ 176,999	

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 GERS' entire investment portfolio was held with a single third-party custodian in the GERS' name as of September 30, 2022. As of September 30, 2022, the GERS had no underlying securities on loan secured by noncash collateral.

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, 2022, 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 2022 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 2022, 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 102.0% 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 105.0% 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 100.0% of the market value of the security for all borrowers throughout the outstanding period of the loans.

As of September 30, 2022, 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, including prior-year data provided by certain component units:

	September 30, 2022	(In thousands) 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, as of September 30, 2022 (expressed in thousands), including prior-year data provided by certain component units:

	Fair Value	Maturity (in years) 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 that 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 as of September 30, 2022, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 286,101	$ -	$ -	$ 286,101
Real property taxes	125,070	-	-	125,070
Hotel occupancy taxes	3,706	-	-	3,706
Gross receipts taxes	-	280,679	-	280,679
Subtotal taxes receivables	414,877	280,679	-	695,556
Less allowance for doubtful accounts	(223,428)	(253,222)	-	(476,650)
Taxes receivables, net	191,449	27,457	-	218,906
Other	$ 115	$ -	$ 116	231
Tobacco settlement rights				885
Total				$ 220,022

(a) Tax Receivables

The Naval Appropriations Act created a separate tax structure for the U.S. Virgin Islands that mirrors the 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 31.

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, 2022, the PG reported a receivable of $885,000 for tobacco settlement right payments as included in the accompanying statement of net position.

Component Units

Receivables for the discretely presented component units as of September 30, 2022, consist of the following (expressed in thousands), including prior-year data for certain component units:

Utility service charges	$	23,415
Patients		7,275
Students		18,453
Port fees		7,470
Other		160,234
Total*	$	216,847

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

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2022, consist of the following (expressed in thousands):

Personal loans	$ 10,657
Mortgage loans	3,681
Less allowance for losses	(1,009)
Total	$ 13,329

(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, 2022, principal, and interest amounted to $14.2 million.

Component Units

Receivables for the discretely presented component units as of September 30, 2022, consist of the following (expressed in thousands):

Land and mortgage	$ 1,632
Moderate income	2,479
Loan made to homeowners	9
Loan with Louis E. Brown I Ltd.	3,780
Loan with Louis E. Brown II Ltd.	2,250
Less: current portion	3
Total	$ 10,147

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2022, consist of the following (expressed in thousands):

	General	PFA Debt Service	Total
Property taxes	$ 22,047	$ -	$ 22,047
Income taxes	118,025	-	118,025
Gross receipts taxes	-	12,195	12,195
Total	$ 140,072	$ 12,195	$ 152,267

7. Interfund Transfers

Interfund transfers (from/to) for the year ended September 30, 2022, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Other Governmental	Total
General	$ -	$ 166,554	$ -	$ -	$ -	$ 166,554
PFA Debt Service	158,537	-	61	853,826	-	1,012,424
PFA Capital Projects	15,273	-	-	-	-	15,273
Other Governmental	31,716	11,660	678	-	-	44,054
Other Business-Type	5,000	-	-	-	5,000	10,000
Total	$ 210,526	$ 178,214	$ 739	$ 853,826	$ 5,000	$ 1,248,305

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 $166.6 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 $158.5 million to PFA Debt Service Fund (a major governmental fund); a transfer of $15.3 million to PFA Capital Projects (a major governmental fund); a transfer of $16.0 million to Budget Stabilization Fund (a non-major governmental fund); a transfer of $6.9 million to PFA Operating Fund (a non-major governmental fund); a transfer of $4.0 million to the Homestead & Home Loan fund (a non-major business-type fund); a transfer of $3.0 million to the St. Thomas Capital Improvement Fund (a non-major governmental fund); and a transfer of $2.0 million to the St. Croix Capital Improvement Fund (a non-major governmental fund).

The PFA debt service fund (a major governmental fund) made a transfer of $11.7 million to the PFA Operating Fund (a non-major governmental fund). The MFSPSC debt service fund (a major governmental fund) made a transfer of $853.8 million to PFA debt service fund (a major governmental fund) in connection with the refunding of the PFA matching fund bonds. The PFA Operating Fund (a non-major governmental fund) made a transfer of $5.0 million to the VI Catalyst Revolving Loan Fund (a non-major business-type fund).

Due from/to Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Business-Type	Total
General	$ -	$ -	$ 24,741	$ 300	$ 25,041
Other governmental funds	45,373	-	-	-	45,373
Total Governmental	45,373	-	24,741	300	70,414
WICO	9,956	-	-	-	9,956
viNGN	-	36,804	-	-	36,804
Other enterprise	459	324	2,419	-	3,202
Total Proprietary Funds	10,415	37,128	2,419	-	49,962
Total	$ 55,788	$ 37,128	$ 27,160	$ 300	$ 120,376

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, $4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations, $1.9 million due to the Elected Governor Retirement Fund, and $500,000 due to PFA operating fund (a non-major governmental fund) for unpaid transfers from gross receipts collections.

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); 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 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, 2022, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$ 9,930
WICO debt service funds	9,027
Total	$ 18,957

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, 2022, include cash and cash equivalents, investments, and receivables as follows (expressed in thousands):

Cash and cash equivalents:	
Debt service and sinking fund requirements	$ 6,886
Endowment funds	680
HUD project funds	899
Revolving loan funds	40,857
Other	4,925
Total restricted cash and cash equivalents:	$ 54,247
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*	$ 156,615

**Include 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, 2022, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 215,997	$ 8	$ 19	$ -	$ 216,024
Construction in progress	172,311	97,259	(47,915)	(1,437)	220,218
Total capital assets not being depreciated	388,308	97,267	(47,896)	(1,437)	436,242
Capital assets being depreciated and amortized:					
Land improvements	12,793	131	1,662	-	14,586
Infrastructure	241,947	6,632	36,062	-	284,641
Buildings and improvements	651,998	130	1,886	(1)	654,013
Machinery and equipment	260,643	16,209	8,286	-	285,138
Total capital assets being depreciated and amortized	1,167,381	23,102	47,896	(1)	1,238,378
Land improvements	(6,525)	(505)	-	-	(7,030)
Infrastructure	(61,391)	(8,511)	-	-	(69,902)
Buildings and improvements	(290,912)	(30,271)	-	-	(321,183)
Machinery and equipment	(217,774)	(17,400)	-	-	(235,174)
Total accumulated depreciation and amortization	(576,602)	(56,687)	-	-	(633,289)
Total capital assets being depreciated and amortized, net	590,779	(33,585)	47,896	(1)	605,089
Total Governmental activities capital assets, net	$ 979,087	$ 63,682	$ -	$ (1,438)	$ 1,041,331

Depreciation and amortization expense are charged to functions of the PG's governmental activities for the year ended September 30, 2022 as follows (expressed in thousands):

Governmental Activities:	
General government	$ 15,307
Public safety	3,205
Health	3,034
Education	24,391
Public housing and welfare	851
Culture and recreation	591
Transportation and communication	9,308
Total	$ 56,687

Capital assets activity for business-type activities for the year ended September 30, 2022, is summarized as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,178	$ -	$ -	$ -	$ 5,178
Construction in progress	6,127	1,928	(1,023)	(96)	6,936
Total capital assets not being depreciated	11,305	1,928	(1,023)	(96)	12,114
Capital assets being depreciated and amortized:					
Land improvements	676	-	29	-	705
Buildings and improvements	90,546	1	196	(9,879)	80,864
Machinery and equipment	81,982	510	798	(182)	83,108
Right-to-use building and improvements	2,139	-	-	-	2,139
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	206,117	511	1,023	(10,061)	197,590
Less accumulated depreciation and amortization for:					
Land improvements	(408)	(34)	-	-	(442)
Buildings and improvements	(58,443)	(3,147)	-	7,899	(53,691)
Machinery and equipment	(40,135)	(4,018)	-	175	(43,978)
Right-to-use building and improvements	(1,362)	(258)	-	-	(1,620)
Intangible assets	(10,155)	(1,012)	-	-	(11,167)
Total accumulated depreciation and amortization	(110,503)	(8,469)	-	8,074	(110,898)
Total capital assets being depreciated and amortized, net	95,614	(7,958)	1,023	(1,987)	86,692
Total Business-type activities capital assets, net	$ 106,919	$ (6,030)	$ -	$ (2,083)	$ 98,806

Depreciation and amortization expense are charged for the year ended September 30, 2022 as follows (expressed in thousands)

Business-type Activities:	
WICO	$ 3,076
viNGN	4,512
Other enterprise funds	881
Total	$ 8,469

Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2022 is summarized as follows (expressed in thousands):

	Adjusted Beginning Balance	Additions	Transfers	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 126,699	$ 3,212	$ -	$ -	$ 129,911
Construction in progress	542,200	42,253	-	-	584,453
Total capital assets not being depreciated	668,899	45,465	-	-	714,364
Capital assets being depreciated and amortized:					
Buildings and improvements	2,649,793	191,045	-	(25)	2,840,813
Airport and marine terminal facilities	193,286	163	-	-	193,449
Personal property and equipment	152,064	12,004	-	(85)	163,983
Right-to-use lease asset	-	226	-	-	226
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	2,998,062	203,438	-	(110)	3,201,390
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,151,577)	(50,413)	-	25	(1,201,965)
Airport and marine terminal facilities	(162,994)	(5,375)	-	-	(168,369)
Personal property and equipment	(111,069)	(5,533)	-	307	(116,295)
Right-to-use lease asset	-	(57)	-	-	(57)
Intangible assets	(2,605)	-	-	-	(2,605)
Total accumulated depreciation and amortization	(1,428,245)	(61,378)	-	332	(1,489,291)
Total capital assets being depreciated and amortized, net	1,569,817	142,060	-	222	1,712,099
Total component units' capital assets, net*	$ 2,238,716	$ 187,525	$ -	$ 222	$ 2,426,463

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

Depreciation and amortization expense charged by each component unit for the year ended September 30, 2022 is as follows (expressed in thousands):

Virgin Islands Housing Authority	$ 7,928
Virgin Islands Port Authority*	17,260
Virgin Islands Water and Power Authority:	
Electric System*	17,141
Water System*	2,046
Virgin Islands Government Hospital and Health Facilities Corporation:	
Schneider Regional Medical Center*	3,979
Governor Juan F. Luis Hospital*	1,203
University of the Virgin Islands*	2,359
Virgin Islands Housing Finance Authority	1,485
Other component units**	7,977
Total	$ 61,378

**Unaudited*

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

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, 2022 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Matching Funds Revenue Bonds						
Series 2013 B Revenue and Refunding Bonds	$ 28,675	$ -	$ 28,675	$ -	$ -	$ -
Series 2013 A Revenue and Refunding Bonds	11,215	-	11,215	-	-	-
Series 2012 A Revenue Bonds	136,215	-	136,215	-	-	-
Series 2010 A and B Revenue Bonds	376,190	-	376,190	-	-	-
Series 2009 A Revenue Bonds (Cruzan)	31,665	-	31,665	-	-	-
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	156,540	-	156,540	-	-	-
Series 2009 A Revenue Bonds (Diageo)	208,975	-	208,975	-	-	-
Total	949,475	-	949,475	-	-	-
Gross Receipts Revenue Bonds						
Series 2014 D Revenue Bonds	4,595	-	240	4,355	255	4,100
Series 2014 C Revenue and Refunding Bonds	214,895	-	6,385	208,510	6,705	201,805
Series 2014 A Revenue Bonds	39,535	-	2,000	37,535	2,100	35,435
Series 2012 A and B Revenue and Refunding Bonds	137,650	-	3,315	134,335	3,720	130,615
Series 2012 C Revenue Bonds	23,075	-	1,860	21,215	1,955	19,260
Series 2006 A Revenue Bonds	170,265	-	16,295	153,970	16,895	137,075
Total	590,015	-	30,095	559,920	31,630	528,290

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	$ 7,290	$ -	$	$ 7,290	$ -	$ 7,290
Series 2001 A Tobacco Bonds	2,365	-	1,150	1,215	-	1,215
Total	9,655	-	1,150	8,505	-	8,505
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	67,125	-	4,220	62,905	4,430	58,475
Other Direct-Placement Bonds or Borrowings						
Series 2019 A TIF Revenue and Refunding Bonds	10,101	-	528	9,573	566	9,007
Total bonds payable	1,626,371	952,825	985,468	1,593,728	36,626	1,557,102
Plus (less):						
Bond premium	30,837	28,061	11,125	47,773	-	47,773
Bond discount	(1,645)	-	(1,411)	(234)	-	(234)
Bond accretion	12,546	1,330	-	13,876	13,876	-
Total bonds payable, net	1,668,109	982,216	995,182	1,655,143	50,502	1,604,641
Notes Payable						
2019 A TIF Project Developer Note	1,565	-	14	1,551	15	1,536
2016 A Note	178	-	178	-	-	-
Total notes payable	1,743	-	192	1,551	15	1,536
Total governmental activities bonds and notes payable	$ 1,669,852	$ 982,216	$ 995,374	$ 1,656,694	$ 50,517	$ 1,606,177

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2022 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 43,695	$ -	$ 4,751	$ 38,944	$ 16,503	$ 22,441
Retroactive union arbitration	188,300	-	37,236	151,064	905	150,159
Accrued 8.0% salary reduction	49,837	4,277	52,531	1,583	1,583	-
Litigation	12,538	-	4,665	7,873	1,189	6,684
Landfill closure and post closure	118,815	10,727	-	129,542	-	129,542
Total	$ 413,185	$ 15,004	$ 99,183	$ 329,006	$ 20,180	$ 308,826

Accrued compensated absences, retroactive union arbitration, accrued 8.0% salary reduction, 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, 2022 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Tax refunds payable	$ 133,009	$ 60,638	$ 79,277	$ 114,370	$ 85,167	$ 29,203

As of September 30, 2022, 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.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
OPEB liability	$ 992,301	$ -	$ 15,688	$ 976,613	$ -	$ 976,613

As of September 30, 2022, the PG reported a net pension liability of $4.1 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, 2021, determined by an actuarial valuation as of that date.

The change in pension liability for governmental activities is as follows for the year ended September 30, 2022 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$ 4,527,445	$ -	$ 436,429	$ 4,091,016	$ -	$ 4,091,016

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2022, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Workers' compensation claims	$ 53,189	$ 2,913	$ 9,715	$ 46,387	$ 2,913	$ 43,474
Lease liability – viNGN	823*	-	264	559	180	379
Loan payable – U.S. Treasury	96,143	8,046	8,445	95,744	95,744	-
Compensated absences - WICO	1,255	234	151	1,338	64	1,274
Loans payable - WICO	42,397	-	41,680	717	717	-
WICO Port Facilities Revenue Bonds	-	51,586	-	51,586	-	51,586
Total	$ 193,807	$ 62,779	$ 60,255	$ 196,331	$ 99,618	$ 96,713

**Restated to reflect implementation of GASB Statement No. 87.*

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, provides 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 as of September 30, 2022 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	$ 4,355
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 – 5.00	208,510
Series 2014 A Revenue Bonds	2015 - 2034	5.00	37,535
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25	134,335
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00	21,215
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00	153,970
Total			559,920
Tobacco Settlement Bonds			
2006 Series A, B, C & D Tobacco Turbo Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
2001 Series A Tobacco Bonds	2031	4.62 – 5.13	1,215
Total			8,505
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	62,905
Other Direct-Placement Bonds or Borrowings			
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	9,573
Total bonds payable			1,593,728
Plus (Less):			
Bonds premium			47,773
Bonds discount			(234)
Bonds accretion			13,876
Total bonds payable, net			$ 1,655,143

Matching Funds Revenue Bonds

Series 2013 B Revenue and Refunding Bonds

On October 17, 2013, PFA issued the Series 2013 B Revenue and Refunding Bonds, the proceeds of which amounted to $51,365,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture, and the Series 2013B Loan Notes 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 Series 2013 B Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, (ii) fund the Series 2013 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 B Bonds. The Series 2013 B Bonds mature in 2024 at an interest rate of 3.0% to 5.0%. The proceeds of the Series 2013 B Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A. On October 1, 2014, the outstanding principal of the Series 2004 A Bonds was defeased through a call redemption amounting to $58,835,000.

Interest on the Series 2013 B Revenue and Refunding 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 2013 B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2013 B Revenue and Refunding Bonds are not redeemable at the option of PFA.

On February 25, 2022, PFA issued an "Offer to Tender Bonds," as subsequently amended on March 11, 2022 and March 21, 2022, inviting beneficial owners of the outstanding non-callable Series 2013B Revenue Bonds to tender such bonds for purchase (Tender Offer). The purpose of the Tender Offer was to provide the PFA with the opportunity to retire the Invited Bonds to be refunded with the proceeds of the Series 2022 Matching Fund Securitization Bonds on their date of issuance of April 6, 2022. On March 28, 2022, PFA accepted $6.7 million for the outstanding Series 2012A Bonds. Assets held by the irrevocable trusts for the Invited Bonds and the corresponding liabilities are not included in the PFA's financial statements.

Series 2013 A Revenue and Refunding Bonds

On September 19, 2013, PFA issued the Series 2013 A Revenue and Refunding Bonds, the proceeds of which amounted to $36,000,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture and the Series 2013 A Loan Notes 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 Series 2013 A Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, Series 2009 A1 Bonds, and Series 2009 B Bonds, (ii) fund the Series 2013 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 A Bonds. The Series 2013 A Bonds mature from 2018 to 2025 at an interest rate of 5.00% to 5.25%. The proceeds of the Series 2013 A Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A, Series 2009 A1, and Series 2009 B Bonds.

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 deferred loss of approximately $10.9 million and an economic loss of approximately $1.5 million.

Interest on the Series 2013 A Revenue and Refunding 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 2013 A Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2013 A Revenue and Refunding Bonds are not redeemable at the option of PFA.

On February 25, 2022, PFA issued an "Offer to Tender Bonds," as subsequently amended on March 11, 2022 and March 21, 2022, inviting beneficial owners of the outstanding non-callable Series 2013A Revenue Bonds to tender such bonds for purchase (Tender Offer). The purpose of the Tender Offer was to provide the PFA with the opportunity to retire the Invited Bonds to be refunded with the proceeds of the Series 2022 Matching Fund Securitization Bonds on their date of issuance of April 6, 2022. On March 28, 2022, PFA accepted $3.9 million for the outstanding Series 2012A Bonds. Assets held by the irrevocable trusts for the Invited Bonds and the corresponding liabilities are not included in the PFA's financial statements.

Series 2012 A Revenue Bonds

On September 7, 2012, PFA issued the Series 2012 A Revenue Bonds, the proceeds of which amounted to $142,640,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Seventh Supplemental Indenture and the Series 2012 Loan Notes 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 Series 2012 A Bonds were issued to: (i) finance various operating expenses and other obligations of the Government, (ii) fund the Series 2012 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2012 A Bonds. The Series 2012 A Bonds mature from 2022 to 2032 at an interest rate of 4.0% to 5.0%.

Interest on the Series 2012 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 2012 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2012 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 2012 A Revenue Bonds	Price
October 1, 2023, and thereafter	100%

On February 25, 2022, PFA issued an "Offer to Tender Bonds," as subsequently amended on March 11, 2022 and March 21, 2022, inviting beneficial owners of the outstanding non-callable Series 2012A Revenue Bonds to tender such bonds for purchase (Tender Offer). The purpose of the Tender Offer was to provide the PFA with the opportunity to retire the Invited Bonds to be refunded with the proceeds of the Series 2022 Matching Fund Securitization Bonds on their date of issuance of April 6, 2022. On March 28, 2022, PFA accepted $31.8 million for the outstanding Series 2012A Bonds. Assets held by the irrevocable trusts for the Invited Bonds and the corresponding liabilities are not included in the PFA's financial statements

Series 2010 A and B Revenue Bonds

On July 8, 2010, PFA issued the Series 2010 A and B Revenue Bonds, the proceeds of which amounted to $399,050,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Sixth Supplemental Indenture and the Series 2010 Loan Notes 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 Series 2010 A Bonds were issued to: (i) finance various operating expenses of the Government, (ii) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (iii) fund the Series 2010 A Subordinate Lien Debt Service Reserve Account, and (iv) finance certain costs of issuance of the Series 2010 A Bonds. The Series 2010 B Bonds were issued to: (i) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (ii) fund the Series 2010 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2010 B Bonds.

The Series 2010 A Bonds amount to $305,000,000 and mature from 2012 to 2029 at an interest rate of 4.0% to 5.0%. The Series 2010 B Bonds amount to $94,050,000 and mature from 2022 to 2029 at an interest rate of 4.25% to 5.25%.

Interest on the Series 2010 A and B 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 2010 A and B Revenue Bonds.

The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2010 A and B 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 2010 A and B Revenue Bonds	Price
October 1, 2022, and thereafter	100%

On April 25, 2022, the Series 2010 A and B Revenue Bonds were redeemed through the issuance of the Matching Fund Special Purpose Securitization Corporation Series 2022 A and 2022 B Matching Fund Securitization Bonds.

Series 2009 A Revenue Bonds (Cruzan)

On December 17, 2009, PFA issued the Series 2009 A Revenue Bonds (Cruzan), amounting to $39,190,000, to finance the costs of the development, acquisition, construction, and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion, and renovation of the Cruzan distillery on St. Croix, to establish debt service reserves, and to finance costs of issuance of the 2009 A Bonds. These bonds are special limited obligations of PFA payable from and secured by a pledge of the Cruzan Trust estate, which includes certain funds established under the Subordinated Indenture and the First Supplemental Subordinate Indenture of Trust. The bonds bear interest at 3.0% to 6.0% and mature from 2010 to 2039 and are subject to an optional redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

In association with the Series 2009 A Revenue Bonds, PFA entered into an agreement with Cruzan VIRIL, Ltd. (Cruzan) on October 6, 2009. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments, to the Government and Cruzan of 60.0% - 80.0% and 54.0% - 60.0%, respectively.

Interest on the Series 2009 A Revenue Bonds (Cruzan) 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 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Cruzan) 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 2009 A Revenue Bonds (Cruzan)	Price
October 1, 2019, and thereafter	100%

On April 25, 2022, the Series 2009 A Revenue Bonds (Cruzan) were redeemed through the issuance of the Matching Fund Special Purpose Securitization Corporation Series 2022 A and 2022 B Matching Fund Securitization Bonds.

Series 2009 A1, A2, B and C Revenue and Refunding Bonds

On October 1, 2009, PFA issued the Series 2009 A1, A2, B, and C Revenue and Refunding Bonds, the proceeds of which amounted to $458,840,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Fourth Supplemental Indenture and the Series 2009 Loan Notes 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 Series 2009 A1 and A2 Revenue and Refunding Bonds were issued to: (i) finance various capital projects of the Government, (ii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 A1 and A2 Revenue and Refunding Bonds. The Series 2009 A1 Revenue and Refunding Bonds amounted to $86,350,000 and mature from 2010 to 2039 at interest rates from 3.0% to 5.0%. The Series 2009 A2 Revenue and Refunding Bonds amount to $8,650,000 and mature from 2010 to 2011 at an interest rate of 3.0%.

The Series 2009 B Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 A Revenue and Refunding Bonds (Senior Lien/Refunding Bonds), (ii) fund the Series 2009 B Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 B Revenue and Refunding Bonds. The Series 2009 B Revenue and Refunding Bonds amount to $266,330,000 and mature from 2010 to 2025 at an interest rate of 5.0%.

The Series 2009 C Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 E Revenue and Refunding Bonds (Subordinate Lien/Capital Program Bonds), (ii) fund the Series 2009 C Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 C Revenue and Refunding Bonds. The Series 2009 C Revenue and Refunding Bonds amounted to $97,510,000 and mature from 2010 to 2022 at an interest rate of 5.0%. The Series 2009 C Revenue and Refunding Bonds are subject to optional redemption by PFA on or after October 1, 2018, at redemption price of 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Interest on the Series 2009 A1, A2, B and C Revenue and Refunding 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 2009 A1, A2, B and C Revenue and Refunding Bonds.

The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A1, A2, B and 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 2009 A1, A2, B and C Revenue and Refunding Bonds	Price
October 1, 2019, and thereafter	100%

On April 25, 2022, the Series 2009 A1, B and C Revenue and Refunding Bonds were redeemed through the issuance of the Matching Fund Special Purpose Securitization Corporation Series 2022 A and 2022 B Matching Fund Securitization Bonds.

Series 2009 A Revenue Bonds (Diageo)

On July 9, 2009, PFA issued the Series 2009 A Revenue Bonds (Diageo), the proceeds of which amounted to $250,000,000. These bonds are secured by a pledge of Diageo Matching Fund Revenues (Matching Funds generated from the sale of Captain Morgan rum products), which includes certain funds established under the original indenture, the Third Supplemental Indenture, and the 2009 Matching Fund Loan Note – Diageo Project, Series A issued by the Government. The bonds bear interest at 6.00% to 6.75% and mature from 2014 to 2037. The proceeds were loaned to the Government under the same terms as the bonds. The bonds were limited special obligations of PFA.

The bonds were issued to: (i) provide a grant to Diageo USVI, Inc. (Diageo USVI) to finance the costs of the acquisition, design, development, construction, and equipping of a rum production and maturation warehouse facility to be located on St. Croix (the Diageo Project) (ii) redeem the Subordinated Revenue Bond Anticipation Notes (Virgin Islands Matching Fund Loan Notes – Diageo Project) Series 2009 A issued to finance preliminary costs of the Diageo Project (iii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, (iv) pay capitalized interest on the Series 2009 A Revenue Bonds, and (v) finance certain costs of issuance of the Series 2009 A Revenue Bonds. The Series 2009 A Bonds maturing on or after October 1, 2020 shall be subject to optional redemption on or after October 1, 2020 at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

In association with the Series 2009 A Revenue Bonds, PFA entered into an agreement with Diageo USVI, Inc. (Diageo) on June 17, 2008. Provisions of the agreement call for payments of excess matching funds, after-debt service, debt service reserve, and sinking fund redemption payments to Diageo of 49.5% - 57.0%.

Interest on the Series 2009 A Revenue Bonds (Diageo) 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 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Diageo) 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 2009 A Revenue Bonds (Diageo)	Price
October 1, 2020, and thereafter	100%

On April 25, 2022, the Series 2009 A Revenue Bonds (Diageo) were redeemed through the issuance of the Matching Fund Special Purpose Securitization Corporation Series 2022 A and 2022 B Matching Fund Securitization Bonds.

Pledged Funds, Covenants and Collateral – PFA Matching Fund Bonds

The Government has pledged the Matching Funds Revenues, as described below, to the timely payment of principal and interest on the Series 2013 B Revenue and Refunding Bonds, Series 2013 A Revenue and Refunding Bonds, Series 2012 A Revenue Bonds, Series 2010 A and B Revenue Bonds, Series 2009 A Revenue Bonds (Cruzan), the Series 2009 A1, A2, B and C Revenue and Refunding Bonds, and the Series 2009 A Revenue Bonds (Diageo).

Thus, while the PFA matching fund bonds were outstanding, all amounts to be received by the Government from federal rum excise tax were deposited directly in a trust account from which the Bonds are paid in accordance with the Indenture of Trust between Bank of New York Mellon and PFA.

The Secretary of the United States Department of Treasury makes annually certain transfers to the Government of substantially all excise taxes imposed and collected under the internal revenue laws of the United States in any fiscal year on certain products produced in the Virgin Islands (primarily rum) and exported to the United States from the Virgin Islands. The amount required to be remitted to the Government by the Secretary of the Treasury is an amount no greater than the total amount of local revenues (primarily taxes) collected by the Government in each fiscal year. The term "matching fund revenues" is used to denote these payments.

Estimated prepayments of matching fund revenues are made to the Government prior to the beginning of each fiscal year, subject to adjustment for local revenue collected by the United States Department of Treasury during such year. Such adjustments are made to the estimated prepayments for a subsequent fiscal year.

In fiscal year 2022, pledged matching rum excise tax revenues represented 37.0% of total rum excise revenues. Payments of Matching Fund Revenue Bonds principal and interest from matching rum excise tax revenues, before the bonds were defeased in April 2022, amounted to $58.8 million and $49.9 million, respectively.

Gross Receipts Revenue Bonds

2014 Series 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 Revenue Bonds. Approximately $175,125,168 of funds was deposited into the Escrow Fund accounts. The Series 1999 A 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 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 A Revenue Notes, Series 2012 A and B Revenue and Refunding Bonds, Series 2012 C Revenue 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 2022, pledged gross receipts tax revenues represented 25.91% 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 $1.6 million for notes, respectively.

Tobacco Settlement Bonds

2006 Series A, B, C & D Tobacco Turbo 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 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) 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. The Corporation 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.

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 2022 A 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 $18.3 million on October 1, 2022, and subsequent payments of $18.8 million through April 1, 2025. Interest for the year ended September 30, 2022 (paid October 1, 2022) amounted to $23.3 million and amortization of bond premium amounted to $1.3 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 Series 2022 B 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 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 (MOU), 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.

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, 2022, the DSCR amounted to 2.22 and the LTV was 36.0%, 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.

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											
	Series 2006 A Revenue Bonds		Series 2012 A Revenue Bonds		Series 2012 B Revenue Bonds		Series 2012 C Revenue Bonds		Series 2014 A Revenue Bonds		Series 2014 C Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2023	$ 16,895	$ 7,113	$ 1,430	$ 5,887	$ 2,290	$ 766	$ 1,955	$ 1,012	$ 2,100	$ 1,824	$ 6,705	$ 10,199
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
2028-2032	63,025	4,395	69,005	13,722	2,980	78	3,215	3,993	14,955	4,679	85,995	36,082
2033-2037	-	-	17,215	430	-	-	5,490	2,887	10,940	838	71,955	7,687
2038-2042	-	-	-	-	-	-	7,060	1,326	-	-	7,205	2,832
2043-2047	-	-	-	-	-	-	1,635	41	-	-	8,705	675
Total	$ 153,970	$ 31,033	$ 118,600	$ 40,541	$ 15,735	$ 2,604	$ 21,215	$ 12,931	$ 37,535	$ 13,504	$ 208,510	$ 94,776

	Series 2014 D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest
Maturity Year:				
2023	$ 255	$ 255	$ 31,630	$ 27,056
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
2028-2032	1,955	597	241,130	63,546
2033-2037	955	59	106,555	11,901
2038-2042	-	-	14,265	4,158
2043-2047	-	-	10,340	716
Total	$ 4,355	$ 1,761	$ 559,920	$ 197,150

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

Maturity Year	Principal	Interest
2023	$ -	$ 61
2024	-	61
2025	-	61
2026	-	61
2027	-	60
2028-2032	1,215	243
2033-2037	48,145	-
Less future accretion:	(26,979)	-
Total	$ 22,381	$ 547

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

Maturity Year	Principal	Interest
2023	$ -	$ 47,202
2024	-	47,866
2025	-	47,866
2026	39,985	46,754
2027	54,710	44,274
2028-2032	318,600	176,299
2033-2037	409,055	85,793
2038-2040	130,475	5,817
Total	$ 952,825	$ 501,871

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
2023	$ 4,430	$ 3,146
2024	4,650	2,924
2025	4,880	2,691
2026	5,125	2,447
2027	5,380	2,191
2028-2032	31,225	6,639
2033-2037	7,215	361
Total	$ 62,905	$ 20,399

Future debt service requirements for other direct-placement bonds or borrowings for which gross receipts taxes have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2023	$ 565	$ 719
2024	604	680
2025	650	634
2026	697	588
2027	747	537
2028-2032	6,310	977
Total	$ 9,573	$ 4,135

(b) Loans and Notes Payable

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 $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. 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 contributions for the 2022 GERS Funding Note are as follows (expressed in thousands):

Maturity Year	Principal
2023	$ 157,997
2024	157,997
2025	157,996
2026	81,537
2027	73,616
2028-2032	412,139
2033-2037	412,170
2038-2042	682,679
2043-2047	789,982
2048-2052	789,983
Total	$ 3,716,096

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 will be due on October 1, 2020.

The 2019 A 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
2023	$ 15	$ 132
2024	16	131
2025	18	129
2026	19	128
2027	21	126
2028-2032	133	601
2033-2037	200	534
2038-2042	301	433
2043-2047	453	281
2048-2050	375	65
Total	$ 1,551	$ 2,560

2016 A Notes

On October 1, 2016, PFA issued two Subordinate Lien Revenue Notes, Series 2016 A (Virgin Islands Gross Receipts Taxes Loan Notes-Emergency First Responder Project), collectively the Series 2016 A Notes, in an aggregate amount of up to $10,000,000 to: (i) finance the acquisition of public safety vehicles and related equipment (the Series 2016 A-1 Project), (ii) to finance certain consulting services for the improvement of public safety and security in the Virgin Islands, (the Series 2016 A-2 Project), and (iii) to pay certain costs incidental to the issuance of the Series 2016 A Notes. The Series 2016 A Notes matures in 2022 with variable interest rates based on the 90-day London Inter-bank Offered Rate (LIBOR) plus 375 basis points. The Series 2016 A Notes are subject to prepayment by PFA in whole or in part at any time upon 100% payment of the outstanding principal plus interest accrued to the prepayment date. As of September 30, 2022, the Series 2016 A Notes had been repaid.

As security for the payment of principal and interest on the Series 2016 A Notes, the PG pledged and assigned the gross receipts taxes collected by the PG subject and subordinate to the lien on such taxes and revenues in favor of the holder of outstanding bonds and to the Required Annual Moderate Income Housing Deposit. The PG covenants to provide to the PFA within 180 days of the end of each fiscal year a financial report summarizing annual receipts and transfers of gross receipts taxes and substitute revenues.

(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, 2022, the PG owed $95.7 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 calendar year 2022, the credit reduction rate increased from 3.3% to 3.6%.

During the year ended September 30, 2022, the PG borrowed $8.0 million from the UTF and paid $1.7 million in interest on the loan. The interest rate charged on the loan was 2.3% from October 1, 2021 through December 31, 2021, and 1.6% from January 1, 2022 through September 30, 2022.

(d) Loans and Bonds Payable – The West Indian Company Limited

Consolidated Bank Loan

In July 2017, WICO consolidated various loans with Banco Popular de Puerto Rico (Banco Popular) in the amount of $42,697,836 at a fixed interest rate of 5.3% per annum, amortized on a 25-year term with a final maturity date of July 2022. Upon maturity, should WICO stay in compliance with the current terms of the loan, it may refinance the loan for a term not to exceed twenty (20) years, subject to new terms and conditions.

In June 2022, WICO prepaid the consolidated loan from the Banco Popular including outstanding moratorium payments, in the amount of $41,396,188. WICO also paid accrued interest of $265,626 and a prepayment penalty of $122,335. WICO entered into loan termination, pledge termination and guaranty termination agreements with the Bank, documenting the close of the loan.

Paycheck Protection Program (PPP) 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 (SBA) 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.

WICO Port Facilities Revenue Bonds

In June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A Bonds and Series 2022 Bonds (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 with a local bank in the amount of $41.7 million, (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 2022A Bonds are due from October 1, 2033 to October 1, 2052, with interest rates of 6.1% to 6.4%. Interest is payable annually on October 1st commencing October 1, 2022.

The Series 2022B Bonds are due from April 1, 2026 to April 1, 2052, with interest rates of 5.9% to 6.5%. Interest is payable annually on April 1st commencing April 1, 2023.

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 beginning June 30, 2022.

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

Maturity Year	Principal	Interest
2023	$ -	$ 992
2024	-	3,338
2025	-	3,337
2026	185	3,338
2027	360	3,327
2028-2032	3,125	16,236
2033-2037	4,930	15,046
2038-2042	6,655	13,316
2043-2047	9,025	10,947
2048-2052	12,345	7,631
2053	16,000	513
Total	$ 52,625	$ 78,021
Less: Bond discount	(1,039)	
Total bonds payable, net	$ 51,586	

(e) 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 as of September 30, 2022 (expressed in thousands):

	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 are as follows for the year ended September 30, 2022 (expressed in thousands):

September 30, 2022	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, 2022	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	-	25	3,987	612	3,375
Total notes payable:	$ 33,773	$ 1,228	$ 19,500	$ 15,501	$ 9,306	$ 6,195
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
Virgin Islands Waste Management Authority	3,750	-	3,750	-	-	-
Total line of credit payable	$ 39,752	$ -	$ 3,750	$ 36,002	$ 33,262	$ 2,740

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Other long-term liabilities:						
Virgin Islands Housing Authority	$ 2,172	$ 1,948	$ 650	$ 3,470	$ 2,849	$ 621
Virgin Islands Port Authority*	2,538	-	-	2,538	1,367	1,171
Virgin Islands Water and Power Authority:						
Electric System*	122,582	-	13,382	109,200	-	109,200
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,400	253	-	4,653	4,653	-
University of the Virgin Islands*	5,840	22	161	5,701	-	5,701
Virgin Islands Housing Finance Authority	9,918	435	-	10,353	1,002	9,351
Other component units**	4,394	186	90	4,490	1,546	2,944
Total	$ 151,844	$ 2,844	$ 14,283	$ 140,405	$ 11,417	$ 128,988

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (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 (BAN) 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 canceled 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 2012 A 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 2012 C 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 A (unaudited)

In June 2007, the Electric System issued $57.6 million in 2007 A 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 VIWAPA'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, VIWAPA 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 VIWAPA on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), VIWAPA 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 17.0% will be allocated to the Water System and 83.0% 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 and 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 Series 2003 A and 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 as of September 30, 2022 (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
2038-2041	3,500	857
2042-2044	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. During the fiscal year ended September 30, 2022, an additional $1.2 million was drawn on the loan.

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.

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 4.0% 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 ongoing 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 VIWAPA 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 VIWAPA 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 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.

Virgin Islands Waste Management Authority

On December 31, 2018, VIWMA entered into a secured credit agreement (Agreement) consisting of a $4.0 million revolving credit facility. The maturity date of the Agreement is every 12 months. The Agreement was established to supplement any delays in receiving monthly and quarterly allotments from the Government and reimbursements for allowable expenses related to federal programs. The Agreement is secured by certificates of deposit in the amount of $4.0 million, which have been assigned to the bank and are available to be held as collateral for the repayment of outstanding loan balances and related costs. The credit facility bears an interest rate of 2.5% per annum. The Agreement contains various customary representations, warranties, and covenants by VIWMA. The secured credit agreement was repaid during the fiscal year ended September 30, 2022.

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 2022, the PG incurred expenditures of $148.6 million for eligible program activities, including subawards and payroll disbursements, and has reflected the unspent balance of $449.3 million as a refundable advance.

12. General Tax Revenue

For the year ended September 30, 2022, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 545,900	$ -	$ -	$ 545,900
Real property taxes	46,249	-	6,237	52,486
Gross receipts taxes	5,000	226,471	250	231,721
Excise taxes	214,611	108,722	5,409	328,742
Other taxes	97,041	-	5,739	102,780
	$ 908,801	$ 335,193	$ 17,635	
Tax revenue not recognized on the full accrual basis				(89,123)
Total tax revenue – government-wide				$ 1,172,506

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2022 (expressed in thousands):

September 30,	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total
Restricted for:							
Debt services	$ -	$ 303,726	$ -	$ 112,234	$ -	$ -	$ 415,960
Capital projects	-	-	113,091	-	-	-	113,091
Health	-	-	-	-	-	3,328	3,328
Public housing and welfare	-	-	-	-	-	5,986	5,986
Transportation and communication	-	-	-	-	4,213	6,617	10,830
Culture and recreation	-	-	-	-	-	20	20
Total	$ -	$ 303,726	$ 113,091	$ 112,234	$ 4,213	$ 15,951	$ 549,215
Committed to:							
General government	$ 42,325	$ -	$ -	$ -	$ -	$ 32,712	$ 75,037
Public safety	-	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	-	177	177
Transportation and communication	-	-	-	-	-	10,425	10,425
Culture and recreation	-	-	-	-	-	327	327
Total	$ 42,325	$ -	$ -	$ -	$ -	$ 43,658	$ 85,983
Assigned to:							
General government	$ 452	$ -	$ -	$ -	$ -	$ 148,685	$ 149,137
Public safety	-	-	-	-	-	1,031	1,031
Health	-	-	-	-	-	5,159	5,159
Public housing and welfare	-	-	-	-	-	8,738	8,738
Transportation and communication	-	-	-	-	-	11,196	11,196
Culture and recreation	-	-	-	-	-	1,568	1,568
Total	$ 452	$ -	$ -	$ -	$ -	$ 176,377	$ 176,829
Unassigned	$ (419,326)	$ -	$ -	$ -	$ (56,968)	$ (62,693)	$ (538,987)
Total Fund Balances	$ (376,549)	$ 303,726	$ 113,091	$ 112,234	$ (52,755)	$ 173,293	$ 273,040

The committed and assigned fund balances include approximately $262.8 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 4,300 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, 2022, contractual liability for retroactive union arbitration salary payments amounted to $151.1 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 $738.1 million and $73.9 million, respectively, for the year ended September 30, 2022.

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.

During the year ended September 30, 2022, the Government received unrestricted federal grants due to the COVID-19 pandemic in the amount of $1.9 million. In accordance with federal guidelines, these grants are reported as an "other financing source" of COVID-19 pandemic relief assistance.

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 $7.9 million for awarded and anticipated unfavorable judgments as of September 30, 2022.

Changes in the reported provision for legal claims during September 30, 2022 resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2021	New Claims	Claims Payments and Changes in Estimates	Ending Balance as of September 30, 2022
Provision for legal claims	$ 12,538	$ -	$ (4,665)	$ 7,873

The breakdown of the provision for legal claims as of September 30, 2022, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	$ 1,189
Long-term portion	6,684
	$ 7,873

(f) 8.0% Salary Reduction

On August 21, 2021, the Legislature of the Virgin Islands enacted 8469, allowing the restoration of Government wages reduced by 8.0% 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, 2022, the balance of unpaid salary wage reductions scheduled to be paid in the following fiscal year amounted to $1.6 million.

(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 $129.5 million reported as landfill compliance, closure, and post-closure care liability as of September 30, 2022 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, 2022.

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 an MOU 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 MOU, 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 its commitments under the MOU 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 2022, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	2022
Claims payable, beginning of year	$ 53,189
Incurred claims and changes in estimates	2,913
Payments for claims and adjustments expenses	(9,715)
Claims payable, end of year	$ 46,387

(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.

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 VIWAPA. The ratings of VIWAPA were withdrawn on March 1, 2023 because of insufficient information to support the maintenance of bond ratings.

(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, paid $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, 2022, Limetree paid $15.1 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 $30.0 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 amount was returned to $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, 2022, the amount due to the disaster recovery consultants related to these contracts was $67.2 million.

On May 4, 2018, PFA entered into a MOU with VIWAPA and 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 VIWAPA and VIHFA for approval, and remitted back to PFA for submittal to federal grantors and payment.

(n) 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, the MFSPSC was created as a separate, independent instrumentality of the PG. One purpose of MFSPSC is to free up funds of the PG through the issuance of 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 September 2023, a partial payment of $124.0 million was made on the Funding Note.

The GERS actuarial valuation and review as of September 30, 2021, issued in April 2023, projects GERS will temporarily run out of assets by March 2025 absent Funding Note payments. However, if Funding Note payments are received as scheduled, and GERS earns a 4.0% return on investment during future years, the retirement system is projected to remain solvent through 2038.

Component Units

(a) Virgin Islands Waste Management Authority

On October 26, 2016, the VIWMA entered a 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, 2022, the amount remaining in the escrow account was $418,000.

(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 90.0% 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 basic financial statements, 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, or 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 II 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 I 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 I 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 II 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 effective January 1, 2015, was 20.5% of the member's annual salary. On January 1, 2020, the Government's required contribution Tier 1 and Tier 2 members was increased to 23.5%.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2022:

	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%

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Before July 1, 2009, GERS' Board of Trustees approved an effective annual interest rate on refunded contributions of 2.00% per annum.

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, 2021
Measurement Date:	September 30, 2021
Measurement Period:	October 1, 2020 – September 30, 2021

The PG is considered an employer of the plan with a proportionate share of 77.25% as of September 30, 2021, a decrease of 1.13% from its proportionate share measured as of September 30, 2020. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2016, through September 30, 2021. The PG's proportionate share of employer contributions recognized by GERS was $164.0 million for the plan's fiscal year ended September 30, 2022.

(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 $4.1 billion. The net pension liability is measured as of September 30, 2021, and the total pension liability is actuarially computed as of October 1, 2021.

For the year ended September 30, 2022, the Government recognized $97.2 million 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, 2022 (expressed in thousands):

Governmental Activities	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 24,632	$ 246,445
Net difference between projected and actual investment earnings on pension plan investments	-	3,129
Changes in assumptions	645,164	322,346
Changes in proportion and differences between contributions and proportional share of contributions	58,943	77,621
Contributions made after measurement date	163,960	-
Total	$ 892,699	$ 649,541

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,	
2023	$ 77,264
2024	31,824
2025	60,748
2026	(19,200)
2027	(19,262)
Thereafter	(52,176)
Total	$ 79,198

(d) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date as of September 30, 2021 is provided below.

Refer to the October 1, 2021 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

September 30,	2021
Inflation Rate	2.10%
Salary Increases	3.25% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	4.00%
Municipal Bond Yield	2.26%
Discount Rate	2.52%
Mortality Table	RP-2014 Blue Collar

The demographic assumptions for the 2021 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2015.

(e) Investment Rate of Return

The long-term expected rate of return of 4.00% for the year ended September 30, 2021, on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	9%	7.04%
Fixed income	60%	.89%
Real Estate	10%	4.14%
Cash	12%	0.29%
Private Equities (Alternatives)	9%	11.04%
Total	100%	

(f) Discount Rate

The discount rate used to measure total pension liability was 2.52% as of September 30, 2021, which was an increase of 0.29% from the discount rate of 2.23% as of September 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to current plan members.

Therefore, the plan's long-term expected rate of return on pension plan investments of 4.0% 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 projected assets, the yield on a twenty (20) year AA Municipal Bond Index was applied, which was 2.26% as of September 30, 2021.

(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 2.52%, 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, 2021, (expressed in thousands):

	1.0% Decrease - Share of NPL @ 1.52%	Current Discount - Share of NPL @2.52%	1.0% Increase - Share of NPL @3.52%
Net pension liability	$ 4,702,669	$ 4,091,016	$ 3,586,360

(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 of GERS are available at http://www.usvigers.com/Benefits/ActuarialReport.aspx. Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS audited financial statements available at www.usvigers.com/Reports/Audited FinancialReports.aspx.

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 $67,000 for the year ended September 30, 2022. 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 2.0% of the eligible employee's compensation. viNGN contributed approximately $35,000 in matching employer contributions for the year ended September 30, 2022. 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

Primary Government

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*.

(a) 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 of the Virgin Islands. 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 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, UVI, VIPA, East End Medical Center and Frederiksted Health Care, Inc.

The primary Government has a special funding arrangement with the following component units: Virgin Islands Lottery, MBA, VIEDA, VIWMA, VIHFA, Juan Luis Hospital and Medical Center, Roy L. Schneider Medical Center, PFA and the VIPBS. Under the special funding arrangement, the primary Government pays 100.0% 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

(b) 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 35.0% 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.

(c) Employees Covered by the Plan

As of September 30, 2022, 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

(d) 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 September 30,2022 (expressed in thousands):

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

(e) Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. The total OPEB liability reported as of September 30, 2022 was determined by an actuarial valuation as of October 1, 2019 rolled forward to the measurement date of September 30, 2022. The roll-forward process incorporates various actuarial assumptions and methodologies to ensure the liability reflect the most current information available. Actuarial assumptions used in the computation of the September 30, 2022 total OPEB liability 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

(f) Changes in Assumptions

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

(g) Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the 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	21,723	1,085	22,808
Changes in assumptions or other input	(43,099)	(2,331)	(45,430)
Expected benefit payments	(33,995)	(976)	(34,971)
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 as of September 30, 2022	$ 976,613

(h) OPEB Expense

For the 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

(i) OPEB Deferred Inflow of Resources

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

	Primary Government	Component Units	Total
Changes in assumptions, expected results or other inputs	$ 75,883	$ 3,655	$ 79,538

Primary Government	$ 67,449
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	8,434
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

(j) OPEB Deferred Outflow of Resources

As of 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 Ending 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

(k) 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):

	1.0% Decrease - Discount Rate 1.43%	Current Discount Rate 2.43%	1.0% Increase - Discount Rate 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

(l) 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 1.0% higher or 1.0% lower than the current healthcare cost trend rate:

	1.0% Decrease - Health Cost Trend Rate 4.0%	Current Health Cost Trend Rate 5.0%	1.0% Increase - Health Cost Trend rate 6.0%
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 $58.0 million, deferred outflows of resources of $0.5 million, and deferred inflows of resources of $9.6 million as of June 30, 2022.

VIHA OPEB Plan

VIHA offers certain healthcare benefits including healthcare and prescription drug, dental, vision and life insurance to qualified retired employees and their dependents. VIHFA reported a net OPEB obligation of $36.4 million as of December 31, 2021.

17. Going Concern/Liquidity and Management's Plan

Primary Government

As of September 30, 2022, the Government reported a net deficit of $5.4 billion in governmental activities. This deficit primarily reflects the recognition of significant pension and other post-employment benefit liabilities under revised accounting standards. Recurring operating losses and the accumulation of long-term obligations have further contributed to the Government's weakened financial position.

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2020 through 2022:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2020	$ (5,889,273)	$ (137,642)
2021	(6,090,454)	(201,181)
2022	(6,570,200)	(479,746)

As of September 30, 2022, the Government reported a fund deficit in the general fund of $376.6 million. This fund deficit represents an increase of $267.2 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2020	$ 31,374	$ 1,425	$ (11,032)	$ 21,767
2021	34,669	1,442	(145,507)	(109,396)
2022	42,325	452	(419,326)	(376,549)

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2022 (expressed in thousands):

Governmental Funds			
Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,143	Sewer System Fund	175
Federally Aided Education Program	9,599	District Potable Water Fund	4,962
Air & Water Pollution Control	7,046	Paternity and Child Support	11,415
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	53,247
Highway Safety	4,600	Virgin Islands Law Enforcement	3,701
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	3,729	Virgin Islands Army National Guard	2,266
Federal Aided Community Action Agency	187	Emergency Drought Relief	135
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 Non-Lapsing	14
Federal Health Program Not on Federal Letter of Credit System	489	Natural Resource Reclamation	2,205
Taxi Revolving Fund	35	Boating Safety Program	584
		Fishery and Wildlife Projects	27
		The Motorcycle Safety Ed. Prog.	6
		Net fund deficit	$ 167,162

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	19
Virgin Islands Elections Fund	180
Consumer Protection Fund	200
Virgin Islands Housing Finance Authority	2,898
Business & Commercial Property Revenue Fund	220
Homestead and Home Revolving Fund	344
Net fund deficit	$ 11,763

These financial statements have been prepared under the assumption that the Government will continue to operate as a going concern. However, the matters noted above raise significant doubt about its ability to do so. Management's plans to address these concerns are detailed below.

Management has been working to stabilize and solidify its financial position through the implementation of an aggressive multi-pronged plan which includes facets such as legislative acts addressing revenue initiatives and cost-cutting measures and securing adequate funding for pension obligations. The Government is also a recipient of significant federal assistance in connection with the 2017 hurricanes and the global coronavirus pandemic.

Business-Type Activities

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2022, mainly due to legislation requiring WICO to remit $700,000 annually to the primary Government as a payment in lieu of taxes (PILOT). As of September 30, 2022, WICO owed the primary Government $9.9 million in PILOT payments.

Also, WICO's revenues were negatively impacted due to "No Sail Orders" issued by the Centers of Disease Control (CDC) in March 2020 that continued through September 2021.

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, 2022, 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 is 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.

(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.

(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-19 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 to Component-Unit Financial Statements

The September 30, 2021 stand-alone financial statements of a number of unaudited component units have been adjusted in the accompanying aggregate discretely presented component units as follows (expressed in thousands):

	Net Position (Deficit)		
Component Unit	As Previously Reported	Adjustments	As Adjusted
Virgin Islands Port Authority*	$ 145,842	$ (8,984)	$ 136,858
Virgin Islands Water and Power Authority Electric System*	395,189	(255)	394,934
Virgin Islands Government Hospital and Health Facilities Corporation			
Roy L. Schneider Hospital*	(135,307)	(20,960)	(156,267)
Juan F. Luis Hospital*	(127,461)	28,647	(98,814)
University of the Virgin Islands*	55,262	(14,583)	40,679

**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 August 2025, federal assistance awarded to the Territory included $21.5 billion in FEMA Public Assistance grants, $77.0 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 $23.0 billion dollars.

The Government has received notices from FEMA of potential debt as a result of audits related to the Public Assistance Grant Program awards for fiscal years 2018 and 2019. In response to the notices, both in February 2021 and January 2023, the Government exercised its option to appeal and provided additional clarification and documentation. As of March 2023, FEMA has questioned costs of $42.1 million.

The questioned costs are in the process of being reviewed by FEMA and until the appeal review is completed, questioned costs identified do not represent final monies owed to FEMA. Management believes that any such claims or actions by FEMA will be resolved and will not have a material impact to the awards or the financial position of the Government.

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.

(b) Global Pandemic and Economic Relief Legislation

Through September 2025, federal grants and assistance received by the PG related to COVID-19 amounted to $729.4 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

(c) Bankruptcy and Auction of St. Croix Oil Refinery

Following several flaring events, the release of oil particles into the atmosphere, Limetree Bay Refinery, LLC (Refinery), the owner of an oil refinery on the island of St. Croix, ceased operations. The Refinery subsequently declared bankruptcy and in December 2021, a bid of $62.0 million was accepted at auction from a new owner, Port Hamilton Refining and Transportation.

In October 2022, the Environmental Protection Agency (EPA) raised concerns regarding hazardous substances stored at the facility. On December 5, 2022, EPA ordered the removal of thousands of pounds of chemicals from the oil refinery before the refinery may recommence operations. In July 2023, the Third Circuit Court of Appeals issued a ruling that EPA had exceeded its authority under the Clean Air Act in its permitting process and the oil refinery may reopen without the special permitting process.

(d) Settlement of Sex Trafficking 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, sex trafficking, child exploitation and fraud laws of the Virgin Islands. Under the terms of the settlement, the defendants will pay the PG $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 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.

(e) Improper Procurement Activities and Irregularities

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 of the Government and formal indictments followed. Management has evaluated the matter based on the scope in the indictments and has concluded that the financial statements as of September 30, 2022, are fairly presented. This evaluation of the matter is subject to adjustment as facts and circumstances change or develop.

Component Units

(a) Virgin Island Public Finance Authority (PFA)

In March 2023, PFA acquired 69 acres of beachfront property in Frederiksted, St. Croix, known as the HNS Hesselberg property, for $1.2 million. The land was acquired to preserve environmentally significant wetlands and cultural resources. The property will be vested in the Virgin Islands Park System, an organization created in 2022 to ensure that lands held by the local government will be preserved and protected for current and future generations. Funds for the acquisition were part of the $3.7 million received from the sale of the King's Alley Hotel. Those funds are designated for reinvestment in the island of St. Croix.

In April 2023, the Legislature of the Virgin Islands passed Act 8701, authorizing the PFA to enter into 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 to provide $45.0 million for the buyout of LPG facilities at VIWAPA.

On June 15, 2023, PFA and Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico. The Series 2023 Note is in the amount of $100.0 million and is secured by a pledge of a certificate of deposit in the amount of $134.0 million held by FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, and (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes.

Interest on the Series 2023 Note is 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 4.5% and the interest on the loan is 6.5%. 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 may be taken in any amount, but not less than $5.0 million. The first advance on the Series 2023 Note was dated June 15, 2023 in the amount of $47.1 million. The proceeds of the Series 2023 Note will be loaned to the Government in accordance with a loan agreement dated June 15, 2023.

On November 20, 2024, PFA issued the Series 2024 A Hotel Occupancy Revenue Bonds in the amount of $64.9 million, and the Series 2024 B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of $18.3 million. The 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 the reconstruction and renovation of a hotel project formerly known as the 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 6.0%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.0%.

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.

On June 5, 2025, VITIC issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2025 in the principal amount of $150.2 million. Proceeds are being used to finance costs of certain projects of the Government and to refund all of the PFA's Series 2015 Federal-Aid Highway Bonds.

The Bonds are special limited obligations of VITIC, payable solely from Federal Highway Grant Revenues. The Bonds received a rating of "A" with a stable outlook from S&P Global Ratings. The Bonds bear interest at a rate of 5.0% per annum, payable semiannually on March 1 and September 1, commencing September 1, 2025. The Bonds are subject to annual redemption prior to maturity, with a final maturity date of September 1, 2044.

Line of credit

In October 2024, legislation enacted under Act 8701 authorized an increase in the territory's line of credit from $100 million to $150 million. The revised credit facility allocates $100 million for disaster-related projects and $50 million for vendor payments, retroactive wage obligations, and other critical needs of the territory. As of August 30, 2025, $42.5 million remained available for disaster-related projects and $16.4 million for other designated purposes.

Guaranty of VIWAPA Indebtedness

On August 29, 2024, the Board of Directors (Board) of the PFA ratified a prior authorization granted by poll vote on July 30, 2024, to negotiate, prepare, execute, 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 totaling approximately $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's credit facilities to July 31, 2025, and August 31, 2025, respectively.

Subsequently, on July 29, 2025, the Board approved, a further extension of the maturity dates of the guaranty to January 31, 2026. As of the date of this report, there has been no default by VIWAPA on the guaranteed obligations.

In addition to the guaranty, PFA acknowledged and continued the pledge of debt service reserve funds totaling $6 million, previously deposited into interest-bearing accounts with the Banks ($3.75 million with FirstBank and $2.25 million with Banco Popular), as enhanced security for VIWAPA's credit facilities.

(b) **Virgin Islands Water and Power Authority** *(unaudited)*

The HUD, through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $84.2 million to VIWAPA 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 $104.3 million in 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.

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 pa for electrical services.

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

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.

(d) The West Indian Company Limited

In October 2022, as authorized by the CARES Act, SBA remitted to Banco Popular $717,200 in principal and $10,579 in interest in forgiveness of the Paycheck Protection Program loan of the Company. 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.

In May 2023, WICO entered into a Limited Release and Settlement Agreement with GERS to settle claims each entity had made against the other in connection with a management agreement that terminated March 1, 2020. Under the terms of the Limited Release and Settlement Agreement, WICO released claims against GERS in the amount of $370,532, and GERS released claims against WICO in the amount of $706,357.

In May 2023, WICO and GERS entered into a Shared Cost Agreement to split equally the shared utility, maintenance, water, and certain other costs at Havensight Mall. As part of the agreement, GERS paid the WICO a catch-up payment of $249,541 for costs incurred from March 2020 through December 2022.

(e) Virgin Islands Next Generation Network

In September 2023, viNGN purchased office space in St. Croix. The building was purchased at a cost of $625,000, with a commercial loan secured by a mortgage of $450,000 from Merchant's Commercial Bank. The loan has a floating interest rate equal to the prime rate plus the prime spread to be repaid in monthly installments for a term of 15 years beginning November 5, 2023.

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2022, the statement of net position date, and through September 30, 2025, 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, 2022.

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)	2022	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the Net Pension Liability (NPL)	**77.2500%**	78.3800%	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	**$ 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	**$ 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	**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	**8.23%**	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 in 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 in 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%

Government of the United States Virgin Islands

Schedule of Pension Contributions

September 30 (in thousands)	**2022**	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Primary Government	**$ 279,469**	$ 292,944	$ 289,507	$ 215,937	$ 205,052	$ 191,481	$ 186,089	$ 150,628
Contributions in relation to the statutorily required contributions	**$ 163,960**	$ 74,817	$ 72,301	$ 84,005	$ 77,840	$ 61,759	$ 68,291	$ 64,357
Contribution deficiency	**$ 115,509**	$ 218,127	$ 217,206	$ 131,932	$ 127,212	$ 129,722	$ 117,798	$ 86,271
Primary Government covered payroll	**$ 334,650**	$ 336,625	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091
Contributions as a percentage of covered payroll	**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.

Government of the United States Virgin Islands

Notes to Schedule of Pension Contributions

Methods and Assumptions Used

Valuation date: Actuarially determined contributions are calculated as of October 1, 2021

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: 2.1%

Salary increases: 3.25% per year

Investment rate of return: 2.52% net of pension plan investment expense, including inflation

Mortality: Non-annuitant: 110% of the RP-2014 Blue Collar Employee Mortality Table With generational projection from 2015 using Scale MP-2015.

Healthy annuitant: 110% of the RP-2014 Blue Collar Healthy Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015.

Disabled annuitant: 125% of the RP-2014 Disabled Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015.

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, 2022	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	$ 821,244	$ 821,244	$ 903,083	$ 81,839
Federal grants and contributions	-	-	7,732	7,732
Charges for services	54,726	54,726	17,576	(37,150)
Interest and other	36,320	36,320	111,986	75,666
Total revenues	912,290	912,290	1,040,377	128,087
Expenditures				
Current:				
General government	584,828	645,949	630,422	15,527
Public safety	76,887	76,887	75,441	1,446
Health, public housing and welfare	101,523	101,728	98,683	3,045
Education	179,261	181,306	182,177	(871)
Transportation and communication	30,053	30,053	20,647	9,406
Culture and recreation	12,287	16,400	8,062	8,338
Total expenditures	984,839	1,052,323	1,015,432	36,891
Excess (deficiency) of revenues over expenditures	(72,549)	(140,033)	24,945	164,978
Other financing sources (uses)				
Transfers from other funds	65,339	65,339	48,320	(17,019)
Transfer to other funds	(34,847)	(34,847)	(126,549)	(91,702)
Transfers to component units	(166,899)	(166,899)	(160,827)	6,072
Total other financing sources, net	(136,407)	(136,407)	(239,056)	(102,649)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (208,956)	$ (276,440)	$ (214,111)	$ 62,329

See accompanying notes to the Schedule.

Government of the United States Virgin Islands

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, 2022 is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$	62,329
Entity difference – deficiency of revenues and net other financing sources over expenditures – activities with budgets not legally adopted		(438,878)
Deficiency of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$	(376,549)

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, 2022

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, 2022

Government of the United States Virgin Islands

Contents

Independent Auditor's Reports Required by *Government Auditing Standards* and the Uniform Guidance

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* **3-5**

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance **6-21**

Schedule of Expenditures of Federal Awards **22-31**

Notes to the Schedule of Expenditures of Federal Awards **32-35**

Schedule of Findings and Questioned Costs **36-214**

Management's Appendices

Appendix A: Summary Schedule of Prior Audit Findings **215-259**

Appendix B: Corrective Action Plan **260-299**

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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 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 Government of the United States Virgin Islands (the Government), which comprise the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2025. We expressed a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, general fund, federal grants fund, unemployment insurance-enterprise fund, aggregate remaining fund information, and aggregate discretely presented component units opinion units based on the circumstances described in our aforementioned report.

Our aforementioned report includes references to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Virgin Islands Public Broadcasting System (VIPBS), Virgin Islands Housing Finance Authority (VIHFA), 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), and Matching Fund Special Purpose Securitization Corporation (MFSPSC). 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, 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.

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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 accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2022-001	Year-End Close Process
2022-002	Revenue and Receivables
2022-003	Grants Management
2022-004	Capital Assets and Related Expenditures
2022-005	Recording of Liabilities
2022-006	Management of the Medicaid Program
2022-007	Unemployment Insurance Trust Fund
2022-008	Workers Compensation Program
2022-009	Payroll, Related Accruals, and Other Expenditures
2022-010	Bank Accounts
2022-011	Other Postemployment Benefits Obligation
2022-012	Accounting Standards Implementation
2022-013	Irregularities related to Procurement Activities
2022-014	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 accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding #	Nature of Finding
2022-015	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 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 items 2022-013 and 2022-042. Our opinion is not modified with respect to these matters. 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
2022-013	Irregularities related to Procurement Activities
2022-014	Procurement Regulations
2022-016	Collateral of Depository
2022-017	Landfill Consent Decrees
2022-018	Establishment of a Medical Malpractice Trust Fund
2022-019	Casino Control Commission

The Government's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Government's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Government's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

September 30, 2025

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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, 2022. 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	Unmodified
Child Nutrition Cluster	10.555, 10.559, 10.582	Unmodified
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Adverse
Economic, Social, and Political Development of the Territories	15.875	Qualified
Unemployment Insurance	17.225	Adverse
Highway Planning and Construction Cluster	20.205	Unmodified
Federal Transit Cluster	20.507	Unmodified
COVID-19 - Coronavirus Relief Fund	21.019	Qualified
COVID-19 - Emergency Rental Assistance Program	21.023	Unmodified
COVID-19 – Homeowner Assistance Fund	21.026	Unmodified
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 Outlying Areas	84.403A	Unmodified
COVID-19 - Education Stabilization Fund	84.425A, 84.425H, 84.425X	Qualified
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	Qualified
Head Start Cluster	93.356, 93.600	Qualified
CCDF Cluster	93.489, 93.575	Adverse
Child Support Enforcement	93.563	Unmodified
Social Services Block Grant	93.667	Unmodified
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified
Hazard Mitigation Grant Program	97.039	Qualified

Adverse Opinions on Four 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, 2022.

Qualified Opinions on Eight 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, 2022.

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, 2022.

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 standards 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 Four 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 and Period of Performance	2022-026

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	2022-027
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2022-028
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2022-029
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2022-034
Labor	17.225	Unemployment Insurance	Eligibility	2022-035
Labor	17.225	Unemployment Insurance	Reporting	2022-036
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - Employer Experience Rating	2022-037
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2022-038
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Eligibility	2022-064
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Matching, Level of Effort, Earmarking	2022-065
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Reporting	2022-067
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Special Tests and Provisions – Health and Safety Requirements	2022-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Special Tests and Provisions – Fraud Detection and Repayment	2022-069
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2022-075
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2022-077

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	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2022-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2022-079
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid National Correct Coding Initiative	2022-080

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 Eight 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**
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2022-030
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2022-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2022-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2022-033
Treasury	21.019	Coronavirus Relief Fund	Reporting	2022-040
Treasury	21.019	Coronavirus Relief Fund	Subrecipient Monitoring	2022-041
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2022-043
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting	2022-044

Table III – Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2022-045
Education	84.425A	Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2022-054
Education	84.425A	Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2022-055
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-056
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2022-057
Health and Human Services	93.356, 93.600	Head Start	Equipment and Real Property Management	2022-058
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2022-081
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2022-082
Homeland Security	97.039	Hazard Mitigation Grant	Reporting	2022-083

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, V, and VI 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 Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2022-062
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Non-Payroll Activities	2022-074
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2022-076

Table V – 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	21.019	Coronavirus Relief Fund	Period of Performance	2022-039
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment	2022-042
Education	84.425A	Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2022-052
Education	84.425A	Education Stabilization Fund	Reporting	2022-053
Health and Human Services	93.356, 93.600	Head Start	Reporting	2022-059
Health and Human Services	93.356, 93.600	Head Start	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2022-060
Health and Human Services	93.356, 93.600	Head Start	Special Tests and Provisions - Program Governance	2022-061

Table VI – Other Instances of Noncompliance with Unmodified 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	Allowable Costs/Cost Principles - Payroll Activities	2022-020
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	Matching, Level of Effort, Earmarking	2022-021
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Security	2022-022
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-023
Education	84.027A	Special Education - Grants to States (IDEA)	Equipment and Real Property Management	2022-046
Education	84.027A	Special Education - Grants to States (IDEA)	Matching, Level of Effort, Earmarking	2022-047
Education	84.403A	Consolidated Grant to the Outlying Areas	Cash Management	2022-048
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2022-049
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2022-050
Education	84.403A	Consolidated Grant to the Outlying Areas	Subrecipient Monitoring	2022-051
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2022-072
Health and Human Services	93.667	Social Services Block Grant	Reporting	2022-073

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 2022-042. 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 VII below to be material weaknesses.

Table VII – 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	Matching, Level of Effort, Earmarking	2022-021
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2022-024
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Period of Performance	2022-025
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles - Payroll Activities and Period of Performance	2022-026
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2022-027

Table VII – 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	Matching, Level of Effort, Earmarking	2022-028
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2022-029
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2022-030
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2022-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2022-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2022-033
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2022-034
Labor	17.225	Unemployment Insurance	Eligibility	2022-035
Labor	17.225	Unemployment Insurance	Reporting	2022-036
Labor	17.225	Unemployment Insurance	Special Tests and Provisions - Employer Experience Rating	2022-037
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2022-038
Treasury	21.019	Coronavirus Relief Fund	Period of Performance	2022-039
Treasury	21.019	Coronavirus Relief Fund	Reporting	2022-040
Treasury	21.019	Coronavirus Relief Fund	Subrecipient Monitoring	2022-041
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment	2022-042
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2022-043
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting	2022-044

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2022-045
Education	84.027A	Special Education - Grants to States (IDEA)	Equipment and Real Property Management	2022-046
Education	84.027A	Special Education - Grants to States (IDEA)	Matching, Level of Effort, Earmarking	2022-047
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2022-049
Education	84.403A	Consolidated Grant to the Outlying Areas	Subrecipient Monitoring	2022-051
Education	84.425A	Education Stabilization Fund	Reporting	2022-053
Education	84.425A	Education Stabilization Fund	Special Tests and Provisions - Participation of Private School Children	2022-054
Education	84.425A	Education Stabilization Fund	Special Tests and Provisions - Wage Rate Requirements	2022-055
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-056
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2022-057
Health and Human Services	93.356, 93.600	Head Start	Equipment and Real Property Management	2022-058
Health and Human Services	93.356, 93.600	Head Start	Reporting	2022-059
Health and Human Services	93.356, 93.600	Head Start	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2022-060
Health and Human Services	93.356, 93.600	Head Start	Special Tests and Provisions - Program Governance	2022-061
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities	2022-062

Table VII – 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	93.575, 93.489	Child Care Development Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-063
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Eligibility	2022-064
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Matching, Level of Effort, Earmarking	2022-065
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Reporting	2022-067
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Special Tests and Provisions – Health and Safety Requirements	2022-068
Health and Human Services	93.575, 93.489	Child Care Development Block Grant	Special Tests and Provisions – Fraud Detection and Repayment	2022-069
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2022-072
Health and Human Services	93.667	Social Services Block Grant	Reporting	2022-073
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2022-075
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2022-076
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Utilization Control and Program Integrity	2022-077
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2022-078
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - ADP Risk Analysis and System Security Review	2022-079

Table VII – 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	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Medicaid National Correct Coding Initiative	2022-080
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2022-081
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2022-082
Homeland Security	97.039	Hazard Mitigation Grant	Reporting	2022-083

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 VIII below, to be significant deficiencies:

Table VIII – 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	Allowable Costs/Cost Principles - Payroll Activities	2022-020
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster	Special Tests and Provisions - EBT Card Security	2022-022
Agriculture	10.555, 10.559 & 10.582	Child Nutrition Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-023
Education	84.403A	Consolidated Grant to the Outlying Areas	Cash Management	2022-048
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2022-050
Education	84.425A	Education Stabilization Fund	Allowable Costs/Cost Principles - Payroll Activities	2022-052

Table VIII – 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	93.575, 93.489	Child Care Development Block Grant	Period of Performance	2022-066
Health and Human Services	93.563	Child Support Enforcement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	2022-070
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2022-071
Health and Human Services	93.775, 93.778	Medicaid Cluster	Allowable Costs/Cost Principles - Non-Payroll Activities	2022-074

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, 2022, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated September 30, 2025, which contained a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, general fund, federal grants fund, unemployment insurance-enterprise fund, aggregate remaining fund information, and aggregate discretely-presented component units opinion units 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 as a whole. 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.

September 30, 2025

Schedule of Expenditures of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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			$ 103,182
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	$ 14,403	167,016
Micro-Grants for Food Security Program	10.179			3,428
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551			59,094,602
COVID-19 - Supplemental Nutrition Assistance Program (SNAP)	10.551			38,473,184
				97,567,786
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			3,885,658
Total SNAP Cluster				101,453,444
Child Nutrition Cluster				
National School Lunch Program (NSLP)	10.555			3,116,890
Summer Food Service Program for Children (SFSPC)	10.559			26,929
Fresh Fruit and Vegetable Program (FFVP)	10.582			12,398
Total Child Nutrition Cluster				3,156,217
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			4,821,889
Child and Adult Care Food Program	10.558			455,541
State Administrative Expenses for Child Nutrition	10.560			386,096
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568			58,875
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			58,321
Total Food Distribution Cluster				117,196
WIC Grants to States (WGS)	10.578			557,708
Child Nutrition Discretionary Grants Limited Availability	10.579			35,982
Cooperative Forestry Assistance	10.664			62,013
Urban and Community Forestry Program	10.675	001561211	6,500	60,806
Forest Legacy Program	10.676			8,475
Forest Stewardship Program	10.678			32,088

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
Distance Learning and Telemedicine Loans and Grants	10.855			628,301
Soil and Water Conservation	10.902			49,350
Environmental Quality Incentives Program	10.912			69,576
Total U.S. Department of Agriculture			20,903	112,168,308
U.S. Department of Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	786,128	2,514,562
Economic Development Cluster				
Economic Adjustment Assistance	11.307			122,583
Interjurisdictional Fisheries Act of 1986	11.407			456
Coastal Zone Management Administration Awards	11.419	0169363814	181,906	1,021,009
Cooperative Fishery Statistics	11.434			295,020
Southeast Area Monitoring and Assessment Program	11.435			189,211
COVID-19 - Unallied Management Projects	11.454	0169363814	80,042	166,692
Meteorologic and Hydrologic Modernization Development	11.467			289,782
Unallied Science Program	11.472	0169363814	160,000	172,599
Coral Reef Conservation Program	11.482			512,895
Total U.S. Department of Commerce			1,208,076	5,284,809
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401		-	3,994,234
U.S. Department of the Interior				
Fish and Wildlife Cluster				
Sport Fish Restoration Program	15.605			867,895
Wildlife Restoration and Basic Hunter Education	15.611			1,332,235
Total Fish and Wildlife Cluster				2,200,130
Cooperative Endangered Species Conservation Fund	15.615			36,530
Sportfishing and Boating Safety Act	15.622			1,775
Coastal	15.630			342
State Wildlife Grants	15.634			95,443
Economic, Social, and Political Development of the Territories	15.875	160342882	109,053	6,451,211
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			3,750,972
				10,202,183

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
Historic Preservation Fund Grants-In-Aid	15.904	160342882	82,112	437,764
Emergency Supplemental Historic Preservation Fund	15.957	160342882	248,165	666,231
Total U.S. Department of the Interior			439,330	13,640,398
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding	16.034			39,555
Juvenile Justice and Delinquency Prevention	16.540			1,125
Crime Victim Assistance	16.575	829924047	549,183	597,923
Violence Against Women Formula Grants	16.588	829924047	270,506	325,507
Residential Substance Abuse Treatment for State Prisoners	16.593			255
State Criminal Alien Assistance Program	16.606			61,542
Public Safety Partnership and Community Policing Grants	16.710			292,536
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	136,587	272,484
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			55,427
Support for Adam Walsh Act Implementation Grant Program	16.750			241,663
Body Worn Camera Policy and Implementation	16.835			300,000
Total U.S. Department of Justice			956,276	2,188,017
U.S. Department of Labor				
Labor Force Statistics	17.002			392,348
Compensation and Working Conditions	17.005			41,566
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207			983,447
Jobs for Veterans State Grant	17.801			48,590
Total Employment Service Cluster				1,032,037
Unemployment Insurance	17.225			16,988,176
COVID-19 - Unemployment Insurance	17.225			21,717,489
				38,705,665
Senior Community Service Employment Program	17.235			831,341
WIOA Cluster				
WIOA Adult Program	17.258			742,011
WIOA Youth Activities	17.259			978,168
WIOA Dislocated Worker Formula Grants	17.278			585,239
Total WIOA Cluster				2,305,418

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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			36,663
Temporary Labor Certification for Foreign Workers	17.273			478
COVID-19 - WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277			362,677
Apprenticeship USA Grants	17.285			125,000
Occupational Safety and Health State Program	17.503			156,928
Total U.S. Department of Labor			-	43,990,121
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205			34,307,039
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218			267,208
Federal Transit Cluster				
Federal Transit Formula Grants	20.507			2,715,093
COVID -19 - Federal Transit Formula Grants	20.507			1,557,851
Total Federal Transit Cluster				4,272,944
Public Transportation Emergency Relief Program	20.527			8,295
Highway Safety Cluster				
State and Community Highway Safety	20.600	147287705	41,606	1,579,291
Total U.S. Department of Transportation			41,606	40,434,777
U.S. Department of the Treasury				
COVID-19 - Coronavirus Relief Fund	21.019		4,500,000	5,459,183
COVID-19 - Emergency Rental Assistance Program	21.023		7,349,583	7,349,583
COVID-19 - Homeowner Assistance Fund Program	21.026		8,521,959	8,521,959
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		56,490,165	113,360,275
Total U.S. Department of Treasury			76,861,707	134,691,000
National Endowment for the Humanities				
Promotion of the Arts Partnership Agreements	45.025	135962475	524,935	524,935
Promotion of the Humanities Division of Preservation and Access	45.149			28,436
Grants to States	45.310			182,306
Total National Endowment for the Humanities			524,935	735,677

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			3,561
Construction Grants for Wastewater Treatment Works	66.418	138919282	812,150	2,111,963
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442			104,589
Water Quality Management Planning	66.454			25,701
Nonpoint Source Implementation Grants	66.460			22,978
National Wetland Program Development Grants and Five-Star Restoration Training Grant	66.461			15
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	138919282	660,406	801,343
Beach Monitoring and Notification Program Implementation Grants	66.472			180,436
Performance Partnership Grants	66.605			966,014
Hazardous Waste Management State Program Support	66.801			230,288
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			56
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			3,371
State and Tribal Response Program Grants	66.817			5,063
Total U.S. Environmental Protection Agency			1,472,556	4,455,378
U.S. Department of Energy				
State Energy Program	81.041			307,920
Weatherization Assistance for Low-Income Persons	81.042			96,308
Total U.S. Department of Energy			-	404,228
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002			823,374
COVID-19 - American Rescue Plan - Adult Education - Basic Grants to States	84.002A			903
				824,277
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027A			8,085,843
COVID-19 - American Rescue Plan - Individuals with Disabilities Education Act	84.027X			76,448
Total Special Education Cluster (IDEA)				8,162,291
Impact Aid	84.041			139,329
Impact Aid Section 7003 - Payments for Federally Connected Children	84.041B			77,824
				217,153

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126			21,193
State Vocational Rehabilitation Services	84.126A			1,367,776
				1,388,969
Independent Living Services for Older Individuals Who are Blind	84.177B			17,698
Special Education - Grants for Infants and Families	84.181			(12,336)
Special Education - Grants for Infants and Families - Infant & Toddlers/Families (Part C)	84.181A			241,919
				229,583
Comprehensive Literacy State Development	84.371C			137,636
Consolidated Grant to the Insular Areas	84.403A		1,051,727	14,412,480
COVID-19 - Education Stabilization Fund				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			18,570,751
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H		208,796	1,098,109
COVID-19 - American Rescue Plan - State Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			1,041,438
Total COVID-19 - Education Stabilization Fund				20,710,298
Hurricane Education Recovery	84.938			283,468
Total U.S. Department of Education			1,260,523	46,383,853
U.S. Department of Health and Human Services				
COVID-19 - Special Programs for the Aging-Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042			12,359

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
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			21,096
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			27,709
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			474,537
Total Aging Cluster				523,342
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052			110,369
Public Health Emergency Preparedness	93.069			335,999
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			52,608
Maternal and Child Health Federal Consolidated Programs	93.110			254,644
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			97,080
Emergency Medical Services for Children	93.127			131,521
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			206,640
Injury Prevention and Control Research and State and Community Based Programs	93.136			69,081
Projects for Assistance in Transition from Homelessness (PATH)	93.150			50,000
Family Planning-Services	93.217			999,956
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			416,019
Early Hearing Detection and Intervention	93.251			217,059
Immunization Cooperative Agreements	93.268			1,035,703
COVID-19 - Immunization Cooperative Agreements	93.268			260,693
				1,296,396

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,211,033
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			10,292,308
				11,503,341
Behavioral Risk Factor Surveillance System	93.336			125,733
COVID-19 - Behavioral Risk Factor Surveillance System	93.336			25,000
				150,733
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			155,393
Head Start Cluster				
Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria	93.356			2,802,588
Head Start	93.600			8,985,821
COVID-19 - Headstart	93.600			358,893
Total Head Start Cluster				12,147,302
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			304,543
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			696,863
CCDF Cluster				
Child Care Disaster Relief	93.489			70,049
Child Care and Development Block Grant	93.575			2,194,939
COVID-19 - Child Care and Development Block Grant	93.575			1,381,179
Total CCDF Cluster				3,646,167
Promoting Safe and Stable Families	93.556			10,797
Temporary Assistance for Needy Families (TANF)	93.558			1,112,728
COVID-19 - Temporary Assistance for Needy Families (TANF)	93.558			798,230
				1,910,958
Payments to Territories - Adults	93.560			1,207,457
Child Support Enforcement	93.563			5,529,867
COVID-19 - Community Services Block Grant	93.569			1,459,041
State Court Improvement Program	93.586			65,529
Grants to States for Access and Visitation Programs	93.597			75,177
Social Services Block Grant	93.667			5,725,807
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671			43,594
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			8,652

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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)				
Elder Abuse Prevention Interventions Program	93.747			7,760
Children's Health Insurance Program	93.767			1,946,603
Medicare Prescription Drug Coverage	93.770			1,347,619
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775			490,024
Medical Assistance Program (Medicaid; Title XIX)	93.778			127,649,324
Total Medicaid Cluster				128,139,348
Opioid STR	93.788			62,692
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			992,399
COVID-19 - Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			15,777
				1,008,176
National Bioterrorism Hospital Preparedness Program	93.889			198,501
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			156,639
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			1,035,951
COVID-19 - HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			650
				1,036,601
HIV Prevention Activities Health Department Based	93.940			846,611
Block Grants for Community Mental Health Services	93.958			213,629
COVID-19 - Block Grants for Community Mental Health Services	93.958			108,282
				321,911
Block Grants for Prevention and Treatment of Substance Abuse	93.959			284,711
COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959			197,649
				482,360
The Zika Health Care Services Program	93.966			38,090
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			229,356
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			17,160
				246,516
Mental Health Disaster Assistance and Emergency Mental Health	93.982			1,210,947
Preventive Health and Health Services Block Grant	93.991			224,435
Maternal and Child Health Services Block Grant to the States	93.994			1,521,540
Total U.S. Department of Health and Human Services			-	188,210,643

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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*
Corporation for National and Community Service				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002			7,902
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011			101,638
Total Corporation for National and Community Service			-	109,540
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	72,797	72,797
Boating Safety Financial Assistance	97.012			826,459
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	205,717,573	424,337,491
Hazard Mitigation Grant Program (HMGP)	97.039	825544042	921,235	6,209,258
Emergency Management Performance Grants	97.042			1,021,110
COVID-19 - Emergency Management Performance Grants	97.042			118,282
				1,139,392
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			5,000
Homeland Security Grant Program (HSGP)	97.067	825544042	45,218	1,956,798
Earthquake State Assistance	97.082			49,133
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			675,725
Total U.S. Department of Homeland Security			206,756,823	435,272,053
Total Expenditures of Federal Awards			$ 289,542,735	$ 1,031,963,036

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, 2022, 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 $97,567,787) and the food cost (ALN 10.557 in the amount of $2,806,035) 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 2022, the Government received cash rebates from infant formula manufacturers in the amount of approximately $693,707 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)	$ 36,406,302
Federal UI Benefits (Administration)	2,299,363
Total	$ 38,705,665

9. Outstanding Loan

The Government received proceeds from the Community Disaster Loans program (ALN No. 97.030) as administered by the Federal Emergency Management Agency (FEMA). There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan. The cumulative balance of the Community Disaster Loans program was $206,295,675, of which $61,295,675 was passed-through to the Government's component units. On September 30, 2021, repayments of the Community Disaster Loans issued by FEMA were cancelled when Congress passed the Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43) and on October 8, 2021, FEMA notified the Government of such cancellation and closure of the loans program.

10. 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, 2022, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

11. 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 12.

12. 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 August 2025, federal assistance awarded to the Territory included $21.5 billion in FEMA Public Assistance grants, $77.0 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 $23.0 billion dollars.

The Government has received notices from FEMA of potential debt as a result of audits related to the Public Assistance Grant Program awards for fiscal years 2018 and 2019. In response to the notices, both in February 2021 and January 2023, the Government exercised its option to appeal and provided additional clarification and documentation. As of March 2023, FEMA has questioned costs of $42.1 million.

The questioned costs are in the process of being reviewed by FEMA and until the appeal review is completed, questioned costs identified do not represent final monies owed to FEMA. Management believes that any such claims or actions by FEMA will be resolved and will not have a material impact to the awards or the financial position of the Government.

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 September 2025, federal grants and assistance received by the PG related to COVID-19 amounted to $729.4 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

Improper Procurement Activities and Irregularities

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 of the Government and formal indictments followed. Management has evaluated the matter based on the scope in the indictments and concluded that the September 30, 2022 financial statements are fairly presented. This evaluation of the matter is subject to adjustment as facts and circumstances change or develop.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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	Disclaimer
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization Corporation	
Debt Service Fund and Opinion	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	Disclaimer

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 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)	Unmodified
10.555, 10.559, 10.582	Child Nutrition Cluster	Unmodified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified

Assistance Listing Number(s)	Major Federal Program or Cluster	Opinion
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Adverse
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance	Adverse
20.205	Highway Planning and Construction Cluster	Unmodified
20.507	Federal Transit Cluster	Unmodified
21.019	COVID-19 - Coronavirus Relief Fund	Qualified
21.023	COVID-19 - Emergency Rental Assistance Program	Unmodified
21.026	COVID-19 – Homeowner Assistance Fund	Unmodified
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 Outlying Areas	Unmodified
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	Qualified
93.356, 93.600	Head Start Cluster	Qualified
93.489, 93.575	CCDF Cluster	Adverse
93.563	Child Support Enforcement	Unmodified
93.667	Social Services Block Grant	Unmodified
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Qualified
97.039	Hazard Mitigation Grant Program	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ Yes _____ No

Identification of major federal programs:

Assistance Listing Number(s)	Major Federal Program or Cluster
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
10.555, 10.559, 10.582	Child Nutrition Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
12.401	National Guard Military Operations and Maintenance (O&M) Projects
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
20.507	Federal Transit Cluster

Assistance Listing Number(s)	Major Federal Program or Cluster
21.019	COVID-19 - Coronavirus Relief Fund
21.023	COVID-19 - Emergency Rental Assistance Program
21.026	COVID-19 – Homeowner Assistance Fund
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
84.027A, 84.027X	Special Education Cluster (IDEA)
84.403A	Consolidated Grant to the Outlying Areas
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases
93.356, 93.600	Head Start Cluster
93.489, 93.575	CCDF Cluster
93.563	Child Support Enforcement
93.667	Social Services Block Grant
93.775, 93.778	Medicaid Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish.
between Type A and Type B programs: $3,095,889

Auditee qualified as low-risk auditee? ____ Yes ___X___ No

Section II - Financial Statement Findings

Finding 2022-001: 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 both the year-end closing process and the preparation of year-end financial statements. In numerous instances, account reconciliations were not finalized until the audit process was underway, resulting in a substantial lag relative to the Government's fiscal year-end. As a consequence, detailed schedules supporting general ledger accounts did not consistently reconcile with the respective general ledger balances.

During the audit process, significant post-closing adjustments were identified and provided. It was further noted that these post-closing adjustments were not recorded in the accounting system, but instead were maintained in a manual Excel working trial balance.

During financial reporting walkthrough, we noted the absence of evidence indicating that the Major Fund Calculation worksheet had been formally reviewed and approved. Similarly, during the revenue walkthrough, there was no evidence that year-end closing adjustments had been formally reviewed and approved.

Furthermore, our review of the Government's draft financial statements revealed inconsistencies and/or omissions in the incorporation of disclosures within the footnotes, as well as inconsistencies in the classification and reporting of account balances for component units. Many of the Government components do not have audited financial statements as of September 30, 2022, to include Virgin Islands Port Authority, Virgin Islands Water and Power 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, Megan's Bay Authority, and University of the Virgin Islands Research and Technology Park Corporation.

Cause **-** The adjustments, omissions and errors found appear to be the result of internal controls not being performed at the 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 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, elevates the risk of errors and diminishes transparency. The absence of formal review and approval of key financial reporting documents further increases the likelihood that errors will go unnoticed. Inconsistencies and omissions in footnote disclosures and the reporting of component unit account balances 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 that management implement and adhere to a comprehensive year-end closing calendar to ensure the timely completion of all closing activities and the preparation of financial statements. All account reconciliations, accruals, and schedules should be prepared and reviewed in a timely manner.

The review process should include tests of mechanical accuracy and tracing of items on the reconciliations to relevant source documents, including confirmation with departments independent of Accounting. The composition of any unreconciled differences should be identified and followed up on, and any necessary journal entries should be recorded as a result. Reconciliation mechanisms should be enhanced to prevent the recurrence of such errors.

Post-closing adjustments should be promptly recorded in the accounting system, to enhance accuracy, transparency, and auditability. Management should establish formal review and approval procedures for all key financial reporting documents, including the Major Fund Calculation worksheet and year-end closing adjustments, with appropriate documentation retained to evidence such reviews.

Furthermore, strict adherence to the year-end closing schedule for the Government and all component units should be required. This will enable the Government and its component units to comply with financial reporting covenants and will make the year-end work and audit preparation process significantly less time-consuming and arduous, without compromising the quality of the accounting records or diminishing existing internal controls. The Government should implement internal controls, policies, and procedures to ensure all components report timely audited information for inclusion in the Government's financial statements in accordance with generally accepted accounting principles.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Finance (DOF) is establishing aggressive timelines and standardizing reporting to ensure a timely year-end process and successful audit. Accountability measures will be implemented to address ineffective employees and recruit accounting talent. DOF aims to achieve uniformity across agencies by assessing needs and resources and providing a dedicated position to monitor success. Additionally, a formal review and approval process for the Major Funds Calculation will be established. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

B. 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 generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the unrestricted net position should be sufficient to meet the Government's operational needs and provide a buffer for unforeseen expenditures.

Condition **-** Our review of the Government's financial position indicates that it is facing significant financial challenges. The deficit in unrestricted net position is primarily attributable to ongoing operating losses, a substantial level of outstanding debt, and recent bond downgrades, each of which has materially and adversely affected the Government's financial stability.

Cause **-** The significant recovery costs following the 2017 hurricanes have further strained the Government's resources. Additionally, unfunded pension and other postemployment benefit obligations have placed considerable pressure on the Government's finances. The global coronavirus pandemic (COVID-19) has further exacerbated these challenges by disrupting government operations and revenue streams, resulting in additional fiscal constraints.

Effect or Potential Effect **-** Over the past several years, the unrestricted net position has experienced substantial operational losses. This financial condition has necessitated the inclusion of an emphasis of matter paragraph in the audit opinion. Improvement is critical if the Government is to meet its obligations related to debt, pension, and other postemployment benefits, and to maintain access to future bond markets. Continued negative financial results could significantly impact the Government's overall financial position and cash flows.

Recommendation **-** Management has undertaken efforts to stabilize and strengthen the Government's financial position through the implementation of a comprehensive, multi-faceted plan. This plan includes legislative actions to enhance revenue, cost-reduction initiatives, and proposed increases in employee contributions to pension plans. The Government has also received substantial federal assistance in response to the 2017 hurricanes and the COVID-19 pandemic.

We further recommend that management develop future plans and budgets aimed at generating operating income, avoiding ongoing deficits, and rebuilding equity.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

C. 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 possess access rights to create, approve, and post journal entries. Additionally, there were five (5) instances where journal entries are prepared and approved by same person and noted one (1) instance where adequate supporting documentation was not available for review.

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 implement enhanced access controls to ensure segregation of duties in the journal entry process. Additionally, a formal review and approval procedure should be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Finance has recognized the need for more personnel to approve journals and has implemented training to increase the number of staff available to assist, especially during absences. Additionally, some journals are systematically generated, leading to the same individual acting as both creator and approver, particularly for year-end closing journals. To address this, the Department of Finance will ensure that proper documentation is maintained within the system. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-002: 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 gross receipts tax receivable schedule prepared under the modified accrual basis, we observed that the schedule incorrectly utilized the collection amount from September 2022 instead of October 2022. Furthermore, for the schedules related to income tax, gross receipts, and hotel receivables, we identified that the underlying data supporting these schedules was as of April 2023, rather than September 30, 2022.

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 could lead to improper recording of revenue and receivables, ultimately leading to a potential 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, which includes an accurate accounting system that maintains agreement between the receivables ledger and the general ledger, will prevent audit adjustments at year-end.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. To improve interim financial reporting, the Bureau of Internal Revenue, Office of the Lieutenant Governor, and the Department of Finance have initiated quarterly reconciliation meetings. These meetings aim to reduce end-of-year adjustments, reconcile NSF checks promptly, and implement internal safeguards for more efficient reconciliation. Additionally, the Government will adopt a policy of reconciling tax receivables on a quarterly basis. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 - The tax returns' manual data entry is being reviewed on a random sample basis and the Bureau is relying on the system's automated edit check to capture any errors. While the system's automated edit check identifies many errors, it does not guarantee the complete accuracy of the entered information. Relying primarily on automated edit checks and random sample reviews does not fully ensure the accuracy and reliability of the information entered.

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.

Effect or Potential Effect - This poses a continued risk of data omissions, typographical errors, entry of information to incorrect fields, as well, as fraudulent data entry.

Recommendation - We recommend the Bureau consider an evaluation of its current review procedures around the tax return processing method in an effort to minimize associated risks.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Bureau has launched its online gross receipts filing system and is in the final testing stage of implementing the online income tax filing system. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 maintaining 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 receivables, we sampled and selected five (5) transactions and were unable to recalculate the interest for three (3) of the samples. 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 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 should also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties. Additionally, the calculation process for penalty interest should be reviewed and corrected to reflect the accurate time period. Regular audits and staff training should be conducted to prevent future discrepancies.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. LGO will continue collaborating with appropriate agencies to review and remove exempt entities from its tax rolls. It notes that government agencies are generally not exempt from paying sewer fees, which are collected via the tax bill for the Virgin Islands Waste Management Authority, so these entities will receive tax bills for sewer fees only. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

D. Other Revenues

Criteria - Internal control policies and procedures should clearly outline the methods for storing supporting documentation for all transactions within the Enterprise Resource Planning System (Munis).

Condition - The Government was unable to provide readily available supporting documentation for eleven (11) out of thirty-four (34) sampled transactions for charges for services, and twelve (12) out of thirty-six (36) sampled transactions for interest and other revenues.

Cause - This condition appears to be the result of inadequate internal control procedures regarding the retention and organization of supporting documentation.

Effect or Potential Effect - The inability to provide readily available supporting documentation for sampled transactions increases the risk of errors or irregularities going undetected, which may result in inaccurate financial reporting. This deficiency may also hinder the Government's ability to substantiate the validity and completeness of recorded revenues, potentially leading to audit adjustments or findings.

Recommendation - We recommend that the Government establish and enforce standardized procedures for the retention and organization of supporting documentation for all transactions. All relevant documentation should be stored in a centralized and easily accessible location, preferably within the Enterprise Resource Planning System (Munis). Regular reviews should be conducted to ensure compliance with these procedures and to facilitate timely retrieval of supporting documentation during audits or other reviews.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. To ensure adequate supporting documentation for sampled items, the Government will enforce procedures for attaching documents and conduct spot checks to ensure employees adhere to the process. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-003: 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:

- Expenses had been charged to grants without sufficient grant award funding availability.
- Significant transactions paid to or transferred to various departments of the Government were erroneously reported as subrecipient transactions.
- Approximately $13.87 million in expenditures had erroneously been recorded in SEFA, pertaining to fiscal year 2023, requiring an adjustment in Assistance Listing Numbers (ALN) 21.027, *Coronavirus State and Local Fiscal Recovery Funds*.
- Approximately $0.8 million in expenditures had erroneously been recorded as expenditures in ALN 84.027, *Special Education Grants to States*, requiring adjustment.
- Approximately $4.7 million in expenditures had erroneously been recorded as expenditures in ALN 84.403, *Consolidated Grant to the Outlying Areas*, requiring adjustment.
- Approximately $1.6 million in expenditures had erroneously been recorded as expenditures in ALN 84.425, *Education Stabilization Fund (ESF)*, requiring adjustment.
- For ALN 93.563, *Child Support Enforcement*, the drawdown details from the payment management system do not align with the cash receipts details for the program. This discrepancy is due to duplicate receipts being recorded in the cash receipts detail, which were not corrected during the fiscal year.

Cause - It appears that internal controls over the SEFA were not properly designed and implemented.

Effect or Potential Effect - Expenditures are being charged to incorrect projects, codes, and ALN, resulting in incorrect financial reporting. These issues also impact the roll-forward schedule for the general ledger account titled "Due from Federal Government." These deficiencies may result in inaccurate reporting of grant expenditures, improper allocation of federal funds, and potential noncompliance with grant requirements and federal regulations. Such errors could lead to audit findings, questioned costs, or disallowed expenditures, and may jeopardize future funding opportunities.

Recommendation **-** The Government should implement regular reconciliations of the SEFA to underlying accounting records and grant documentation to prevent misclassification and erroneous reporting of expenditures. Any discrepancies identified should be promptly investigated and corrected. Additionally, communication and reconciliation mechanisms should continue to be enhanced between the centralized government agency responsible for collecting SEFA information and each individual agency managing federal grant programs, in order to prevent the recurrence of such errors and misclassifications.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The review of ALN, expenditures, and cash receipts postings to grants will be conducted during quarterly system closings. Additionally, continuous reconciliations of the SEFA with departments and agencies will be implemented. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 for establishing discrete and separate receivable balance on a per grant/project basis. However, the following key components are lacking:

- There is no readily verifiable identification regarding the aging and collection of prior-year receivables, nor is there an assessment of the impact on the adequacy of the allowance for uncollectible accounts. Specifically, there is no documentation matching each cash receipt to the related expenses and indicating the period in which the expense was incurred.

- The Government was unable to provide supporting documentation for any of the seventeen (17) sampled transactions to verify the existence and accuracy of the subsequent cash receipts recorded as federal receivable for the fiscal year.

- The Government was unable to provide readily available supporting documentation for eight (8) out of sixty-three (63) sampled transactions for 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 leads to difficulty in establishing individual balances for both receivables and deferrals from grants and contracts may obscure items that have been inactive for many years, and can cause confusion regarding the true level of activity. Additional time and effort were required during the audit process to rectify and reconcile the balances and to locate or identify alternative methods. This also poses an increased risk of fraudulent transactions.

Recommendation **-** We recommend that receivables be 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.

Produce and maintain detailed reports and records at specified time intervals for potential analysis by users such as management, independent auditors, or governmental bodies. Management should consider strict adherence to, or revision of, its records retention policy.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Finance monitors federal receivables and provides agencies with reports on outstanding drawdowns. Additionally, a private firm has been contracted to work directly with the agencies to reconcile the Government's federal receivables. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 the following:

- Local reimbursements totaling approximately $10.3 million into the Asset Recovery Fund were improperly reported as federal grant revenue.

- Approximately $15.9 million of federal cash receipts had been received in advance for American Rescue Plan Act programs and were recorded as revenues. During the fiscal year, the Government did not incur allowable expenditures for the full amount received and did not properly reclassify the excess amounts to refundable advances.

Cause **-** The Government does not appear to have a process in place to adequately monitor federal revenues and federal cash receipts received in advance.

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 cash receipts and expenditures.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government has implemented measures to ensure strict adherence to its reconciliation and review policies and procedures. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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, 2022.

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 has implemented a plan, in coordination with external auditor, to achieve current audits by Fiscal Year 2025. Once audits are up to date, the Government will provide current submissions to the FAC. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-004: Capital Assets and Related Expenditures

A. Record Keeping

Criteria - Governmental Accounting Standards Board (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 sampling procedures over capital asset additions, we noted that the Government was unable to provide readily available supporting documentation for the two (2) out of two (2) sampled capital asset additions during the year.

- We performed completeness testing procedures for capital asset and construction in progress (CIP) additions during the year; however, the Government was unable to provide supporting documentation for the expenditure databases being analyzed.

- The Government's process for maintaining capital asset records identified expenses that needed to be reclassed as capital outlays in the fund financial statements. However, supporting documentation for these adjustments was not available.

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 - Without proper documentation, the reported values of capital assets may be inaccurate, which could result in potential misstatements in the financial statements.

Recommendation - We recommend the following:

- Conduct regular reconciliations and reviews of capital asset and construction in progress records to ensure that all expenditures are properly documented and accurately accounted for.

- Strengthen oversight and approval processes for reclassifying expenses, ensuring that all reclassifications are reviewed and approved by authorized personnel.

- Produce and maintain detailed reports and records at specified intervals to facilitate analysis by management, independent auditors, or governmental bodies. Management should strictly adhere to, or consider revising, its records retention policy to support these practices.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance will review its existing controls and update the necessary manuals to address all the recommendations provided. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 the following:

- 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.

- Due to the lack of supporting documentation to verify capital asset additions and construction in progress transfers recorded during the fiscal year, we were unable to verify the depreciation expense recorded in the subsidiary ledger.

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. Additionally, the lack of supporting documentation for capital asset additions and construction in progress transfers impedes the ability to verify depreciation expenses, further compromising the reliability and completeness of the subsidiary ledger.

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.

Additionally, 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.

Detailed reports and records should be produced and maintained at specified intervals for analysis by management, independent auditors, or governmental bodies. Management should strictly adhere to, or revise, its records retention policy as necessary.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Capital Assets team, led by the Department of Property and Procurement and the Lieutenant Governor's Office, is working to verify and update asset records, including descriptions, acquisition dates, and depreciation. They will revise policies and procedures to ensure regular updates and reconciliation sessions. Collaboration continues among the Department of Finance, Department of Property and Procurement, and Department of Public Works to develop the Capital Assets team and update the Asset Policy and Procedural Manual. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 - During our sampling procedures over construction in progress activity, we noted that the Government was unable to provide readily available supporting documentation for the following:

- Fifteen (15) out of fifteen (15) CIP projects selected for review to assess their status at the year-end.
- Nine (9) out of nine (9) CIP additions selected to verify proper recording during the year.
- Three (3) out of three (3) CIP transfers selected to verify proper recording during the year.

Cause - The Government does not maintain proper supporting documentation to verify CIP activity 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 - The lack of supporting documentation may result in inaccurate CIP project records, with additions and transfers either not properly capitalized or incorrectly capitalized, leading to potential misstatements in the financial statements.

Recommendation: With the increase in the number of CIP projects, it is imperative to maintain an effective system for recording project costs accurately and timely, and for consistently monitoring project status with the respective project owners. It is critical that the Government reconcile these costs with the reports and records of the respective project managers, related invoices, contracts, and amendments, ensuring agreement with contract costs and capital expenditure budgets. A consistent method should be applied for determining project completion and transferring assets to the appropriate depreciable asset class. Additionally, 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. The Department of Property and Procurement, in collaboration with key individuals from other agencies, will internally report findings for areas where step was missed and include accountability. The Capital Assets team is deliberating on capturing asset information at the time of final payment and will review and update the policy accordingly. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 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.

- We noted that 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. To establish a formal process for periodic impairment assessments and ensure consistent processing of disposals and retirements, the Government will form a Capital Assets team comprising key personnel from various departments and agencies. This effort will be complemented by the full implementation of the fixed assets module within the ERP system. Project management software will be used to house all CIP information. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 Government will review the recommendations and work with relevant parties. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-005: 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 there is currently a $150.0 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 66% of the Government's employees are paid at 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. The Division of Personnel (DOP) and the Office of Collective Bargaining (OCB) are collaborating to develop a master file for collective bargaining agreements and pay rates for unionized public sector workers, led by the Government's Chief Negotiator. This includes establishing the Government's retroactive obligation and creating a central repository portal for tracking obligations and payments. Bi-annual meetings will compare negotiated salary rates with ERP system records. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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, 2022. 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 (RFP) to solicit an actuary to perform the evaluation. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

C. Health Insurance Accrual

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 - The Government was unable to provide readily available supporting documentation for the health insurance accrual.

Cause - Lack of robust internal controls and oversight over the documentation process for health insurance accruals has resulted in the unavailability of necessary records.

Effect or Potential Effect - The Government's health insurance accrual may be misstated, leading to incorrect financial liabilities and affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government establish and enforce robust internal controls and procedures to ensure that supporting documentation for health insurance accruals is properly maintained and readily accessible.

Management should conduct regular reviews of the accrual process and documentation to verify accuracy and completeness. Additionally, 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. The Government will maintain supporting documentation for the health insurance accrual to facilitate possible analysis by users. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

D. 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 discrepancy 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 incorrect periods. Additionally, during our review and inquiry of subsequent disbursements, we noted that accounts payable did not include the accrual of invoices totaling $5.6 million for services performed as of year-end.

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.

Additionally, 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. The Department of Finance will collaborate with Tyler Munis to utilize the Accounts Payable Module and work with the Office of Management and Budget to hire an Accounts Payable Analyst. This analyst will be dedicated to making necessary monthly updates and adjustments and will work with D&A to ensure timely invoice entry. The Accounting Analysts will ensure that invoices are entered in accordance with Standard of Operating Procedures and Policies (SOPP) 130. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

E. 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 obtains various reports regarding its closure and post-closure cost estimates for the three landfills in the U.S. Virgin Islands. During our review, we noted an additional penalty of $4.5 million related to the 30-year post-closure period for the Turf landfill in 2022. Furthermore, the post-closure cost estimates for all three landfills for fiscal year 2022 were updated by applying an inflation rate.

Cause – Lack of review of the landfill reports and calculations to ensure the accuracy of the 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 is collaborating with its consultants to review the work and prepare a report to implement monitoring controls, ensuring that all calculations are reviewed in a timely manner. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

F. Quality 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 quality of census data is crucial for accurate analysis, decision-making, and reporting.

Condition - We noted that the Government's pension census data, submitted to various actuarial service providers, contains significant discrepancies when compared to employee records maintained by the Government and requires substantial adjustments and assumptions before it can be utilized for necessary calculations. We sampled and selected twenty-five (25) individuals from the census data, including both active employees and retirees, and noted the following:

- For three (3) employees, we identified discrepancies between the hire dates listed in the census data and those recorded in the most recent Notice of Personnel Action (NOPA) records.

- For four (4) employees, there were inconsistencies in both hire dates and salary information when comparing the census data to the latest details in the NOPA records.

- For four (4) retirees, detailed NOPA records were not available. However, we conducted alternative procedures by verifying their hire and employment status in Munis, which confirmed that these individuals were former employees who have since retired.

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 internal controls be developed to ensure the accuracy of all active employee and retiree census data before 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. A request for proposal is currently being advertised to secure a vendor who will provide a census data management system to help maintain current and accurate records. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

G. 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, 2022. However, the tax liability for returns processed and paid subsequently, specifically those for fiscal years 2022 and prior, was excluded from the accrual of tax refunds payable, amounting to $60.6 million.

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. Returning to current audits will allow income tax refunds payable to be evaluated through April 30th, consistent with practices in prior years when audits were up to date. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

H. 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, 2021, the Retirement System is 9.81% funded for the year ended September 30, 2022. The same report also disclosed a net pension liability of $4.36 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 Virgin Islands Public Finance Authority created the Matching Fund Special Purpose Securitization Corporation to refund and restructure the Government's matching fund bonds. The Corporation also issued a funding note to GERS, secured by a subordinate lien on matching funds, with an expected payout of $3.8 billion to GERS by 2051. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-006: 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 –

- 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 function on a non-DRG platform, meaning that they charge through daily per diem rates based upon the number of patients serviced. The costs incurred by the hospitals, long-term care facilities, and/or Federally Qualified Health Centers (FQHC) participating in the Medicaid program are to be summarized in a cost report, which, in turn, is to be submitted to the Department. The cost reports are then required to be audited per the Government's Medicaid State Plan. Based on audits of the cost reports, a receivable or a payable should be recorded for the difference between costs submitted for reimbursement and the costs actually reimbursed. We noted that the Department has not audited cost reports for fiscal year 2022.

- 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 the Governmental Activities and the General Fund information may have been impacted as of, and for the year ended, September 30, 2022, thereby affecting the auditor's ability to opine on these opinion units. As a result, there is no assurance that the system is functioning as intended, which exposes the program to possible 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 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 Medicaid Assistance Program is collaborating with the selected vendor to complete the requirements for cost report audits. For the Eligibility System, a vendor has been chosen, and the contract is underway. Additionally, the Medicaid Program will work closely to ensure all necessary information is provided regarding the claims environment. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-007: 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, 2022, thereby affecting the auditor's ability to opine on these opinion units.

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 Virgin Islands Department of Labor (VIDOL) has hired a Financial Analyst to reconcile the Unemployment Insurance Trust Fund, ensuring compliance with CMIA and Social Security Act regulations. The Trust Fund is in good standing and is reconciled daily. VIDOL's policies and procedures manual, approved by the U.S. Department of Labor in October 2021, addresses ineffective internal controls and outlines fiscal and administrative requirements for managing the Unemployment Insurance Trust Fund accounts. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-008: Workers Compensation Program

Plan Valuation Methodology

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).

The preferred actuarial approach to determine loss and loss expense reserves is to employ a variety of reserving methods to estimate ultimate losses by accident year. Each method has advantages and disadvantages dependent on such items as the claim's environment, the age of the accident year, and stability of the method. From within this range of indicated ultimate losses, a selection is made based on a review of the various methods and actuarial judgment.

Condition **-** We noted that there are delays in the payments of current and prior-year claims. Since loss development factors are determined based on the assumption that a percentage of the total reported losses are paid at any given point in time, the application of the paid patterns underlying the Government's loss triangles to the paid losses impacts the accuracy of the ultimate value.

As a result, and in an effort to improve the predictive value in the recent past, the actuary modified the methodology to also include the accounts payables of the two major hospitals in the U.S. Virgin Islands. Based on hindsight comparisons and other calculations derived from claim counts, we were able to conclude that the actuary's ultimate loss projections are within a range of reasonable estimates. However, actuarial estimates improve as more information becomes available at each maturity.

Additionally, we noted that the actuary expressed concerns regarding the underlying data used in the Government's workers' compensation analysis, as detailed in the actuarial study. Furthermore, the Government recorded an adjustment of approximately $4.3 million for Workers' Compensation Liability to reconcile with the actuarial report as of September 30, 2022. We also noted that the Government did not record the required adjustment to align the actuarial report with the confirmed outstanding hospital invoices of approximately $1.0 million as of September 30, 2022.

Cause **-** Absence of structured process for calculating and reporting liabilities in financial statements, including inadequate review, control, and completeness of underlying data.

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 consider the following:

- Develop a formal document describing the processes used to compute and report these liabilities in the financial statements. The Government and its actuary should consider incorporating open claims and severity models in their projections.

- Provide clear reasoning for the establishment of any subjective assumptions.

- Include explicit explanations for any changes made to methodologies or programs in the current period that were not present in the prior-period valuation.

- Monitor and reconcile the accounts payable balances for the major hospitals to ensure that any relevant matters are reflected in future analyses.

- For completeness, construct a formal Risk Control Matrix and a visual flow chart related to the valuation processes.

- Institute sufficient controls over the production of input data prior to submission to an actuarial service provider.

- Monitor and adhere to established policies and procedures related to record retention.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance (DOF) will collaborate with VIDOL to consider the issues provided. The newly implemented software, Ventiv, will help address the mentioned issues. Additionally, the Government Insurance Fund (GIF) will initiate a monthly Hospital Payables Inquiry request form for completion by the WCA. This form will provide a baseline for tracking increases and decreases in payables and inform the GIF of any "special payment projects" at the WCA. This document will supplement the information provided to the actuary. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-009: 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.

- During analysis of the hiring process, we observed that agency Commissioners have the authority to sign offer letters for new employees. However, Government policies still mandate that the Governor must sign all appointment letters.

- We noted that the compensated absences schedule includes some redundant data. For instance, there are employees who should not be on the schedule but have accrued balances, negative balances, or zero balances. In addition, we sampled and selected fifty (50) employees and noted the following:

    - Six (6) instances where employees had accrued hours, but no pay rate or liability listed in the report.
    - One (1) instance where an active employee who should have been included was excluded from the report.
    - One (1) instance where the employee's pay rate in the report did not agree with the pay rate per the employee's notice of personnel action.

- During our sampled procedures of fifty (50) payroll transactions, we noted the following:

    - One (1) instance where management did not maintain evidence of approval for a pay rate correction.
    - One (1) instance where fringe benefits owed as part of a retroactive wage paycheck were not paid in a timely manner.

- We noted several instances where employees in certain labor categories received overtime payments exceeding their annual salaries, attributed to staffing shortages. Although this was approved, it remains an area prone to mishandling given the volume and amounts involved. Additionally, during our sampled procedures of fifty-nine (59) transactions for overtime expense, we noted the following:

    - Two (2) transactions where evidence of approval for retroactive overtime hours was not available for review.
    - Two (2) transactions where approval for the pay rate used to calculate overtime was not provided.

Cause **-** The Government fails to comply with its established payroll policies and procedures.

Effect or Potential Effect **-** Lack of inadequate documentation could lead to audit issues, potential financial discrepancies, and questions regarding the legitimacy of the payments.

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.
- Ensure adequate arrangements are made for the protection of files and the use of backup storage.
- Monitor and adhere to established written policies and procedures related to the proper review, recording, reporting, and retention of payroll expenditure records.
- Update policies and procedures to reflect any changes in processes.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Department of Finance will collaborate with the Department of Human Services and the Payroll Division to evaluate and consider the recommendations provided. Additionally, the Department of Finance's Payroll Division will monitor overtime and work with various agencies to ensure it complies with laws and collective bargaining agreements. In certain cases, a state of emergency may appropriately override normal overtime regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 Department of Finance has implemented a government credit card program that includes training and requires an active purchase order for card issuance. The Department will work with the Office of the Governor to strengthen, recommunicate, and monitor the program to ensure all reimbursements comply with established policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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. 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 - During our sampled procedures of expenses, we noted the following:

- Supporting documentation was not available for twenty-three (20) out of one hundred and thirty-one (131) general expense transactions.

- Twenty-one (21) out of one hundred and seventy-nine (179) expense transactions indicated that the expenditures were not recorded in the proper period.

Cause - Lack on adherence to government's established written policies and procedures related to the proper recording and reporting of expenditures.

Effect or Potential Effect - Sufficient audit evidence was not obtained to support conclusions on general expenses. As a result, additional time and effort were required during the audit process to locate and/or identify alternative methods.

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. The Government will continue to enforce the Standard Operating Procedures and Policies (SOPP) requiring all invoices to be attached in the ERP system and will closely examine the invoice approval process. As part of this process, invoices will be thoroughly reviewed to ensure expenditures are recorded in the correct period and are properly supported in the Accounts Payable module. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 has enhanced its infrastructure for climate resilience and remote operations, driven by the global pandemic, resulting in stronger controls to maintain continuity during adverse conditions. Emergency payroll processing protocols are regularly reviewed and updated to support these efforts. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-010: 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 reclassified to accounts payable at year-end.

- A substantial number of outstanding checks in the bank reconciliations, amounting to $5.0 million, were recorded as voided during fiscal year 2022. However, we were unable to obtain or trace the entries made when voiding the checks. This lack of traceable entries raises concerns about the completeness and accuracy of the voiding process and related financial records.

- There were instances where bank reconciliation variances were not properly explained or investigated. Additionally, there was insufficient documentation to confirm that the reconciliation and related journal entries had been reviewed and approved.

- Outstanding checks totaling $1.6 million were not included in either the outstanding check listing or the voided check listing.

- During our review of the bank reconciliations and the outstanding check analysis, we noted that $0.9 million in checks was reported as outstanding. Of this amount, the status of the $0.8 million in outstanding checks remains unknown.

- The outstanding check analysis indicated a total of $16.8 million in outstanding checks. However, the supporting outstanding check listing totaled only $15.3 million, resulting in a variance of $1.4 million.

- During our review of the bank reconciliations, we selected a specific last outstanding check of fiscal year 2022 for testing to verify its proper inclusion or exclusion from the outstanding check listing. However, we were unable to obtain a supporting copy of the check, preventing us from confirming its status.

- Four (4) imprest cash accounts, confirmed by the bank(s), were not listed in the imprest cash account report at year-end.

- The Government's bank listing included an account that had been closed. Despite its closure, the account still showed a balance as of September 30, 2022. This balance was incorrectly reported and required an adjustment.

Cause **-** There accounting system lacks the functionality to formally approve or indicate review of the bank reconciliations. Additionally, the failure to update the bank listing and remove closed account in the financial records is caused by lack of regular reviews.

Effect or Potential Effect **-** Uncertainty regarding the status of outstanding checks may result in the inaccurate presentation of cash balances, while unresolved outstanding checks could lead to stale-dated checks and undetected errors. Additionally, the inclusion of a closed account and the exclusion of imprest accounts in the bank listing have resulted in inaccurate cash balances, potentially misleading users of the financial statements.

Recommendation **-** We recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. We recommend that management implement a process to track when bank reconciliations are reviewed and approved. Additionally, we recommend the following:

- Outstanding checks and other uncleared reconciling items that are over one year old should be investigated and removed from the bank reconciliations, and the original transactions should be reversed. Periodic research should be conducted to eliminate large numbers of old items being carried forward from month to month and year to year. As an auxiliary step, consideration should also be given to the Government's unclaimed property laws.

- Regular and thorough reviews of bank reconciliations should be conducted to identify any discrepancies and ensure the accuracy of reported balances. Management should establish a process for investigating and clearing stale-dated checks and verifying the status of all listed accounts.

- Management should establish more robust controls and review procedures to ensure that all imprest accounts are listed and reconciled at year-end.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Commissioner of Finance will enforce Title 33, Subtitle 3, Chapter 115, Subchapter III, Subsection 3261, which outlines procedures for unpaid checks. Additionally, the Director of Treasury will ensure that bank reconciliations are prepared and reviewed promptly. The Government will collaborate with Munis consultants to implement a process for tracking the review and approval of bank reconciliations. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 Director of Treasury, with oversight of the Assistant Commissioner, will improve documentation supporting the pooling and allocation of cash accounts. Additional human resources have been allocated to ensure timely preparation of bank reconciliations, as the Government aims to enhance the connection between confirmed cash account balances and the cash balance per fund in year-end financial statements. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 Government is implementing measures to ensure proper management of check sequences within the ERP system. This includes monitoring both used and unused check sequences, as the system automatically generates check numbers. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-011: Other Post Employment Benefit Valuation

A. Actuarial Valuation

Criteria – Generally Accepted Accounting Principles (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 **-** We noted that the Government has not performed a full actuarial valuation of OPEB in accordance with GAAP as of October 1, 2021, applicable for fiscal year 2022. The most recent full actuarial valuation was completed as of October 1, 2019, and liabilities for fiscal years 2020 and 2021 were determined by rolling forward the previous valuation.

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 it 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 has implemented a new census data management system that allows for easy updates by the component unit, which will help alleviate delays in submitting data to the actuary. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 Department of Finance and the Division of Personnel have started working together to address the findings. With the hiring of a dedicated employee in January 2020, the Division of Personnel can now effectively monitor and track the receivables and payables of the Health Insurance Retiree Fund for the Group Health Insurance Unit and will continue to establish processes to resolve noted issues. The planned corrective actions are presented in the Government's Corrective Action Plan attached in 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 - To maintain consistency, the mortality and demographic assumptions used in the valuation match those in GERS pension valuations. These assumptions will be updated following the next GERS experience study. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-012: 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.

Condition **-** The Government did not adopt or conduct an assessment to analyze the impact that implementing GASB 77 and GASB 87 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 and GASB 87, 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 and GASB 87 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. The Government is initiating the process of soliciting a professional services contract to implement GASB 87. However, disclosures related to GASB 77 cannot be made due to confidentiality restrictions on the underlying contracts. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-013: 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 seventy-seven (77) out of hundred-seventy-five (175) transactions.
- No evidence was available that a request for proposal (RFP)was initiated for twenty-seven (27) out of thirty-one (31) purchase orders over the $50,000 policy threshold.
- A single individual approved multiple levels for payment remittance for ten (10) out of hundred-seventy-five (175) 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 thirteen (13) out of thirteen (13) purchase orders above $10,000.
- Same invoice was used to support two (2) out of hundred-seventy-five (175) transactions.
- No evidence that a payment remittance was fully approved for one (1) out of hundred-seventy-five (175) 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 eight-eight (88) out of hundred-seventy-five (175) transactions.
- Purchase of good and/or services for no documented business purpose for three (3) out of hundred-seventy-five (175) 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 are retained such as: purchase orders, contracts, and vendor profiles which will 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 is finalizing its policies and procedures to ensure all necessary supporting documentation are retained, which will support adherence to internal policies and regulatory requirements. The Government will review regularly to 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 2022-014: 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 one hundred and twenty-nine (129) purchase orders and sixty-four (64) contract files and noted the following:

- The DPP was unable to provide evidence that the controls process regarding the evaluation committee for supply contracts, which confirms understanding of the policies and procedures, was operating effectively.

- Thirty-five (35) purchase orders from nineteen (19) different vendors did not contain the requisite documentation to provide evidence that the purchase order met the stated requirements.

- Forty-one (41) purchase orders from seven (7) different vendors appeared to be split purchase orders, and adequate supporting documentation was not available to determine if purchase order splitting occurred.

- Two (2) purchase orders from two (2) different vendors were not in line with Government policies regarding purchase orders and contracts.

- Forty-one (41) executed contract files did not contain the requisite documentation to provide evidence that the respective procurement met stated requirements.

- Sixty-four (64) instances lacked adequate supporting documentation 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.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government will continue to implement necessary measures to address noncompliance and conduct periodic reviews of purchase orders, contracts, and profiles to ensure adherence to internal policies and regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-015: Information Technology (IT) Environment

A. User Access and Administration

Criteria **-** Logical security for user access and user administration are critical components of an effective information security strategy. These controls are designed to ensure that only authorized individuals have access to information systems and data, thereby safeguarding 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 applications:

  Applications:
  - Timeforce
  - MUNIS
  - VIDOLA$
  - VITAX
  - ScanOptics
  - MMIS
  - Capture
  - RawData
  - CARIBS
  - VIBES

- The password and account lockout configurations have not been implemented to enforce strong passwords on the following applications and operating systems:

  Applications:
  - VIDOLA$

  Operating Systems:
  - Department of Finance
  - Bureau of Internal Revenue
  - Lieutenant Governor's Office
  - Department of Labor (including Red Hat)
  - Department of Human Services

- Evidence was not available to demonstrate that users with access to database is restricted and appropriate based on job responsibilities for the VITAX application.

- Evidence was not available to demonstrate that there is a formal change management policy on the Munis 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 Lieutenant Governor's Office has upgraded systems for re-certifying user access security rights, and the MIS Director is working with the Bureau of Information Technology on a government-wide framework. The Bureau of Internal Revenue has implemented a password lockout and complexity policy, with annual training for users. The IT department is developing a recertification policy and forms for supervisors, ready by next fiscal year, and plans to implement a password lockout policy with Oracle Forms. VIDOL IT is working on standardizing change management systems for the next fiscal year. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-016: 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.

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.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. Collateral reports are specific to financial institutions and may not include all quasi-governmental or component unit accounts unless identified as government accounts when established. The Government will collaborate with its banks to ensure that any identified accounts are included in the collateral report of the related institution. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-017: 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 of the Virgin Islands is seeking funding from the Virgin Islands Legislature to address funding concerns and organize the workflow to complete reports in a timely manner, in order to meet EPA decrees related to various issues. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-018: 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 with 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 Department of Health has established a Medical Malpractice fund known as the Reciprocal Insurance Fund. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Finding 2022-019: Casino Control Commission

Criteria **-** Title 32, Chapter 21, Section 514 of the Virgin Islands Code states that the Chairman of the Casino Control Commission "shall submit to the Department of Finance by the 30th day of the month following the end of each quarter a report detailing the amount, nature, and the justification for each item of expenditure in the previous quarter. The report shall be accompanied by receipts and any other documentation required by the Department of Finance's rules and regulations or other laws of the Virgin Islands. An annual financial report of the fiscal year's expenditures from the special checking account shall be compiled by the Chairman of the Commission and submitted to the Legislature and the Department of Finance by the 30th of the month following the end of the fiscal year."

Condition **-** We noted that the Casino Commission is not submitting all requisite reports to the Department of Finance.

Cause **-** The Government does not appear to have adequate policies and procedures in place to ensure compliance with applicable requirements.

Effect or Potential Effect **-** The Government is not in compliance with stated provisions, which could lead to inaccurate reporting.

Recommendation **-** We recommend that the Department of Finance maintain proper oversight of the Casino Control Commission by obtaining and reviewing all required reports. These reviews should include supporting documentation for all financial transactions and an assessment of compliance with Virgin Islands policies and procedures.

Views of Responsible Officials **-** The Government concurs with the auditor's findings and recommendations. The Government has requested and is receiving the required quarterly reports from the Casino Control Commission, as covered by the V.I. Code. The planned corrective actions are presented in the Government's Corrective Action Plan attached in Appendix B to the Single Audit Report.

Section III – Federal Award Findings and Questioned Costs

Finding Number: **2022-020**
Prior Year Finding Number: **2021-019**
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 #: 4VI400408
Award Year: 10/01/20 – 09/30/21
10/01/21 – 09/30/22

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 1,854 payroll disbursements and noted the following:

- 13 instances where DHS did not consistently apply funding allocation in accordance with the Notice of Personnel Action (NOPA). Of the 13, we found 5 instances where hours that should have been charged 100% to federal funds were split 50/50 (local/federal) and 8 instances in which hours that should have been split 50/50 were charged 100% (3), 95% (3), 75% (1), and 55% (1) to federal funds.
- One instance where an employee's compensation was charged to SNAP while working on a different federal program.
- One instance in which overtime hours noted per the employees' timesheet did not agree to the overtime hours in the payroll register.

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 2022 were $3,354,155. The amount sampled is $132,885. The known amount of the instances of inconsistent funding allocation is $6,453.

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: **2022-021**
Prior Year Finding Number: **2021-020**
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 #: 4VI400408
Award Year: 10/01/20 – 09/30/21
10/01/21 – 09/30/22

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 – During the fiscal year, it appears that management's internal controls over matching compliance were not functioning as intended. We found that management was not monitoring its compliance with the matching requirement throughout the year.

Further, we tested 60 of 1,455 matching transactions and noted the following:

- 13 instances where DHS did not consistently apply funding allocation in accordance with the Notice of Personnel Action (NOPA). Of the 13, we found 9 instances where hours that should have been charged 100% to federal funds were split 50/50 (local/federal) and 4 instances in which hours that should have been split 50/50 were charged incorrectly. We do note, however, that all such employees did work 100% on the federal program such that time allocated to the match is allowable.
- One transaction did not contain the appropriate management approvals.
- One transaction totaling $4,500 that did not appear to be an allowable cost was claimed as part of the match. We do note, however, that the overall match appears to have been met with the exclusion of this transaction.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total expenditures claimed as the match fiscal year 2022 were $3,864,719. The amount sampled is $406,626.

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. The Department of Human Services (DHS) shifted to the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance require multi-level management approval, finalized by the Agency Head. Payroll is based on Notice of Personnel Action (NOPA) cost centers, updated annually with ERP codes. A dedicated Financial Analyst reconciles payroll costs, 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: **2022-022**
Prior Year Finding Number: **2021-021**
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 #: 4VI400408
Award Year: 10/01/20 – 09/30/21
10/01/21 – 09/30/22

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 one (1) reconciliation with differences between new/replacements issued cards status report and the actual new/replacements cards issued. Specifically, we identified differences of 10 new cards and 6 replacement cards 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 – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The reconciliations sampled reported 535 new cards and 1,436 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: **2022-023**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:	***Government Department/Agency:***
U.S. Department of Agriculture	Department of Education (VIDE)

Child Nutrition Cluster
ALN: 10.555, 10.559, 10.582
Award #: 4V1300308
Award Period: 10/01/2021 – 9/30/2022

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 11 of 104 payroll disbursements and noted the following:

- 11 instances where the approved timesheet for the pay period selected was not available for review.
- 11 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.
- One instance where the project code on the approved NOPA did not agree with the project code utilized on the payroll register.
- 7 instances where the payroll register did not include and employee's retirement and health insurance benefits for the pay period selected.
- One instance where the employee's pay rate in the approved NOPA provided did not agree with the pay rate in the payroll register.

- One instance where the payroll register did not show any hours worked by the employee for the pay period selected.

Questioned Costs – None.

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 2022 were $205,418. The amount sampled is $22,738 The known amount of the instances of inconsistent funding allocation is $22,738.

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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-024**
Prior Year Finding Number: **2021-022**
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 Year: 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 – We sampled and selected 60 out of 319 drawdowns and noted that all 60 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 $3,870,825. The amount sampled is $1,275,356.

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) will update drawdown Standard Operating Procedures (SOPs) for Fiscal Year 2025 to require signatures or initials on all supporting documents, certifying proper review. This updated procedure will be included in Federal Grants training in December 2024 and made accessible on the Business Process Improvement SharePoint site. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-025**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

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

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.

Condition – We sampled and selected 73 out of 909 transactions and noted 32 transactions that were charged to an internal project code associated with a grant that ended on 9/30/21 but were incurred after 10/1/21. Upon further investigation, it was determined that such transactions were charged to the incorrect internal project code but were not ultimately drawn down from the 2021 grant associated with the internal project code. Such costs incurred after 10/1/21 were ultimately drawn down from a grant ending on 9/30/22.

Additionally, we analyzed each open grant award and compared the Federal award to award-to-date expenditures according to the internal project codes through September 30, 2022. For the grants noted above, according to the internal project code accounting, we noted $1,355,231 of spending above the total federal award.

As a result, 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 – None.

Context – This is a condition identified per review of DOH's compliance with the specified requirements using a statistically valid sample. Total amount of expenditures charged to the program was $4,560,676. Total amount sampled is $2,951,525. The total amount of the exceptions is $157,215.

Effect – Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOH does not appear to have adequate policies and procedures in place to ensure compliance with applicable period of performance stipulations.

Recommendation – We recommend that DOH strengthen its process with respect to setting up and charging expenditures between various grant awards. We also recommend that DOH 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-026**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities and Period of Performance**

Program:
U.S. Department of Defense

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

Government Department/Agency:
Office of the Adjutant General (OTAG)

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.

Condition – We sampled and selected 60 out of 597 payroll transactions and noted the following:

- Eleven (11) instances where the employees' payroll costs were charged to prior year grant projects that had not been extended or approved.
- One (1) instance where there was no evidence of approval of an employee's timesheet.
- Seven (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 and period of performance compliance requirements.

Questioned Costs – None.

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 2022 were $1,812,537 and the total amount of our sample was $252,320. The known amount of the exceptions amounted to $97,989.

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 and the required period of performance 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. 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 internal controls by implementing a dual timesheet system manual and electronic to verify employee hours. Updated policies ensure payroll process validation, supported by an Employee Relations Coordinator. The Director of Administration certifies, and the Agency Head approves payroll activities based on cost principles. OTAG is refining the grant review process for performance periods. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-027**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management and Reporting**

Program:
U.S. Department of Defense

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

Government Department/Agency:
Office of the Adjutant General (OTAG)

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 could not complete the SF-270 report for Fiscal Year 2022. However, it developed a Policies and Procedures Manual for FY2023 and hired a Reimbursement Specialist to ensure separation of duties in financial reporting. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-028**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Defense

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

Government Department/Agency:
Office of the Adjutant General (OTAG)

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 updated their policies and procedures manual to include tracking match fulfillment for each expenditure. The master cooperative agreements, through appendices, identifies cost share and requirements for management functions. Procedures are updated annually to reflect any changes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-029**
Prior Year Finding Number: **N/A**
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-22-2, W9127P-21-2
Award Year: 10/01/2020 – 09/30/2021
10/01/2021 - 09/30/2022

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).

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 126 out of 600 transactions and noted the following:

- Five (5) instances where transactions were charged to the incorrect grant award.
- Forty-four (44) 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 allowable costs/cost principles and period of performance compliance requirements.

Questioned Costs – $416,938.

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 $1,301,606 and the total amount of our sample was $858,928. The known amount of the exceptions amounted to $416,938.

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 updated policies and procedures to manage pre-award costs, scope of work, and vendor payouts, ensuring compliance with the 90-day closeout process. They are training new personnel and actively monitoring implementation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-030**
Prior Year Finding Number: **2021-025**
Compliance Requirement: **Cash 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 Year: Various

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 12 out of 59 drawdowns and noted 1 instance where the drawdown was made in advance and did not adhere to the reimbursement method in the CMIA Agreement.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements. This includes 9 instances where the journal entry to record the cash receipt was reviewed and approved by unauthorized individuals.

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 2022 drawdown requests were $7,577,962. Total amount sampled is $5,547,527. The amount of the drawdown made in advance is $741,450.

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 Government of the Virgin Islands (GVI) is enacting reforms to enhance financial accountability and internal controls. An Executive Order directs CFOs of the Government agencies to report to the Department of Finance, streamlining oversight. Introduction of new Public Finance Policy is an important step to standardize procedures, ensuring compliance with Cash Management regulations to maintain transparency and minimize financial risks. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-031**
Prior Year Finding Number: **2021-026**
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 Year: 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 2022.

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 2022 totaled $3,007,762.

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: **2022-032**
Prior Year Finding Number: **N/A**
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 he 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 11 out of 77 procurement transactions, we noted 5 procurement transactions did not contain sufficient supporting documentation to validate adherence to procurement policy. One procurement did not contain a justification letter for emergency purchases. Four 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 $8,984,016. Total amount sampled was $3,455,217. The known amount of exceptions is $2,424,927.

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: **2022-033**
Prior Year Finding Number: **2021-027**
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 Year: 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 14 out of 134 financial and performance reports and noted the following:

- 5 financial reports and 5 performance reports were not available for review.
- 2 financial reports and 2 performance reports where sufficient supporting documentation were not available to validate that the respective financial information agreed with the underlying records.
- 1 financial report and 1 performance progress report where the report was reviewed by an individual other than authorized reviewer.
- 1 performance report that was submitted 305 days late.

Additionally, the Government did not submit FFATA reports where subawards were made for more than $30,000 for fiscal year 2022.

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: **2022-034**
Prior Year Finding Number: **2021-028**
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 issued a proposal for a contractor to install a Trust Fund accounting 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: **2022-035**
Prior Year Finding Number: **2021-029**
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 19,227 unemployment claim files and noted the following:

- 7 instances 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.
- 1 instance where VIDOL was not able to provide evidence of UI interviewer eligibility assessment.
- 3 instances where VIDOL was not able to provide evidence that the claimant is legally authorized to work in the United States.

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 – $34,076.

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 $36,406,202. Total amount sampled is $187,107. The known amount of the exceptions is $34,076.

Effect – Noncompliance with program requirements could result in disallowances of costs and participants could be receiving 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 confirming 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. The agency is reviewing retention policies and training staff on systematic record-keeping. In 3rd Qtr. of FY2025, an electronic record-keeping system for claims files will be launched, enhancing record retention. VIDOL staff will collaborate with USDOL for technical assistance and data validation to ensure eligibility and record 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: **2022-036**
Prior Year Finding Number: **2021-030**
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 100 financial, performance and special reports required to be submitted. We noted the following:

- 3 reports (2 ETA-9050 and 1 ETA-9052) did not have any supporting information available to review.
- 1 report (ETA-9052) did not contain evidence of review and approval.
- 8 reports (2 ETA-9050, 2 ETA-9052 and 4 ETA-9055) where information reported did not agree with the underlying records.

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 report.

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 received a federal grant from USDOL to update and redesign the UI reporting and accounting system. This grant aims to rebuild the reporting structure for complete, accurate, and timely processes. VIDOL has begun preparing the scope of works for the projects, with completion anticipated by 4th Qtr. of FY2026. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-037**
Prior Year Finding Number: **2021-031**
Compliance Requirement: **Special Tests and Provisions – Employer Experience Rating**

Program:	***Government Department/Agency:***
U.S. Department of Labor	Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: Various

Criteria – 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).

Certain benefits accrue to states and employers as a result of the state having a federally approved experience-rated UI tax system. All states currently have an approved system. For the purpose of proper administration of the system, the SWA maintains accounts, or subsidiary ledgers, on state UI taxes received or due from individual employers, and the UI benefits charged to the employer.

The employer's "experience" with the unemployment of former employees is the dominant factor in the SWA computation of the employer's annual state UI tax rate. The computation of the employer's annual tax rate is based on state UI law (26 USC 3303).

Condition – We tested 60 of 5,381 employer tax remittances and found the employer tax rate to be accurate and applied appropriately in all instances. However, we were unable to determine if the population subject to testing is complete. We found the total taxes collected by employer according to VIDOL systems does not reconcile to the total taxes collected in the general ledger of the Government of the Virgin Islands. Out of total taxes collected by employer of $19,203,630, we found a variance of $177,714 to the General Ledger.

Further, it appears internal controls were not designed to ensure compliance with the employer experience rating compliance requirement.

Questioned Costs – None.

Context - This is a condition identified per review of VIDOL's population completeness over the compliance requirements of the program.

Effect - VIDOL did not comply with the employer experience rating compliance requirements of the program.

Cause – VIDOL does not appear to have adequate policies and procedures in place to ensure compliance with applicable requirements, and maintenance of underlying documentation.

Recommendation – We recommend that VIDOL improve its existing internal controls and procedures over maintenance of appropriate documentation to ensure compliance with Federal regulations related to employer experience rating.

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 issued a proposal for a contractor to install a Trust Fund accounting system. This system aims to correct accounting deficiencies, improve operations, and ensure accurate account balances. It will facilitate accrual, month-end, and year-end system closes, with trained personnel managing postings and ledger balances. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-038**
Prior Year Finding Number: **2021-033**
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 report.

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 is implementing a RESEA case management system for reporting and program services, currently in the configuration phase. This system will serve as the official system for documenting all services provided to RESEA claimants participating in the program. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-039**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Period: 03/01/2020 – 12/31/2021

Criteria **-** The CARES Act provides that payments from the Coronavirus Relief Fund (CRF) may only be used to cover costs that were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021. All such obligations would need to be liquidated by September 30, 2022. (Section 601(d)(3) of the Social Security Act (42 U.S.C. 801(d)(3)), as added by section 5001 of the CARES Act and as amended by section 1001 of Division N of the Consolidated Appropriations Act, 2021)

In "Revision to Guidance Regarding When a Cost is Considered Incurred, December 14, 2021" Treasury revised the guidance to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021. Treasury defines obligation for this purpose consistently with the Uniform Guidance definition in 2 C.F.R. 200.1 as an order placed for property and services and entry into contracts, subawards, and similar transactions that require 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 ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – During our testing of 12 expenditures sampled of a population of 53, we found 3 expenditures that were not incurred within the period of performance.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the compliance requirements.

Questioned Costs **-** $45,300.

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 non-payroll disbursements totaled $5,277,012. The total amount sampled was $4,636,495.

Effect **-** OMB 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 – OMB does not appear to have adequate policies and procedures in place to ensure compliance with the period of performance compliance requirements.

Recommendation – We recommend that OMB strengthen its process with respect to incurring and charging expenditures. We also recommend that OMB enhance its review process to properly determine the activities of the grant relative to the appropriate period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Office of Management and Budget will collaborate with the Department of Finance to implement control measures designed to prevent the approval of transactions beyond the designated period of performance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-040**
Prior Year Finding Number: **2021-035**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Period: 03/01/2020 – 12/31/2021

Criteria **-** Each prime recipient of Coronavirus Relief Funds shall provide a quarterly Financial Progress Report that contains COVID-19 related costs incurred during the covered period (the period beginning on March 1, 2020; and ending on December 31, 2021) to Treasury Office of Inspector General. Each prime recipient shall report this quarterly information mentioned above into the GrantSolutions portal. The prime recipient's quarterly Financial Progress Report submissions should be supported by the data in the prime recipient's accounting system.

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 3 out of the 5 quarterly reports submitted during the fiscal year and noted that OMB was unable to furnish underlying financial records to determine whether the 3 quarterly reports submitted were complete and accurate. Additionally, all 3 reports were not submitted in a timely manner, ranging from 7 to 14 days late.

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 OMB's compliance with the specified requirements using a statistically valid sample.

Effect **-** Inaccurate reporting of financial information to the federal government can result in the use of inaccurate data by the federal government when making programmatic decisions.

Cause – It appears that internal controls, including management review of federal reports and underlying documentation were not properly designed.

Recommendation – We recommend that OMB 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. An analyst will be designated to track reporting schedules, oversee grant activity, and store documents. This analyst will regularly monitor each grant award's reporting schedule to ensure timely submission of all required 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: **2022-041**
Prior Year Finding Number: **2021-036**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Period: 03/01/2020 – 12/31/2021

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 reviewed two sub-awards made during 2022 and found that OMB did not evaluate the risks or monitor the two subrecipients.

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 OMB's compliance with the specified requirements and general compliance principles. The total amount of expenditures passed through to subrecipients in fiscal year 2022 were $4,500,000.

Effect **-** OMB is not in compliance with the stated provisions. Failure to properly monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the programs objectives.

Cause – OMB does not have internal controls in place 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 monitored in accordance with federal statutes.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OMB will establish a robust framework featuring detailed monitoring procedures, regular compliance checks, and comprehensive oversight mechanisms to ensure subrecipients adhere to federal requirements. This framework aims to promote accountability, proper use of federal funds, mitigate risks, enhance transparency, and ensure subrecipients effectively fulfill their obligations under federal statutes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-042**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities and Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

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 2022, Mon Ethos Pro Support, LLC was paid $52,290 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 – $52,290.

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 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-043**
Prior Year Finding Number: **2021-038**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

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 602(c) and 603(c) 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 9 out of 86 procurement transactions, we noted 3 transactions where there was no written justification letter for task order contracts.

Further, internal controls over compliance do not appear to be operating effectively to ensure 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 $17,487,469. Total amount of the samples was $5,699,575. The known amount of the exceptions is $3,530,516.

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: **2022-044**
Prior Year Finding Number: **2021-039**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Criteria – There are three types of reporting requirements for the CSLFRF program:

Interim Report: Provide initial overview of status and uses of funding. The interim report will include a recipient's expenditures through July 31, 2021 by category and at the summary level. The reporting requirements vary by type of recipient, the total allocation amount, and the date which the recipient first received its allocation. This is a one-time report.

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 – In our review of 3 out of 4 reports submitted during the fiscal year, we noted 3 reports did not contain evidence of review and approval prior to submission and the financial and other information did not agree with underlying records.

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: **2022-045**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

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 obtained a list of subrecipients from OMB and found that the list identified internal Government of the Virgin Islands (GVI) departments and offices as subrecipients. The list of subrecipients also included an external entity whose federal expenditures are part of the GVI Schedule of Expenditures of Federal Awards. As a result, the listing of subrecipients was amended to exclude 23 projects totaling $23,559,959.

Using the amended listing of subrecipients, we selected 12 of 18 subrecipients and found the following:

- 3 projects which OMB did not verify if the entity underwent a single audit as required by 2 CFR part 200, subpart F.
- 1 project which OMB did not complete their monitoring workbook during the fiscal year.
- 5 projects in which there was no evidence the monitoring workbook was reviewed by the American Rescue Plan Act (ARPA) Grants Administrator.
- 6 projects where entities were identified as subrecipients but were ultimately considered to be beneficiaries of SLFRF funds and not subrecipients.

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 OMB's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2022 were $56,490,165. The total amount of our sample totaled $46,452,928.

Effect – OMB 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 programs objectives.

Cause – OMB 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 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. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-046**
Prior Year Finding Number: **2021-041**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 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. VIDE will enhance their asset tracking system, maintaining centralized records with detailed asset information, including description, serial number, acquisition details, and federal participation. The Procurement Division will conduct quarterly inventory audits and reconciliations to ensure alignment with actual inventory, promptly resolving discrepancies. The Fixed Asset Director will establish protocols for regular communication among Programs/Divisions responsible for asset management, 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: **2022-047**
Prior Year Finding Number: **2021-042**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 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 ARP grant and 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.
- At the Local Education Agency (LEA) level, we were unable to review documentation that the LEA did not use more than 15% of the amount of federal Part B 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.

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 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2022-048**
Prior Year Finding Number: **2021-043**
Compliance Requirement: **Cash 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 – 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.

Further, the U.S. Department of Education (DOE) imposed specific conditions on grant awards provided to the U.S. Virgin Islands. VIDE is required to draw down funds and provide any applicable matching funds to the Agent within 24 hours of receipt of the written notice from the Third-Party Fiduciary Agent (TPFA).

Condition – We reviewed 24 out of 204 drawdowns and noted the following:

- 2 drawdowns were not performed within the required 24 hours after receipt of the request from the TPFA as required by the DOE. In addition, the drawdown reconciliation for one of these sample was not provided so we were unable to confirm that it was properly reviewed and approved;
- 2 drawdowns were missing required documentation.

Further, we noted that the internal controls are not designed at a level of precision that would prevent or detect and correct noncompliance.

Questioned Costs – None.

Context – This is a condition identified per review of the VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of cash drawdowns for the program was $16,413,229. Total amount sampled is $5,764,930. The known amount of the exception is $38,540.

Effect – VIDE is not in compliance with the stated provisions. Payment to vendors could be delayed when cash drawdowns are not completed in a timely manner.

Cause – It appears that policies and procedures, including timely submission of drawdown requests, were not functioning as intended. Further, the Government did not appear to exercise due diligence in requesting Federal funds consistent with the U.S. Department of Education imposed specific conditions and its actual cash needs.

Recommendation – We recommend that VIDE comply with the specific conditions imposed by the U.S. Department of Education and request Federal funds consistent with the specific conditions imposed for this program.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE will reinforce the procedure to complete drawdown requests within 24 hours and ensure designated individuals are trained to process requests. Weekly reconciliations of requests and disbursements will be conducted, with processes to resolve discrepancies and maintain detailed records. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2022-049**
Prior Year Finding Number: **2021-044**
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 **2022-050**
Prior Year Finding Number: **2021-045**
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 2022, VIDE passed through $1,051,727 to 10 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. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2022-051**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

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 Compliance Supplement, 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)); and (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 a sample of subawards to 3 out of 10 subrecipients and found no supporting documentation demonstrating that VIDE verified whether the subrecipients were subject to audit requirements under 2 CFR part 200, subpart F. Additionally, there was no evidence of award monitoring performed for 2 of the 3 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 VIDE's compliance with the specified requirements and general compliance principles. The total amount of expenditures passed through to subrecipients in fiscal year 2022 were $1,051,727.

Effect **-** VIDE is not in compliance with the stated provisions. Failure to properly monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the programs objectives.

Cause – VIDE does not have internal controls in place to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Recommendation – We recommend that VIDE implement policies, procedures, and controls to ensure subrecipients are monitored in accordance with federal statutes.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. VIDE is committed to strengthening controls to ensure subrecipient compliance with federal audit requirements under 2 CFR Part 200, Subpart F. This includes implementing effective measures, such as explicit reporting requirements in subrecipient agreements and providing training to internal staff on subrecipient monitoring requirements and ensure consistent implementation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-052**
Prior Year Finding Number: **2021-046**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

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 - 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 84.425A, we sampled and selected 60 out of 2,319 payroll expenditures and noted 4 timesheets were 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 – 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 program in fiscal year 2022 is $3,138,454. Total amount sampled is $98,332. The known amount of the exceptions if $7,968.

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. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-053**
Prior Year Finding Number: **2021-049**
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.

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).

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.

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 12 performance and special reports during the fiscal year and noted the following:

- 1 quarterly performance report did not contain evidence of review and approval.
- 1 annual performance report was not available for review.
- 1 quarterly performance report was not submitted timely (8 days late).

We also performed testing over the Transparency Act reporting requirements outlined in the criteria section above. We noted that 1 report submitted in FSRS did not contain evidence of review and approval. The results of the testing are outline in the table below:

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
1	0	1 (549 days late)	0	0
Dollar Amount of Tested Transactions	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
$100,000	0	$100,000	0	0

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 **-** Not determinable.

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. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-054**
Prior Year Finding Number: **2021-051**
Compliance Requirement: **Special Tests and Provisions – Participation of Private School Children**

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-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

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

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 reviewed OMB and VIDE's compliance with the compliance participation of private school children and noted the following:

- OMB did not implement a formal process for the participation of private school children compliance for FY2022.
- OMB did not conduct a timely consultation with nonpublic schools.
- OMB did not provide documents to support that the educational services that were planned were provided and that the allocation to nonpublic schools are equal on a per-pupil basis for public and private schools.

Additionally, we sampled and selected 9 out of 29 non-public schools for VIDE and noted following:

- Computation by VIDE of 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 29 nonpublic schools consulted.
- VIDE did not provide documents 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 **-** Not determinable.

Context – This is a condition identified per review of OMB and VIDE's compliance with the specified requirements.

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. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-055**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Wage Rate Requirements**

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-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

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

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 FY2022.
- We randomly selected 1 contract for classroom 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.

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: **2022-056**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:	***Government Department/Agency:***
U.S. Department of Health and Human Services	Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious Disease
ALN: 93.323
Award #: NU50CK000507
Award Year: 08/01/19 – 07/31/24

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Control* Section (a), 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 principle 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 – DOH was unable to reconcile the payroll expense include in the SEFA ($2,025,690) with the payroll expense in the payroll register ($1,909,128). As a result, the auditor was not able to establish the completeness of the population and was unable to perform testing procedures.

Questioned Costs – None.

Context – This is a condition identified per review of DOH's compliance with the specified requirements.

Cause – DOH does not appear to have adequate policies and procedures in place to review and reconcile program expenditures.

Effect – Lack of proper reconciling information can result in noncompliance with laws and regulation along with loss of funding.

Recommendation – We recommend that DOH improve internal controls to ensure program data is reconciled, monitored and retained in order to facilitate adherence to federal regulations and compliance requirements.

Views of Responsible Official **-** The Government concurs with the auditor's findings and recommendations. DOH acknowledges the auditor's finding regarding the inability to reconcile payroll expenses in the SEFA with the payroll register due to untimely payroll adjustments. To address this, DOH is training its team and ensuring staff have access to make necessary adjustments in the Government Financial Management System starting FY2024. Moving forward, DOH will enhance its SOPs by holding monthly reconciliation meetings with relevant program teams for timely adjustments and continuous 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: **2022-057**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious Disease
ALN: 93.323
Award #: NU50CK000507
Award Year: 08/01/19 – 07/31/24

Criteria – Per 2 CFR Section 200.313, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, 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 sales price of the property.

Further, a physical inventory of equipment should be taken at least once every two 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 2022.

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 – Not determinable.

Context – This is a condition identified per review of DOH's compliance with the specified requirements.

Cause – DOH does not appear to have a process in place to adequately monitor property and equipment acquired with Federal funds.

Effect –There is a risk that inadequate recordkeeping lead to misappropriation of assets and noncompliance with Federal regulations resulting in loss of funding.

Recommendation – We recommend that DOH and DPP improve internal to ensure adherence to federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments responsible for handling managing such assets.

Views of Responsible Official - The Government concurs with the auditor's findings and recommendations. The Epidemiology Division has implemented strong procedures for managing and monitoring property and equipment in line with Property and Procurement guidelines, including meticulous inventory and employee acknowledgment of assigned items. However, DOH acknowledges the need for better coordination with Property and Procurement. To improve asset management, DOH will update the Fixed Asset SOP to mandate that each division shares its asset inventory with Property and Procurement quarterly, ensuring more accurate and current records. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-058**
Prior Year Finding Number: **2021-053**
Compliance Requirement: **Equipment and Real Property Management**

Program:	***Government Department/Agency:***
U.S. Department of Health and Human Services	Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Year: 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. The Department of Human Services (DHS) maintains an internal asset listing and will collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance. The Office of Management and Budget is reviewing and coordinating with the leadership of both DPP and DHS to ensure that processes are updated and maintained for monitoring equipment acquired with Federal funds. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-059**
Prior Year Finding Number: **N/A**
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 Year: 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.

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 3 out of 11 special reports required to be submitted during the fiscal year and noted program personnel did not ensure 3 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.

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. The program is working with the Director of Asset Management and the Fiscal Analyst to incorporate SOPP language that ensures forms are completed and submitted in a timely manner. These efforts are supported by the Federal Office of Head Start Grants Office. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-060**
Prior Year Finding Number: **N/A**
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 Year: 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 8 of 11 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. The program is collaborating with the Office of Legal Counsel to incorporate SOPP language to ensure the timely completion of forms, with support and technical assistance from the Federal Office of Head Start Grants Office. All outstanding reports are scheduled for submission by the end of March 2025, and this will be addressed in quarterly monitoring meetings. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-061**
Prior Year Finding Number: **2021-054**
Compliance Requirement: **Special Test and Provision – 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 Year: 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: **2022-062**
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)

CCDF Cluster
ALN: 93.575/93.489
Award #: Various
Award Period: Various

Criteria – Activities allowed for CCDF Funds include the following:

a. Funds may be used for child care services in the form of certificates, grants, or contracts (42 USC 9858c(c)(2)(A)).

b. Funds may be used for activities that improve the quality or availability of child care services, consumer education, and parental choice (42 USC 9858e).

c. Funds may be used for activities that improve access to child care services, including the use of procedures to permit enrollment of homeless children (after an initial eligibility determination) while required documentation is obtained; training and technical assistance on identifying and serving homeless children and their families; and specific outreach to homeless families (42 USC 9858c(c)(3)(B)(i)).

d. Funds may be used for any other activity that the Lead Agency deems appropriate to (a) promote parental choice; (b) provide comprehensive consumer education information to help parents and the public make informed choices about child care services and promote involvement by parents and family members in the development of their children in child care settings; (c) deliver high-quality, coordinated early childhood care and education services to maximize parents' options and support parents trying to achieve independence from public assistance; (d) improve the overall quality of child care services and programs by implementing the health, safety, licensing, training and oversight standards established in the CCDBG Act and in state law and regulations; (e) improve child care and development of participating children; and (f) increase the number and percentage of low-income children in high-quality child care settings (42 USC 9857 and 9858c(c)(3)(B)).

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 reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 82 out of 1,243 non-payroll transactions and noted 3 transactions totaling $23,502 that appear to be unallowable costs.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the allowable activities compliance requirement.

Questioned Costs – $23,502.

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 non-payroll expenditures charged to the program were $2,697,115. Total amount sampled is $907,839.

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 allowable activities compliance requirement.

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 non-payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A dedicated Fiscal Analyst has been hired and integrated into the approval workflow to ensure compliance. Furthermore, all open purchase orders are now closed at the end of the grant year 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: **2022-063**
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)

CCDF Cluster
ALN: 93.575, 93.489
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 – We sampled and selected 67 out of 302 payroll transactions and in all instances found that DHS did not consistently apply funding allocation in accordance with the Notice of Personnel Action (NOPA). We found the project code approved on the NOPA did not agree to the project code used on the payroll register. However, in all instances we found the employee's actual time and effort was appropriately charged to the CCDF program.

Thus, internal controls were not operating at a level of precision to ensure compliance with the allowable costs 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. The total amount of payroll expenditures charged to the program were $820,305. Total amount sampled was $202,805.

Effect – Failure to properly update an employee's NOPA can result time and effort charged to the incorrect project code resulting 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.

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 expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Division of Human Resources is updating the Notice of Personnel Actions to include the necessary Project code at the start of each 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: **2022-064**
Prior Year Finding Number: **N/A**
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 child care provider voucher preparation and distribution. However, DHS was unable to provide a complete listing of child care 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 $1.5 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: **2022-065**
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)

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.

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.

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. According to Federal regulations and the instructions provided for completing the 696 reports, earmarking is assessed with the final report submission, not the intermediate report. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-066**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

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 – 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 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 – To track spending on individual federal awards, DHS establishes project codes within the general ledger. Creation and close down of project codes are subject to a review and approval process. The purpose is to ensure accuracy of the period of performance associated with project codes and expenditures are coded to the correct grants for period of performance. During our testing of period of performance, we found all 2 project codes subject to testing did not contain evidence of review and approval during creation of the project.

Questioned Costs – None.

Context – This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. Spending on the projects totaled $822,355.

Effect – Failure to properly review and approve project codes 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 adherence to their system of internal controls.

Recommendation – We recommend that DHS strengthen its system of internal controls to ensure all projects contain evidence of approval when established.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. A dedicated Fiscal Analyst has been hired and integrated into the approval workflow to ensure compliance. Additionally, all open purchase orders are now closed at the end of the grant year 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: **2022-067**
Prior Year Finding Number: **N/A**
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 6 reports of 36 reports expected to be filed during the fiscal year. During our testing, we found the following:

- 3 financial reports had not been submitted in a timely manner, ranging from 222 to 227 days late.
- 3 financial reports that did not appear to be submitted as required.
- 6 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 onboarded, 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: **2022-068**
Prior Year Finding Number: **N/A**
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 – DHS was unable to provide a list of child care providers serving children who receives subsidies. Thus, we were unable to select a sample to determine if DHS verified and documented that child care providers meet requirements pertaining to health and safety.

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 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 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: **2022-069**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Fraud Detection and Repayment**

Program:	***Government Department/Agency:***
U.S. Department of Health and Human Services	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. An internal 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-070**
Prior Year Finding Number: **2021-055**
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 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

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 60 out of 1,527 payroll transactions, we noted 38 timesheets did not contain evidence of review and approval of the respective employee's supervisor.

Questioned Costs **-** None.

Context – This is a condition identified per review of the DOJ's compliance with the specified requirements using a statistically valid sample. The total amount of payroll expenditures charged to the program were $3,457,487. Total amount sampled is $154,186. The known amount of the exceptions is $102,505.

Effect **-** Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOJ does not appear to have adequate policies and procedures in place to ensure internal controls are consistently and diligently applied.

Recommendation – We recommend that DOJ improve internal controls to ensure adherence to the 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. The DOJ will ensure that each timesheet is approved by the respective employee's supervisor before being forwarded to the DOF Payroll Division for 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: **2022-071**
Prior Year Finding Number: **2021-056**
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 Year: 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.

Condition – We sampled and selected 60 of 1,458 payroll transactions and noted 2 timesheets where hours worked were not reflected correctly on the payroll register. While non-compliance was not found, controls did not appear to be operating at a level of precision to ensure accuracy of the payroll register.

We also sampled 60 of 362 non-payroll transactions and noted 1 instance where the invoice did not have evidence of approval by authorized personnel.

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 2022 were $3,814,841. Total amount sampled is $180,651. The known amount of the exceptions is $4,945.

Total amount of non-payroll expenditures charged to the program in fiscal year 2022 were $1,919,342. Total amount sampled is $956,768. The known amount of the exception is $45,063.

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 Stats Timeforce system has been implemented, automating the time and attendance process and eliminating manual variances. Employees use a fingerprint to log their time, which, once vetted and approved, is sent to the Department of Finance for check processing. This automated process aligns with the ERP cost center listed on the employee's Notice of Personnel Action. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-072**
Prior Year Finding Number: **2021-057**
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 Year: 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 24 out of 164 expenditures and found 7 expenditures that were charged to the grant during the liquidation period and incurred outside the period of availability. Such expenditures totaled $4,152. Further, outside of our sample, we found six expenditures that were charged to a grant after the liquidation period.

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 – $6,934.

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 $183,568. Total amount sampled is $35,873.

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: **2022-073**
Prior Year Finding Number: **2021-058**
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 Year: 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: **2022-074**
Prior Year Finding Number: **2021-061**
Compliance Requirement: **Allowable Costs/Cost Principles – Non-Payroll Activities**

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 – 09/30/2022

Criteria –2 CFR Section 200.403, *Factors Affecting Allowability of Costs*, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

a. Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.
b. Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amounts of cost items.
c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.
d. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.
e. Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.
g. Be adequately documented."

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 statues, regulations, and the terms and conditions of the Federal award.

Condition – In the prior year, BDO noted one instance where DHS paid a monthly fee for a trailer to store excess furniture and other administrative items. It was determined that the Medicaid staff no longer needed the trailer. The amount charged to the Medicaid program in fiscal year 2022 related to trailer totals $4,870.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Questioned Costs – $4,870.

Context - This is a condition identified per review of DHS' compliance with the specified requirements.

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 have adequate policies and procedures in place to ensure that expenses are reviewed and approved to ensure reasonability and necessity.

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 non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. This was an isolated occurrence during the transition of the MAP program from one building to another. Since the equipment could not be used at the new location, it was stored for future use. The Director of Asset Management now oversees the storage of inventory to prevent similar occurrences in the future. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-075**
Prior Year Finding Number: **2021-062**
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 – 09/30/2022

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 2,047 participant case files, we noted the following:

- For 4 participants, there was no documentation in the case file supporting the verification of income or resource requirements.
- For 1 participant, there was no evidence that the social security number was verified.
- For 16 participants, it does not appear the application was processed timely.
- For all 60 participants, there was no evidence that a review and approval of the eligibility determination had been performed.

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 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. DHS staff will collaborate with the PMO, hired to assist with the Public Health Emergency Unwind, to establish Standard Operating Policies and Procedures (SOPPs) for certification and recertification processes. DHS is in the process of hiring a Program Integrity Director and Medical Eligibility Quality Control (MEQC) staff, who will be responsible for 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: **2022-076**
Prior Year Finding Number: **2021-063**
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 – 09/30/2022

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 following:

- 2 reports did not contain evidence of review or approval.
- 1 report had not been submitted in a timely manner (44 days late).

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 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. As Medicaid staffing shortages are addressed, reports are submitted for review via email. 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-077**
Prior Year Finding Number: **2021-064**
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 – 09/30/2022

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. DHS has onboarded a Director of Program Integrity who will be responsible for establishing the Quality Control Unit, which will collaborate with the Medical Eligibility Quality Control (MFCU) on behalf of the Medicaid Program. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-078**
Prior Year Finding Number: **2021-065**
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 – 09/30/2022

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 2022.

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. DHS is currently in the process of drafting the solicitation for bids on the project to address all outstanding periods. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-079**
Prior Year Finding Number: **2021-066**
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 – 09/30/2022

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 did not perform the required ADP Risk Analysis and System Security Review for the systems that support the Medicaid Program.

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 had secured a commitment from a vendor who was unable to perform the required services. Currently, DHS is working through the procurement process with DPP to identify a new vendor to perform the mandated services. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-080**
Prior Year Finding Number: **2021-069**
Compliance Requirement: **Special Tests and Provisions – Medicaid National Correct Coding Initiative**

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 – 09/30/2022

Criteria - States or Territories are required to incorporate six National Correct Coding Initiative (NCCI) methodologies into the state Medicaid Programs pursuant to requirements of Section 6507 of the Affordable Care Act (section 1903(r) of the Social Security Act). The purpose of the NCCI Program is to promote correct coding, prevent coding errors, prevent code manipulation, reduce improper payments and reduce the paid claims improper payment rate.

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 did not provide documentation to verify that the quarterly NCCI edit files were uploaded timely. In addition, DHS did not have the required signed Confidentiality Agreements in place as required by Technical Guidance Manual, sections 7.1.1 and 7.1.2 during fiscal year 2022.

Further, it does not appear that DHS has internal controls in place 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 - DHS is not in compliance with regulations for the Medicaid National Correct Coding Initiative.

Cause - DHS did not establish internal controls to ensure that the NCCI methodologies were incorporated into the Medicaid program or that the required signed Confidentiality Agreements were in place.

Recommendation - We recommend that DHS establish internal controls to ensure compliance with the requirements of the Medicaid National Correct Coding Initiative and incorporate the NCCI methodologies into the state Medicaid program.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Although DHS indicated that documentation supporting the download and incorporation of NCCI methodologies was available for review and that the MMIS has these methodologies built into the system, OMB recommends that DHS implement internal controls to ensure the NCCI methodologies are consistently incorporated into the Medicaid Program. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-081**
Prior Year Finding Number: **2021-072**
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 – 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, the Territorial agreement between VITEMA and FEMA dictates that all performance reports must be submitted within 30 days of the end of each quarter. Further, 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 reviewed 8 out of the 67 reports submitted during the fiscal year and noted that 6 financial reports and 2 performance reports did not have supporting documentation to reconcile the amounts reported to the appropriate financial and non-financial records of VITEMA.

We further noted that Project Close Out Reports for D4335 (22 reports) and D4340 (25 reports) were not submitted within 180 days of project completion.

Finally, we selected 8 projects with first-tier subawards greater than $30,000 and found that none had submitted FFATA reports.

The results of the testing performed over Transparency Act are outlined in the table below.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
8	8	8	Not determinable	Not determinable
Dollar Amount of Tested Transactions	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
$8,572,831	$8,572,831	$8,572,831	Not determinable	Not determinable

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 VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – VITEMA 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, VITEMA does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VITEMA 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 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2022-082**
Prior Year Finding Number: **N/A**
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 25 subrecipients and found the following:

- 5 instances where we were unable to obtain subrecipient agreements.
- 8 instances where we were unable to obtain Quarterly Progress Reports.
- 3 instances with no Certification Letter of Completion of Work and Disaster Response and Recovery Final Inspection Report.
- 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 2022 were $205,714,063. The total amount of our sample totaled $190,927,885.

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 programs 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: **2022-083**
Prior Year Finding Number: **2021-074**
Compliance Requirement: **Reporting**

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)

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, the Territorial agreement between VITEMA and FEMA dictates that all performance reports must be submitted within 30 days of the end of each quarter. Further, 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 reviewed 8 out of the 16 reports submitted during the fiscal year and noted the following:

- 2 performance reports did not agree to the underlying records.
- 1 performance report had not been submitted in a timely manner (10 days late).
- 3 performance reports submitted did not contain evidence of review and approval.
- 3 financial reports did not contain evidence of review and approval.
- 3 financial Reports did not have sufficient supporting documentation to validate accounting records agree with the reports.
- FFATA reports had not been prepared and submitted.

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 VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – VITEMA 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, VITEMA does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VITEMA 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 process for the preparation and submission of financial and performance reports will be formalized, with clear roles and responsibilities outlined. The Disaster Program Account Supervisors will be responsible for preparing the reports on a quarterly basis and submitting them to the Territorial Hazard Mitigation Officer for review. The review process will include thorough reconciliation between the reports and supporting data, such as accounting records. 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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GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS

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DEPARTMENT OF FINANCE

Appendix A
Summary Schedule of Prior Audit Findings

Section I – Financial Statement Findings

Finding 2021-001, 2020-001, 2019-001, 2018-001, 2017-001, 2016-009, 2015-009 and 2014-009: Financial Position

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2022-001 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 is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.

Plan Funding Considerations

Current Status: Repeated. Finding 2022-005 H.

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 Virgin Islands Public Finance Authority created the Matching Fund Special Purpose Securitization Corporation (Corporation) for the purpose of refunding and restructuring the matching fund bonds of the Government. In addition, the Corporation placed a funding note with GERS secured by a subordinate lien on the matching funds and is projected to pay out $3.8 billion to GERS through 2051.

Policy decisions to investigate post-employment benefit alternatives, and to establish special funds for post-employment benefits, are under the purview of the Legislature of the Virgin Islands.

Government Insurance Fund

Current Status: Corrective action was taken. Finding not repeated in the current year.

Finding 2021-002, 2020-002, 2019-002, 2018-002, 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process

Timeliness and Methodology of Close Process

Current Status: Repeated. Finding 2022-001 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: Aggressive timelines are established for a timely year-end process. The Department of Finance (DOF) is in the process of standardizing the reporting necessary to aid in a successful and timely audit by collectively working on templates that will assist the agencies in reporting the necessary data. Accountability measures must be in effect to remove employees that are ineffective, while recruiting for accounting talent. DOF is aware that to achieve uniformity across all agencies on finance matters, DOF will have to assess the needs, skillset, and resources for the agencies and provide a sole position that will be able to monitor the success. Additionally, the Government will establish a formal review and approval process for the Major Funds Calculation.

Journal Entries

Current Status: Repeated. Finding 2022-001 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: Department of Finance recognized that it needs to have more feet on the ground to be able to approve journals. As such, training has been in effect and there are more people that will be able to assist with journals, especially when people are on leave etc.

Additionally, certain journals are systematically generated, resulting in the same individual serving as both the creator and approver. These typically include year-end closing journals. Moving forward, the Department of Finance will ensure that proper documentation is maintained within the system.

Finding 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 2022-002 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: - For purposes of interim financial reporting, the Bureau, Office of the Lieutenant Governor, and the Department of Finance have begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile non-sufficient funds checks in a timely manner, and implement internal safeguards to allow for more efficient reconciliation. In addition, the Government will implement the policy of reconciling tax receivables on a quarterly basis.

Optimum Usage of the Real Property Tax System

Current Status: Corrective action was taken. Finding not repeated in the current year.

Tax Return Processing Method

Current Status: Repeated. Finding 2022-002 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 Bureau has launched its online gross receipts filing system. The Bureau is in the final testing stage of implementing the online income tax filing system.

Real Property Tax

Current Status: Repeated. Finding 2022-002 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: The Office of the Lieutenant Governor will continue to work with appropriate agencies and review its records to remove from its tax rolls any entities that are exempt from paying taxes. The Office of the Lieutenant Governor notes that Government agencies are generally not exempt from paying sewer fees that are collected via the tax bill on behalf of the Virgin Islands Waste Management Authority. Therefore, these entities will receive tax bills for sewer fees only.

Other Revenues

Current Status: Repeated. Finding 2022-002 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: In an effort to provide adequate supporting documentation for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. The Government will conduct spot checks to ensure employees are adhering to this process.

Finding 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 2022-003 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 review of ALN, expenditures, and cash receipts postings to grants will occur as part of the quarterly system closings. Continuous reconciliations of the SEFA with departments and agencies will also be implemented.

Federal Grants and Contributions

Current Status: Repeated. Finding 2022-003 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 Department of Finance monitors the federal receivables and provides the agencies with reports showing outstanding drawdowns. In addition, a private firm has been contracted to work directly with the agencies to reconcile the Government's federal receivables.

Federal Grants Accounting

Current Status: Repeated. Finding 2022-003 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 Government has implemented measures that will ensure strict adherence to its reconciliation and review policies and procedures.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 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 2022-004 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 Department of Finance will review the controls in place and update the necessary manuals to address all of the recommendations set forth.

Reconciliation and Review of Subsidiary Registers

Current Status: Repeated. Finding 2022-004 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: To verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Capital Assets team—comprising key individuals from various departments and led by the Department of Property and Procurement and the Lieutenant Governor's Office—will identify land assets and confirm what is recorded in the books. An update to the policies and procedures will be expedited to specify how often they are revised and the frequency of working sessions for reconciliations. Revision of the Asset Policy and Procedural Manual is underway, along with continued collaboration between the Department of Finance, Department of Property and Procurement, and Department of Public Works regarding the development of the Capital Assets team.

Construction in Progress (CIP) Monitoring

Current Status: Repeated. Finding 2022-004 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: The Department of Property and Procurement in collaboration with key individuals in other agencies will provide findings internally for areas where this step was missed, including some accountability. The Capital Assets team has already begun deliberating on how the Government can capture this at the time of final payment. DPP will also review the policy and update accordingly.

Capital Assets Impairment Process

Current Status: Repeated. Finding 2022-004 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: In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system. There is a project management software that houses all CIP information.

Capital Assets – Business-Type Activities

Current Status: Repeated. Finding 2022-004 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 Government will review the recommendations and collaborate with relevant parties.

Finding 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 2022-005 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: The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers.

The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/Records Management staff, to first develop a firm number with regard to the Government's retroactive obligation. This process has already started. The Division of Personnel can only confirm the research that was done based on the Retroactive Wage Commission project.

DOP Information Technology staff is ready to work with the Office of Collective Bargaining/Chief Negotiator, designated as the lead, on the development of a master file that will serve as the clearinghouse for all collective bargaining agreements.

To assist with the past retroactive calculation and on-going payments to individuals and their respective survivors, the division is designing a central repository portal that will contain total obligations due and payments made to date.

Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and the Office of Management and Budget (OMB). OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.

Medical Malpractice Liability

Current Status: Repeated. Finding 2022-005 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 (RFP) to solicit an actuary to perform the evaluation.

Accounts Payable

Current Status: Repeated. Finding 2022-005 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 Department of Finance will work with Tyler Munis on utilizing the Accounts Payable Module and will work with Office of Management and Budget to hire an Accounts Payable Analyst who will be solely responsible to make the necessary monthly updates and adjustments while dedicating all of their time to work with D&A on entering invoices in timely. The Accounting Analysts will ensure that the invoices are entered pursuant to Standard of Operating Procedures and Policies (SOPP) 130.

Landfill Closure and Post Closure Costs Liability

Current Status: Repeated. Finding 2022-005 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 is working with its consultants to review the work and write a report to implement monitoring controls and ensure that all calculations are reviewed timely.

Quality of Census Data

Current Status: Repeated. Finding 2022-005 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: A request for proposal is currently being advertised to obtain a vendor who will provide a census data management system to assist with maintaining current and accurate records.

Finding 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 2022-006.

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: For the cost report audits, the Medicaid Assistance Program continues to work with the selected vendor to complete the requirements. For the Eligibility System, a vendor has been selected and the contract is in process. Additionally, the Medicaid Program will work closely to ensure all information is provided relative to the environment for the claims.

Finding 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 2022-007.

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 Virgin Islands Department of Labor (VIDOL) hired a Financial Analyst to reconcile the Unemployment Insurance Trust Fund to ensure compliance with Cash Management Improvement Act (CMIA) and Social Security Act clearance and depository regulations. The Trust Fund is in good standing and being reconciled daily. The Virgin Islands Department of Labor (VIDOL) policies and procedures manual was approved by the U.S. Department of Labor in October 2021. The policies and procedures established address our ineffective internal controls, fiscal and administrative requirements for expending and accounting for all funds relative to the Unemployment Insurance Trust Fund accounts.

Finding 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 2022-008.

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 Department of Finance (DOF) will collaborate with VIDOL to consider the recommendations set forth. The newly implemented software, Ventiv, will assist in resolving the issues mentioned. Additionally, the Government Insurance Fund (GIF) will initiate a monthly Hospital Payables Inquiry request form for completion by the Workers Compensation Administration (WCA). The form will give the GIF a baseline from which we start and then track increases and decreases in payables going forward. It will also inform the GIF of any "special payment projects" undertaken or in progress at the WCA. This document will supplement the information provided to our actuary.

Finding 2021-010, 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Administration and Recordkeeping

Current Status: Repeated. Finding 2022-008 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 Finance has already began working with the Division of Personnel on this matter. Going forward, we will continue to establish a process that will address the findings noted. The Division of Personnel can account for the receivables and payables of the Health Insurance Retiree Fund as an employee was hired as of January 2020, to monitor and track the accounting of the fund for the Group Health Insurance Unit.

Update of Mortality Tables

Current Status: Repeated. Finding 2022-008 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: For consistency, the mortality assumption (and other demographic assumptions) used in the valuation are the same as those used in the Government Employees' Retirement System (GERS) of the Virgin Islands' pension valuations. Updated assumptions will be implemented when the next experience study is performed for GERS.

Finding 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 2022-009 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 Department of Finance will collaborate with the Department of Human Services and Payroll Division to determine and consider the recommendations set forth.
Additionally, the Department of Finance - Payroll Division will monitor overtime and work with the various agencies to ensure that it is appropriate and within the laws and collective bargaining agreements. In some cases, a state of emergency, overrides the normal overtime regulations appropriately.

Formalize Emergency Payroll Procedures

Current Status: Repeated. Finding 2022-009 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: With infrastructure improvements due to climate change and technology advances in remote capabilities due to the global pandemic, the Government has made great strides in its controls to ensure continuation of normal operating procedures under the most stressful of circumstances. Protocols for emergency payroll processing are continuously updated.

Transactions with Personnel

Current Status: Repeated. Finding 2022-009 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 Department of Finance implemented a government credit card program in fiscal year 2021 that includes training and an active P.O. for card issuance. The Department will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor so that all other reimbursements are made in compliance with policies.

Reporting for Expenditures

Current Status: Repeated. Finding 2022-009 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: The Government will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the approval process, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module.

Finding 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 2022-010 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 Commissioner of Finance will enforce Title 33, Subtitle 3, Chapter 115, Subchapter III, Subsection 3261 which outlines the procedures for unpaid checks. Also, the Director of Treasury will ensure that bank reconciliations are prepared and reviewed on a timely basis. The Government will also work with the Munis consultants regarding implementation of a process tracking to determine when bank reconciliations are reviewed and approved.

Cash Pooling and Allocation(s)

Current Status: Repeated. Finding 2022-010 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: The Director of Treasury, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure that bank reconciliations are prepared timely as the Government continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.

Check Sequences

Current Status: Repeated. Finding 2022-010 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 ERP system does automatically generate check numbers for some accounts. To ensure controls are in place over the sequence of checks, controls will be established on the check series used and check series not used.

Finding 2021-013, 2020-013, 2019-013, 2018-013, 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology Environment

User Access and Administration

Current Status: Repeated. Finding 2022-015.

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: Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway. The Lieutenant Governor's Office has transitioned and upgraded its systems to address the issue of performing the re-certifications of user access security rights. Additionally, the MIS Director currently participates in regular meetings with the Bureau of Information Technology during which the implementation of a government-wide framework is being established.

Only members of the Computer Operations Group are Administrators on the Bureau of Internal Revenue domain. Also, a password lockout and complexity policy are in effect. All users must take part in the Bureau of Internal Revenue annual Disclosure and Computer Awareness training.

The Information Technology (IT) department has already created a recertification policy and are now working on the forms for supervisors to acknowledge. These documents will be ready by the next fiscal year. The password lockout policy will be implemented for the next fiscal year as well. The IT department have already had discussions with a vendor to provide this feature with Oracle Forms. VIDOL change management has been logged by emails and some word document forms that were created but not standardized.

VIDOL change management has been logged by emails and some word document forms that were created but not standardized. VIDOL IT is working on implementing a standardized change management system for the next fiscal year.

Proactive Approach to Cybersecurity

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-014, 2020-014 and 2019-014: Collateral of Depository

Current Status: Repeated. Finding 2022-016.

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: Collateral reports are specific to the financial institution and may not include all quasi-governmental or component unit accounts if not identified as a government account when established at the financial institution. The Government will work with its banks to ensure any accounts identified are included on the collateral report of the related institution.

Finding 2021-015, 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2022-017.

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 of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the workflow to timely complete reports to meet EPA decrees concerning the various issues.

Finding 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 2022-018.

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 has already established a Medical Malpractice fund, which is called the Reciprocal Insurance Fund.

Finding 2021-017, 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2022-014.

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 continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders, contracts, and profiles to ensure that internal policies and regulations are being adhered to.

Finding 2021-018, 2020-018, 2019-018, 2018-017 and 2017-017: Casino Control Commission

Current Status: Repeated. Finding 2022-019.

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 Government has requested and is receiving the requisite reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code.

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: 10/01/19 – 09/30/20
10/01/20 – 09/30/21

Finding 2021-019: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2022-020.

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: DHS transitioned from a manual payroll process to the Government electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee. Payroll is generated based on the cost centers listed on the Notice of Personnel Action. Payroll is now reconciled by the Financial Analyst once it is posted by the Department of Finance to ensure that cost is applied appropriately. Additionally, a workflow is now established in the NOPA approval process to ensure the current org, objects and projects are listed on the Notice of Personnel Actions (NOPA) which is utilized for payroll purposes.

Finding 2021-020: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2022-021.

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: DHS transitioned from a manual payroll process to the Government electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee. The payroll is generated based on the cost centers listed on the Notice of Personnel Action (NOPA). Processes are now in place ensuring each respective staff NOPA is updated at the start of each fiscal year to reflect new year's applicable ERP code. Additionally, once payroll costs are generated, it is reconciled by the dedicated Financial Analyst for SNAP. Additionally, a workflow is now established in the NOPA approval process to ensure the current org, objects and projects are listed on the Notice of Personnel Actions (NOPA) which is utilized for payroll purposes.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-021, 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions – EBT Card Security

Current Status: Repeated. Finding 2022-022.

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: A Standard Operating Procedures and Procedures (SOPP) is being prepared to detail the EBT Reconciliation process. Additionally, a Director of Support Services will be hired to review all reports.

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 2021-022: Cash Management

Current Status: Repeated. Finding 2022-024.

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: DOH will revise drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted. DOH will update drawdown SOPs for Fiscal Year 2025, ensuring that all drawdown documentation includes a review confirmation. DOH will also incorporate this updated procedure into Federal Grants update training in December 2024 and make it accessible to all staff on Business Process Improvement SharePoint site.

Program:
U.S. Department of Commerce

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

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.

Finding 2021-024: Reporting

Current Status: Corrected.

Program:
U.S. Department of the Interior

Economic, Social, and Political Development
of the Territories
ALN: 15.875
Award #: Various
Award Year: Various

Government Department/Agency:
Various

Finding 2021-025, 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2022-030.

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 of the Virgin Islands (GVI) is implementing significant reforms to strengthen financial accountability and improve internal controls within its agencies. The Executive Order directing CFOs of the Government agencies to report to the Department of Finance aims to streamline financial oversight and ensure that public funds are being managed effectively. The introduction of a Public Finance Policy to standardize procedures and ensure compliance with Cash Management regulations (including CFRs and other compliance rules) is an important step in maintaining transparency and minimizing financial risks across the various government agencies.

Finding 2021-026, 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Repeated. Finding 2022-031.

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 Asset Management Division (AMD) has consistently followed Federal equipment and maintenance guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). The serial numbers, model numbers, acquisition dates, cost of equipment, and agency that received the items are included. In 2022, AMD conducted inventory for four agencies, ensuring that all assets were accounted for and managed according to Federal regulations. Additionally, AMD have completed the Standard Operation Policies and Procedures (SOPP), which is currently in the approval process. Implementing SOPP is essential to enhancing internal controls and ensuring compliance with Federal regulations. Training sessions will be conducted for fixed assets employees across all the Government agencies to provide detailed insights and updates on the processes. It has been identified that additional staff will be required to support this initiative effectively.

Finding 2021-027, 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2021-032.

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 will conduct a high-level review of internal control policies and closely monitor reports for completeness, accuracy, timeliness, and consistency with the guidelines, policies, and procedures established by the Cognizant Agency.

Additionally, to support this effort, an analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage for individual agencies. The analyst will regularly monitor the reporting schedule for each grant award to ensure timely submission of all required reports.

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Year: 10/01/2017 – 12/31/2023

Finding 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 2022-034.

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 auditors finding relative to the balance not reconciling with the general ledger. The underlying factor that caused the variance in this finding was related to the retrieved file for the audit, which did not cover the period of the review, thus the balances provided to the auditors would not reconcile with the source system and the Government ledger.

To avoid future occurrences, VIDOL has updated the source system report writer that produces query on balances for accounting and tracking ledger balances. VIDOL has also recently issued a request for a proposal to have a contractor assist in installing a Trust Fund accounting system infrastructure and procedures. This system is anticipated to correct many accounting deficiencies and improve operations. Based on the project plan the launch timeline is anticipated by third quarter of 2026. Once this system is operational, adequate personnel are hired and trained, postings and ledger balance should allow for more accurate data on account balances. This system will also provide a structure wherein accrual, month end, and year end system closes can occur.

Finding 2021-029: Eligibility

Current Status: Repeated. Finding 2022-035.

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 agency has commenced reviewing the agency retention policies and training with staff on keeping records and files in a systematic sequence. In the third quarter of FY2025, the agency will be launching an electronic record keeping system for claims files that will provide a more comprehensive and structured mechanism for record retention. VIDOL staff will also be engaging with USDOL to have programmatic technical assistance with record retention. The agency is also engaging with USDOL to implement data validation in the operations which is intended to verify that eligibility and records are maintained. The agency's Integrity unit will commence regular compliance reviews for claimant eligibility in the 2nd quarter of FY2025, this review will assist in mitigating past errors and provide feedback on corrective actions that will assist in proper record retention.

Finding 2021-030: Reporting

Current Status: Repeated. Finding 2022-036.

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: VIDOL has obtained a federal grant award from USDOL, to assist in updating and redesigning of UI reporting and accounting system. This award is intended to rebuild the current reporting structure to assist with having complete, accurate, and timely processes in place. VIDOL has commenced work on preparing scope of works for the projects, and it is anticipated by 4th quarter of FY2026.

Finding 2021-031: Special Tests and Provisions – Employer Experience Rating

Current Status: Repeated. Finding 2022-037.

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: VIDOL concurs with the auditors on finding relative to the balance not reconciling with the general ledger. The underlying factor that caused the variance in this finding was related to the retrieved file for the audit, which did not cover the period of the review, thus the balances provided to the auditors would not reconcile with the source system and the Government ledger.

To avoid future occurrences, VIDOL has updated the source system report writer that produces query on balances for accounting and tracking ledger balances. VIDOL has also recently issued a request for a proposal to have a contractor assist in installing a Trust Fund accounting system infrastructure and procedures. This system is anticipated to correct many accounting deficiencies and improve operations. Based on the project plan the launch timeline is anticipated by third quarter of 2026. Once this system is operational, adequate personnel are hired and trained, postings and ledger balance should allow for more accurate data on account balances. This system will also provide a structure wherein accrual, month end, and year end system closes can occur.

Finding 2021-032: Special Tests and Provisions – Match with IRS 940 FUTA Tax Form

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-033 and 2020-029: Special Tests and Provisions: UI Reemployment Programs: (WPRS and RESEA)

Current Status: Repeated. Finding 2022-038.

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: VIDOL will be implementing a RESEA case management system for reporting and program services. This case management system is currently in configuration phase of the project. Live production is expected by the 2nd quarter 2025. This system will be the official system of record for recording all services for RESEA claimants that participate in the program.

Program:
U.S. Department of Transportation

Government Department/Agency:
Department of Public Works (DPW)

Highway Planning and Construction Cluster
ALN: 20.205
Award #: Territorial Highway Program Implementation and Stewardship Agreement
Award Year: 10/01/2016 – 09/30/2025

Finding 2018-042, 2017-070, 2016-050 and 2015-055: Equipment and Real Property Management

Current Status: In accordance with CFR 200.511(b)(3), 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.

Finding 2021-034: Procurement and Suspension and Debarment

Current Status: Corrective action was taken. Finding not repeated in current year.

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 2021-035 and 2020-031: Reporting

Current Status: Repeated. Finding 2022-040.

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: An analyst will be assigned to track reporting schedules, grant activity and store documents. The analyst will regularly monitor the reporting schedule for each grant award to ensure that all reports are submitted in a timely manner.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-036 and 2020-032: Subrecipient Monitoring

Current Status: Repeated. Finding 2022-041.

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: OMB will develop and enforce a robust framework that includes detailed monitoring procedures, regular compliance checks, and comprehensive oversight mechanisms. This framework will ensure that all subrecipients adhere to federal requirements, thereby promoting accountability and proper use of federal funds. These measures will help mitigate risks, enhance transparency, and ensure that subrecipients fulfill their obligations under federal statutes effectively.

Program:
U.S. Department of the Treasury

Government Department/Agency:
Office of Management and Budget (OMB)

COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN: 21.027
Award #: N/A
Award Period: 03/03/2021 – 12/31/2024

Finding 2021-037: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-038: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2022-043.

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: The Government has since updated its procurement laws and has 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.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

The Government, in late January and early February 2025, conducted the Government-wide training on the updated procurement laws and re-established expectations as it pertains to processes and maintaining full and open competition. The Government has begun providing User Agencies with access to GVIBUY to enable them to perform informal solicitations in the eProcurement system. Further targeted training on this process will continue over time, ensuring User Agencies prioritize full and open competition in their procurement activities and will give the Department of Property and Procurement more oversight and compliance powers.

Finding 2021-039: Reporting

Current Status: Repeated. Finding 2022-044.

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: OMB has established a reporting approval memo in which the OMB Director signs acknowledging the review and approval of the Treasury reports starting in calendar year 2024 reporting. OMB has improved the collection and storage of underlying supporting financial information for all projects being reported in the quarterly reports and can provide the necessary support upon request as of FY23.

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 still 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 Education

Special Education Cluster (IDEA)
ALN: 84.027A
Award #: Various
Award Periods: Various

Government Department/Agency:
Department of Education (VIDE)

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-041: Equipment and Real Property Management

Current Status: Repeated. Finding 2022-046.

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: VIDE acknowledges the finding regarding the management and documentation of federally funded equipment. VIDE will ensure the reliability of its asset tracking system and ensure the maintenance of a centralized record of all assets acquired with federal funds, to include property description, serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and disposition information. The Procurement Division will schedule quarterly inventory audits and reconciliation processes to ensure all federal program assets are accounted for and that records align with actual inventory. Any discrepancies identified during these audits will be resolved promptly. The Fixed Asset Director will create a protocol to facilitate regular communication and updates among Programs/Divisions responsible for asset acquisition, maintenance, and recordkeeping. Monthly status reports on federal asset records will be required from each Program/Division to ensure data accuracy and timely updates.

Finding 2021-042 and 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2022-047.

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: VIDE acknowledges the audit finding related to matching, level of effort, earmarking requirements, and recognizes the need for stronger internal controls and improved documentation to ensure full compliance with federal regulations. To address the finding, VIDE is committed to enhancing monitoring. VIDE will establish a dedicated team within the Federal Grants Office to conduct quarterly reviews of documentation, including student counts, poverty data, and funding allocations, and to document all monitoring activities and findings. The dedicated team will also report any identified issues to management and recommend corrective actions. The IDEA State Office will establish clear procedures for Local Educational Agencies (LEAs) to report student counts and poverty data, develop a process for verifying the accuracy of this data, and ensure all necessary data is collected and documented to support level of effort and earmarking calculations. To ensure all relevant staff understand the new policies and procedures, VIDE will provide comprehensive training.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: S403A170004, S403A180004,
S403A190004, S403A200004
Award Periods: 07/01/2017 – 09/30/2020
07/01/2018 – 09/30/2021
07/01/2019 – 09/30/2022
07/01/2020 – 09/30/2021

Finding 2021-043: Cash Management

Current Status: Repeated. Finding 2022-048.

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: VIDE acknowledges the findings related to cash management processes under the U.S. Department of Education Consolidated Grant. VIDE is committed to implement corrective actions to enhance cash management procedures and maintain compliance with U.S. Department of Education conditions. VIDE will reinforce its procedure that mandates completion of all drawdown requests within 24 hours after receiving the request from the TPFA. To maintain compliance and prevent any delays in processing drawdown requests, VIDE will ensure designated individuals are trained to process requests when the primary staff member is unavailable. VIDE will conduct weekly reconciliations of all drawdown requests and disbursements, developing a process for investigating and resolving discrepancies, and maintaining detailed records of all reconciliations.

Finding 2021-044: Equipment and Real Property Management

Current Status: Repeated. Finding 2022-049.

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 finding regarding the management and documentation of federally funded equipment. VIDE will ensure the reliability of its asset tracking system and ensure the maintenance of a centralized record of all assets acquired with federal funds, to include property description, serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and disposition information. The Procurement Division will schedule quarterly inventory audits and reconciliation processes to ensure all federal program assets are accounted for and that records align with actual inventory. Any discrepancies identified during these audits will be resolved promptly. The Fixed Asset Director will create a protocol to facilitate regular communication and updates among Programs/Divisions responsible for asset acquisition, maintenance, and recordkeeping. Monthly status reports on federal asset records will be required from each Program/Division to ensure data accuracy and timely updates.

Finding 2021-045 and 2020-038: Reporting

Current Status: Repeated. Finding 2022-050.

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 audit finding concerning the failure to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for first-tier subawards. VIDE plan will prioritize the development and implementation of detailed reporting policies and procedures, with a focus on FFATA requirements. These policies will include clear procedures for identifying and tracking all subawards subject to FFATA reporting, specific guidelines for collecting and reporting required data elements, and established timelines for data submission. Roles and responsibilities for all involved personnel, including program staff, grants management staff, and the Federal Grants Office, will be clearly defined within these policies. To enhance our subaward tracking capabilities, VIDE will implement a dedicated system for tracking subawards and collecting the required data. This may involve enhancing our existing grants management system or implementing a new system specifically designed to capture all necessary data elements for FFATA reporting. Comprehensive training on the use of this system will be provided to all relevant staff. VIDE will also strengthen its data verification and validation procedures. This will include establishing a formal process for reviewing and verifying the accuracy and completeness of subaward data before submission. Data quality checks will be implemented within the tracking system, and regular reconciliations will be conducted between subaward data and other relevant records to ensure consistency and accuracy. To ensure that all relevant personnel are well-versed in the new policies and procedures, VIDE will conduct mandatory training sessions. These sessions will cover FFATA reporting requirements in detail, VIDE's new policies and procedures for subaward reporting, and proper data collection and submission procedures.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

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 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

Government Department/Agency:
Department of Education (VIDE)
Office of Management and Budget (OMB)

Finding 2021-046: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2022-052.

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 related to payroll activities and recognizes the need for stronger internal controls to ensure full compliance with federal regulations. To address the identified discrepancies and prevent future occurrences, VIDE will enhance timesheet management and strengthen rate verification processes. To improve timesheet management, VIDE will implement a system to ensure all timesheets are submitted and readily available. This will include electronic timesheet submission, mandatory supervisor review and approval before payroll processing, and secure electronic storage and archiving of timesheets. VIDE will also strengthen its rate verification process by implementing a standardized procedure that includes a checklist for comparing NOPA rates with payroll system rates. Payroll staff will be required to complete this checklist at the start of each pay cycle and maintain a tracker to flag any discrepancies. To ensure all employees and supervisors understand the new policies and procedures, VIDE will conduct mandatory training sessions. These sessions will cover proper timesheet completion and submission, rate verification requirements, and the importance of adhering to the new guidelines.

Finding 2021-047: Cash Management

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

Finding 2021-048: Equipment and Real Property Management

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-049: Reporting

Current Status: Repeated. Finding 2022-053.

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: VIDE acknowledges the deficiencies identified in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA). VIDE is committed to enhancing our reporting practices to ensure compliance with federal requirements and to prevent future occurrences. VIDE will implement a structured review and approval process for all performance and special reports, ensuring that each report is vetted by the appropriate officials. Training will be provided for all staff involved in report preparation and submission.

Finding 2021-050: Subrecipient Monitoring

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-051: Special Tests and Provisions – Participation of Private School Children

Current Status: Repeated. Finding 2022-054.

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 findings related to the participation of private school children in the COVID-19 Education Stabilization Fund (ESF-SEA) program. VIDE is committed to rectifying these issues and enhancing our systems to ensure equitable services for private school children. OMB will develop and implement a formal policy and procedures that outline the process for ensuring the participation of private school children in compliance with federal regulations. This will include guidelines for timely consultation with nonpublic schools and documentation of services provided. OMB will create a consultation schedule to ensure that timely consultations with nonpublic schools are conducted each fiscal year. The schedule will outline key dates for initiating and completing consultations to meet compliance requirements.

OMB will collaborate with the Department of Education to develop control measure to ensure that all private schools expenditures are equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

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 2021-052 and 2020-040: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 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 2022-058.

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 asset listing at DHS is maintained. However, the Department of Human Services will work collaboratively with the Department of Property and Procurement to ensure adherence to Federal regulations related to equipment and its related maintenance. The Office of Management and Budget is also reviewing and following up with the agency leadership of DPP and DHS to validate that the process is updated, maintained to monitor equipment acquired with Federal funds.

Finding 2021-054: Special Tests and Provisions – Program Governance

Current Status: Repeated. Finding 2022-061.

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 with pre-empted the FY22 training and has incorporated electronic voting from board members into its procedures. Therefore, regular trainings occur that enable the governing body to perform its legal, fiscal and oversight responsibilities.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Justice (DOJ)

Child Support Enforcement
ALN: 93.563
Award #: Various
Award Year: Various

Finding 2021-055, 2020-042, 2019-041, 2017-063 and 2016-038: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2022-070.

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: DOJ will ensure each timesheet contains approval by the respective employee's supervisor before it is forwarded to DOF Payroll Division for processing.

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 #: 1901VISOSR, 2001VISOSR, 2101VISOSR
Award Year: 10/01/2018 – 09/30/2020
10/01/2019 – 09/30/2021
10/01/2020 – 09/30/2022

Finding 2021-056 and 2020-051: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2022-071.

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: The Stats Timeforce system has been implemented. Time and attendance is no longer a manual process eliminating these types of variance. The system is automated wherein designated employees utilize a fingerprint to log their time. The time once vetted and approved, is released to the Department of Finance for check processing. The process is automated to fall in line with designed ERP cost center listed on the employee's Notice of Personnel Action. Invoice transactions are vetted by the CFO. Any transactions over $50K is then approved by the Commissioner or her designee.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-057 and 2020-053: Period of Performance

Current Status: Repeated. Finding 2022-072.

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: As part of the close-out process, all open purchase orders are now submitted to the Department of Finance to be closed. Additionally, the grant close out process has now shifted to OMB to ensure the grant is no longer available for transactions entries or liquidations. Additionally, a dedicated Fiscal Analyst is being inserted into the workflow to ensure compliance.

Finding 2021-058: Reporting

Current Status: Repeated. Finding 2022-073.

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: Presently, there is a collaboration with Federal Partners to consolidate the reporting in the Payment Management System portal as there is no one report for the SSBG as required. Presently, report requests are not consistent with one consolidated grant. Additionally, the pre and post expenditures are submitted through the portal with a log of submission.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Children's Health Insurance Program
ALN: 93.767
Award #: Various
Award Year: 10/01/2015 – 09/30/2022

Finding 2021-059, 2020-054, 2019-056, 2018-056, 2017-059 and 2016-032: Reporting

Current Status: Corrected.

Finding 2021-060 and 2020-055: Special Tests and Provisions - Provider Eligibility

Current Status: On-going implementation. DHS staff will work with PMO to establish Standard Operating Policies and Procedures (SOPPs) on certification and recertification processes and procedures. DHS has hired the Program Integrity Director and is in the process of hiring the Medicaid Eligibility Quality Control (MEQC) staff, whose responsibility will be to review completed case files to ensure compliance.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

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 #: Various
Award Year: 10/01/2015 – 09/30/2022

Finding 2021-061, 2020-057, 2019-057 and 2018-057: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Repeated. Finding 2022-074.

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: Isolated occurrence while the MAP program was being transitioned from one building to another. As the equipment could not be used at the new location, it was stored for future use. The Director of Asset Management has oversight of the storage of inventory to avert future occurrences.

Finding 2021-062, 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2022-075.

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: DHS staff will work with PMO, hired to assist with the Public Health Emergency Unwind and establish Standard Operating Policies and Procedures (SOPPs) on certification and recertification processes and procedures. DHS is also in the process of hiring a Program Integrity Director and Medicaid Eligibility Quality Control (MEQC) staff, whose responsibility will be to review completed case files.

Finding 2021-063, 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2022-076.

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: As Medicaid staffing shortages are addressed, reports are submitted for review via email. The Department has implemented a shared folder to ensure copies of the approval emails and any time extension requests are now stored in said folder to ensure access for audit purposes as the submission portal does not allow for attachments.

Finding 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 2022-077.

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 has onboarded a Director of Program Integrity who will be responsible for establishing The Quality Control Unit, which will work with the Medicaid Fraud Control Unit on behalf of the Medicaid Program.

Finding 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 2022-078.

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: DHS is in the process of composing the solicitation for bid on the project to cover all periods outstanding.

Finding 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 2022-079.

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 secured a commitment from a vendor who was unable to perform the required services. DHS is currently working through the procurement process with DPP in order to identify a new vendor to perform the mandated services.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-067, 2020-064, 2019-064, 2018-068 and 2017-051: Special Tests and Provisions – Provider Eligibility

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-068, 2020-065, 2019-065, 2018-069, 2017-053, 2016-026, 2015-038, 2014-034, 2013-022 and 2012-21: Special Tests and Provisions - Medicaid Fraud Control Unit

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-069 and 2020-068: Special Tests and Provisions – Medicaid National Correct Coding Initiative

Current Status: Repeated. Finding 2022-080.

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: Although DHS stated that the documentation supporting DHS download and incorporation of the NCCI methodologies were available for review and the MMIS has the methodologies built into the system, OMB recommends that the documentations that DHS will implement internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid Program.

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 – 09/07/2025
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Finding 2021-071 and 2020-069: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-072, 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2022-081.

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 formalized process related to financial and performance report preparation and submission is now in place with clear roles and responsibilities outlined. The Disaster Program Financial Specialist is responsible for preparing the reports quarterly and submitting them to the Territorial Public Assistance Officer for review. The review process includes thorough reconciliations between the reports and other supporting data, such as accounting records.

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 – 09/07/2025
09/07/2017 – 09/16/2025

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Finding 2021-073: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2021-074: Reporting

Current Status: Repeated. Finding 2022-083.

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: A process related to financial and performance report preparation and submission will be formalized, and clear roles/responsibilities will be outlined. The Disaster Program Account Supervisors will be responsible for preparing the reports on a quarterly basis and submitting them to the Territorial Hazard Mitigation Officer for review. The review process will include thorough reconciliation between the reports and other supporting data, such as accounting records.

Program:
U.S. Department of Homeland Security

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

Government Department/Agency:
Department of Labor (VIDOL)

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2021-075: Activities Allowed or Unallowed – Non-Payroll Activities

Current Status: On-going implementation. VIDOL received modernization funds from the USDOL ARPA IT grant to develop a Trust Fund Accounting system and updated procedures in compliance with 2CFR 200.303. This system will improve document control, transaction handling, and record accessibility. VI Property and Procurement has approved soliciting vendors for implementation proposals. The project is scheduled to be completed by the end of Q1 FY2026. VIDOL's technical assistance team will oversee and support project deliverables and timelines.

Finding 2021-076: Cash Management

Current Status: On-going implementation. VIDOL received modernization funds from the USDOL ARPA IT grant to develop a Trust Fund Accounting system and updated procedures in compliance with 2CFR 200.303. This system will improve document control, transaction handling, and record accessibility. VI Property and Procurement has approved soliciting vendors for implementation proposals. The project is scheduled to be completed by the end of Q1 FY2026. VIDOL's technical assistance team will oversee and support project deliverables and timelines.

Finding 2021-077: Eligibility

Current Status: On-going implementation. VIDOL is using funds from the USDOL ARPA IT modernization grant to update its claims processing structure, moving from outdated physical records to a digital environment. This upgrade will include an audit review module to ensure internal controls and record retrieval. VIDOL plans to complete this by the 1st quarter of FY 2027. Meanwhile, staff will review the current year's records periodically for completeness and accuracy to prevent eligibility errors.

Finding 2021-078: Period of Performance

Current Status: On-going implementation. VIDOL received modernization funds from the USDOL ARPA IT grant to develop a Trust Fund Accounting system and updated procedures in compliance with 2CFR 200.303. This system will improve document control, transaction handling, and record accessibility. VI Property and Procurement has approved soliciting vendors for implementation proposals. The project is scheduled to be completed by the end of Q1 FY2026. VIDOL's technical assistance team will oversee and support project deliverables and timelines.

Finding 2021-079: Reporting

Current Status: On-going implementation. VIDOL received modernization funds from the USDOL ARPA IT grant to develop a Trust Fund Accounting system and updated procedures in compliance with 2CFR 200.303. This system will improve document control, transaction handling, and record accessibility. VI Property and Procurement has approved soliciting vendors for implementation proposals. The project is scheduled to be completed by the end of Q1 FY2026. VIDOL's technical assistance team will oversee and support project deliverables and timelines.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Program:	
ALN 10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN 11.022	Bipartisan Budget Act of 2018
ALN 15.875	Economic, Social, and Political Development of the Territories
ALN 17.225	Unemployment Insurance
ALN 20.205	Highway Planning and Construction Cluster
ALN 20.507	Federal Transit Cluster
ALN 21.019	COVID-19 – Coronavirus Relief Fund
ALN 21.023	COVID-19 – Emergency Rental Assistance Program
ALN 21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
ALN 66.468	Drinking Water State Revolving Fund Cluster
ALN 84.027A	Special Education Cluster (IDEA)
ALN 84.403A	Consolidated Grant to the Outlying Areas
ALN 84.425A, 84.425H	COVID-19 – Education Stabilization Fund
ALN 93.356, 93.600	Head Start Cluster
ALN 93.563	Child Support Enforcement
ALN 93.667	Social Services Block Grant
ALN 93.767	Children's Health Insurance Program
ALN 93.775, 93.778	Medicaid Cluster
ALN 97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN 97.039	Hazard Mitigation Grant Program
ALN 97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Household – Other Needs

Finding 2021-080, 2020-071, 2019-069, 2018-074 and 2017-088: Data Collection Form and Single Audit Reporting Package

Current Status: Repeated. The finding is included as part of Financial Statement Finding 2022-003 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 has implemented a plan, in coordination with its external auditor, to move to current audits by Fiscal Year 2025. Once audits are current, the Government will provide current submissions to the FAC.

Program:
U.S. Department of Defense

National Guard Military Operations and Maintenance (O&M) Projects
ALN: 12.401
Award #: W9127P-15-2-1000, W9127P-20-2-1000
Award Year: 10/01/2017 - 09/30/2020

Government Department/Agency:
Office of the Adjutant General (OTAG)

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2022-026.

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: OTAG has improved their internal controls and fully implemented a policy and procedure where the employees have both a manual timesheet and electronic timesheet to verify the time worked. Policies and procedures have been updated to address the validation of payroll process activities. In addition, an Employee Relations Coordinator has been in place to ensure validation input. The Director of Administration and Business Management certifies, and the Agency Head approves of allowable cost/cost principles payroll activities. OTAG is working on the review process relative to the grant and the appropriate period of performance.

Finding 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management

Current Status: Repeated. Finding 2022-027.

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: OTAG was not able to complete the preparation and submission of the SF-270 report for Fiscal Year 2022. However, OTAG has developed a Policies and Procedures Manual for FY2023. In addition, a Reimbursement Specialist was hired to ensure separation of duties in financial reporting.

Finding 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2022-028.

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: OTAG has updated their policies and procedures manual which includes tracking the match fulfillment for each expenditure. The master cooperative agreements through the appendices identifies the cost share and what is required by people performing management functions and procedures are updated annually and accordingly to reflect any changes.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: Repeated. Finding 2022-029.

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: OTAG has updated policies and procedures to address pre-award costs, scope of work, and payout to vendors to abide with the 90 days close out process. OTAG is training new personnel and monitoring implementation.

Finding 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2022-027.

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: OTAG was not able to complete the preparation and submission of the SF-270 report for Fiscal Year 2022. However, OTAG has developed a Policies and Procedures Manual for FY2023. In addition, a Reimbursement Specialist was hired to ensure separation of duties in financial reporting.

Program:
U.S. Environmental Protection Agency

Government Department/Agency:
Department of Public Works

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various

Finding 2020-034: Reporting

Current Status: The grant associated with the finding has concluded. No further action is required.

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

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2020-039: Allowable Costs/Cost Principles – Indirect Cost Activities

Current Status: On-going implementation. DOE management has drafted policies and procedures to ensure that the cost allocations are reviewed, and the information is accurate. Implementation and training are currently in process. Where revisions are required, allocations will be revisited to avoid overstatements.

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 2020-046 and 2019-047: Eligibility

Current Status: Repeated. Finding 2022-064.

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 DHS has implemented a checklist as an added internal control step to comply with the Federal requirements for review of provider enrollment applications by the provider relations staff.

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 2018-030, 2017-019, 2016-068, 2015-068 and 2014-058: 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.

Finding 2018-031, 2017-020, 2016-069, 2015-069 and 2014-059: Cash Management

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.

Finding 2018-032, 2017-021, 2016-070, 2015-070 and 2014-060: Equipment and Real Property Management

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.

Finding 2018-033 and 2017-022: Matching, Level of Effort, Earmarking

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.

Finding 2018-034, 2017-023, 2016-071: Period of Performance

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.

Finding 2018-035 and 2017-024: Procurement and Suspension and Debarment

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.

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 #: CK000377-03
Award Year: 08/01/2014 – 07/31/2019

Finding 2017-060: Cash Management

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2017-061: Equipment and Real Property Management

Current Status: Repeated. Finding 2022-057.

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 Epidemiology Division has established robust procedures to manage and monitor property and equipment effectively, adhering to Property and Procurement guidelines. All equipment is meticulously inventoried, and employees sign acknowledgment forms listing the items assigned to them, such as laptops or cell phones, with serial numbers clearly documented and safeguarded. However, DOH recognize the need for improved coordination between the Epidemiology Division and Property and Procurement. To enhance asset management, the Department of Health will update Fixed Asset SOP to require that each division shares its asset inventory with Property and Procurement on a quarterly basis, ensuring more accurate and up-to-date records.

Finding 2017-062: Reporting

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:
U.S. Environmental Protection Agency

Performance Partnership Grants
ALN: 66.605
Award #: Various
Award Year: 10/01/2009 - 03/31/2019

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2017-082: 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.

Finding 2017-083: Cash Management

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.

Finding 2017-084: Equipment and Real Property Management

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.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2017-085: Matching, Level of Effort, Earmarking

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.

Finding 2017-087: Reporting

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.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Aging Cluster
ALN: 93.044, 93.045, 93.053
Award #: 1601VISOSR, 1501VISOSR, 1401VISOSR
Award Year: 10/01/2015 - 09/30/2018
10/01/2014 – 09/30/2017
10/01/2013 – 09/30/2016

Finding 2016-034: Cash Management

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.

Finding 2016-037: Subrecipient Monitoring

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.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Employment Service Cluster
ALN: 17.207, 17.801
Award #: ES260501455A78, ES275221555A78,
ES294431655A78, ES275221555A78, ES260501455A78,
ES246501355A78, DV64, 266241555578
Award Year: 07/01/2014 – 09/30/2017
07/01/2015 – 09/30/2018
07/01/2016 – 07/01/2019
07/01/2015 – 09/30/2018
07/01/2014 – 09/30/2017
07/01/2013 – 09/30/2016
10/01/2015 – 09/30/2016

Finding 2016-064: Cash Management

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.

Program:
U.S. Department of Health and Human Services

Government Department/Agency:
Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster
ALN: 93.558
Award #: 1501VITANF
Award Year: 10/01/2014 - 09/30/2015

Finding 2015-023 and 2014-020: Eligibility

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.

Finding 2015-024: Equipment and Real Property Management

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.

Finding 2015-026 and 2014-022: Special Tests and Provisions - Child Support Non-Cooperation

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.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2015-027 and 2014-023: Special Tests and Provisions - Penalty for Refusal to Work

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.

Finding 2015-028, 2014-025, 2013-017 and 12-14: Special Tests and Provisions - Income Eligibility and Verification System

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.

Program:
U.S. Department of Commerce

Coastal Zone Management Administration Awards
ALN: 11.419
Award #: Various
Award Year: 10/01/2014 - 09/30/2015

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2015-043 and 2014-041: Equipment and Real Property Management

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.

Finding 2015-045: Reporting

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.

Program:
U.S. Department of Commerce

Coral Reef Conservation Program
ALN: 11.482
Award #: NA11NOS4820004/NA13NOS4820011
Award Year: 10/01/2014 – 09/30/2015

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2015-047: Equipment and Real Property Management

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

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DEPARTMENT OF FINANCE

Appendix B
Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Finding 2022-001: Year-End Close Process			
39	A. Timeliness and Methodology of Close Process	Department of Finance and its Accounting Division, Management Team; Executive Assistant Directors, Directors, and Line Managers	Fiscal Year 2025	Aggressive timelines are established for a timely year-end process. The Department of Finance (DOF) is in the process of standardizing the reporting necessary to aid in a successful and timely audit by collectively working on templates that will assist the agencies in reporting the necessary data. Accountability measures must be in effect to remove employees that are ineffective, while recruiting for accounting talent. DOF is aware that to achieve uniformity across all agencies on finance matters, DOF will have to assess the needs, skillset, and resources for the agencies and provide a sole position that will be able to monitor the success. Additionally, the Government will establish a formal review and approval process for the Major Funds Calculation.
40	B. Deficits in Unrestricted Net Position	The Governor's Financial Team	On-going	The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
41	B. Journal Entries	Department of Finance Management Information System Unit, Enterprise Resource Planning (ERP) Project Manager, and Directors	Immediately	Department of Finance recognized that it needs to have more feet on the ground to be able to approve journals. As such, training has been in effect and there are more people that will be able to assist with journals, especially when people are on leave etc. Additionally, certain journals are systematically generated, resulting in the same individual serving as both the creator and approver. These typically include year-end closing journals. Moving forward, the Department of Finance will ensure that proper documentation is maintained within the system.
	Finding 2022-002: Revenue and Receivables			
43	A. Reconciliation of Subsidiary Registers	Assistant Chief of Processing, Tax Collector, and designated staff in collaboration with Director of Treasury and as needed, the Director of Accounting, Bureau of Internal Revenue, and Department of Finance Accounting Division	Fiscal Year 2025	For purposes of interim financial reporting, the Bureau of Internal Revenue, Office of the Lieutenant Governor, and the Department of Finance have begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile non-sufficient funds checks in a timely manner, and implement internal safeguards to allow for more efficient reconciliation. In addition, the Government will implement the policy of reconciling tax receivables on a quarterly basis.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
44	B. Tax Return Processing Method	The management team of the Bureau of Internal Revenue; specifically, the Computer Operations and Processing Branches	On-going	The Bureau has launched its online gross receipts filing system. The Bureau is in the final testing stage of implementing the online income tax filing system.
44	C. Real Property Tax	The management team of the Office of the Lieutenant Governor; specifically, the Tax Assessor, Tax Collector, and the Chief of Staff	On-going	The Office of the Lieutenant Governor (LGO) will continue to work with appropriate agencies and review its records to remove from its tax rolls any entities that are exempt from paying taxes. LGO notes that Government agencies are generally not exempt from paying sewer fees which are collected via the tax bill on behalf of the Virgin Islands Waste Management Authority. Therefore, these entities will receive tax bills for sewer fees only.
45	D. Other Revenues	Department of Finance management, specifically, the Director of Treasury	Immediately	In an effort to provide adequate supporting documentation for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. The Government will conduct spot checks to ensure employees are adhering to this process.
	Finding 2022-003: Grants Management			
47	A. Control Systems Over the Schedule of Expenditures of Federal Awards	Office of Management and Budget, Department of Finance's Accounting and Treasury Divisions	Fiscal Year 2025	The review of ALN, expenditures and cash receipts postings to grants will occur as part of the quarterly system closings. Continuous reconciliations of the SEFA with departments and agencies will also be implemented.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
48	B. Federal Grants and Contributions	Department of Finance management; specifically, the Director of Treasury	On-going	The Department of Finance monitors the federal receivables and provides the agencies with reports showing outstanding drawdowns. In addition, a private firm has been contracted to work directly with the agencies to reconcile the Government's federal receivables.
49	C. Federal Grants Accounting	Department of Finance Executive Assistant Commissioner, Director of Accounting and Financial Reporting, and Director of Treasury	On-going	The Government has implemented measures that will ensure strict adherence to its reconciliation and review policies and procedures.
50	D. Report Submission	Department of Finance Accounting Division	Fiscal Year 2025	The Government has implemented a plan, in coordination with external auditor, to move to current audits by Fiscal Year 2025. Once audits are current, the Government will provide current submissions to the FAC.
	Finding 2022-004: Capital Assets and Related Expenditures			
51	A. Record Keeping	The Commissioner, Department of Finance, Director of Accounting, and Fixed Assets Coordinator	Immediately	The Department of Finance will review the controls in place and update the necessary manuals to address all of the recommendations set forth.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
52	B. Reconciliation and Review of Subsidiary Registers	Various designated individuals within the Department of Property and Procurement, Lieutenant Governor's Office, the Department of Public Works, and the Department of Finance to formulate a Capital Assets team	Fiscal Year 2023	To verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Capital Assets team—comprising key individuals from various departments and led by the Department of Property and Procurement and the Lieutenant Governor's Office—will identify land assets and confirm what is recorded in the books. An update to the policies and procedures will be expedited to specify how often they are revised and the frequency of working sessions for reconciliations. Revision of the Asset Policy and Procedural Manual is underway, along with continued collaboration between the Department of Finance, Department of Property and Procurement, and Department of Public Works regarding the development of the Capital Assets team.
53	C. Construction in Progress (CIP) Monitoring	The Commissioner, Department of Property and Procurement	Immediately	The Department of Property and Procurement in collaboration with key individuals in other agencies will provide findings internally for areas where this step was missed, including some accountability. The Capital Assets team has already begun deliberating on how the Government can capture this at the time of final payment. DPP will also review the policy and update accordingly.
53	D. Capital Assets Impairment Process	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team	Immediately	In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system. There is a project management software that houses all CIP information.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
54	E. Capital Assets - Business-Type Activities	Department of Finance, Director of Accounting and Financial Reporting and Capital Asset Coordinator	On-going	The Government will review the recommendations and collaborate with relevant parties.
	Finding 2022-005: Recording of Liabilities			
56	A. Retroactive Pay Liability	The management team of the Division of Personnel; specifically, the Information Technology Manager, Personnel Records Supervisor, OMB Director, and Budget Analysts	On-going	The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/Records Management staff, to first develop a firm number with regard to the Government's retroactive obligation. This process has already started. The Division of Personnel can only confirm the research that was done based on the Retroactive Wage Commission project. DOP Information Technology staff is ready to work with the Office of Collective Bargaining/Chief Negotiator, designated as the lead, on the development of a master file that will serve as the clearinghouse for all collective bargaining agreements.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				To assist with the past retroactive calculation and on-going payments to individuals and their respective survivors, the division is designing a central repository portal that will contain total obligations due and payments made to date. Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and the Office of Management and Budget (OMB). OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.
57	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 (RFP) to solicit an actuary to perform the evaluation.
57	C. Health Insurance Accrual	Department of Health Commissioner and Chief Financial Officer	On-going	The Government will maintain supporting documentation for the health insurance accrual for possible analysis by users.
58	D. Accounts Payable	Accounting Director with support from Executive Assistant Commissioner and Commissioner on achieving the funding and	Fiscal year 2025	The Department of Finance will work with Tyler Munis on utilizing the Accounts Payable Module and will work with Office of Management and Budget to hire an Accounts Payable Analyst who will be solely responsible to make the necessary monthly updates and adjustments while dedicating all of their time to work with D&A on entering invoices in timely.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
		Tyler Munis ERP Project Manager		The Accounting Analysts will ensure that the invoices are entered pursuant to Standard of Operating Procedures and Policies (SOPP) 130.
59	E. Landfill Closure and Post Closure Costs Liability	Waste Management Authority Management Team	On-going	The Government is working with its consultants to review the work and write a report to implement monitoring controls and ensure that all calculations are reviewed timely.
60	F. Quality of Census Data	The management team of the Government Employees' Retirement System Department of Finance and Division of Personnel; specifically, Administrator, Director, Member Services, and Director of Information Technology	On-going	A request for proposal is currently being advertised to obtain a vendor who will provide a census data management system to assist with maintaining current and accurate records.
61	G. Income Tax Refunds Payable	Bureau of Internal Revenue and Department of Finance Accounting Division	Fiscal Year 2025	A return to current audits will result in income tax refunds payable being evaluated through April 30th, as has been consistently done in prior years when audits were current.
61	H. Plan Funding Considerations	Management team of the Department of Finance, Virgin Islands Public Finance Authority, Government Employees' Retirement System of the	On-going	The Virgin Islands Public Finance Authority established the Matching Fund Special Purpose Securitization Corporation (the Corporation) to refund and restructure the Government's matching fund bonds.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
		U.S. Virgin Islands, and Legislature of the Virgin Islands		Additionally, the Corporation placed a funding note with GERS, secured by a subordinate lien on the matching funds, and is projected to pay out $3.8 billion to GERS through 2051. Policy decisions regarding postemployment benefit alternatives and the establishment of special funds for postemployment benefits are under the purview of the Legislature of the Virgin Islands.
	Finding 2022-006: Management of the Medicaid Program			
63	Cost Report Audits, System Security Review, and Approvals	The Commissioner, Department of Human Services, Chief Financial Officer, and the Program Administrator	On-going	For the cost report audits, the Medicaid Assistance Program continues to work with the selected vendor to complete the requirements. For the Eligibility System, a vendor has been selected and the contract is in process. Additionally, the Medicaid Program will work closely to ensure all information is provided relative to the environment for the claims.
	Finding 2022-007: Unemployment Insurance Trust Fund			
64	Account Reconciliation Process	Unemployment Insurance Director	On-going	The Virgin Islands Department of Labor (VIDOL) hired a Financial Analyst to reconcile the Unemployment Insurance Trust Fund to ensure compliance with CMIA and Social Security Act clearance and depository regulations. The Trust Fund is in good standing and being reconciled daily. The Virgin Islands Department of Labor (VIDOL) policies and procedures manual was approved by the U.S. Department of Labor in October 2021.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				The policies and procedures established address our ineffective internal controls, fiscal and administrative requirements for expending and accounting for all funds relative to the Unemployment Insurance Trust Fund accounts.
	Finding 2022-008: Workers Compensation Program			
65	Plan Valuation Methodology	Executive Assistant Commissioner, Director of Accounting and Reporting, Commissioner – DOF, Worker's Compensation Director – Labor Assistant Commissioner	On-going	The Department of Finance (DOF) will collaborate with VIDOL to consider the recommendations set forth. The newly implemented software, Ventiv, will assist in resolving the issues mentioned. Additionally, the Government Insurance Fund (GIF) will initiate a monthly Hospital Payables Inquiry request form for completion by the Workers Compensation Administration (WCA). The form will give the GIF a baseline from which we start and then track increases and decreases in payables going forward. It will also inform the GIF of any "special payment projects" undertaken or in progress at the WCA. This document will supplement the information provided to our actuary.
	Finding 2022-009: Payroll, Related Accruals, and Other Expenditures			
67	A. Payroll Expenditures	The management team of the Department of Finance; specifically, Director of Payroll, and	On-going	The Department of Finance will collaborate with the Department of Human Services and Payroll Division to determine and consider the recommendations set forth.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
		Departments and Agencies' payroll personnel		Additionally, the Department of Finance - Payroll Division will monitor overtime and work with the various agencies to ensure that it is appropriate and within the laws and collective bargaining agreements. In some cases, a state of emergency, overrides the normal overtime regulations appropriately.
68	B. Transactions with Personnel	The management team of the Office of the Governor and Department of Finance, specifically, Credit Card Administrator	On-going	The Department of Finance implemented a government credit card program in fiscal year 2021 that includes training and an active P.O. for card issuance. The Department will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor so that all other reimbursements are made in compliance with policies.
69	C. Reporting for Expenditures	The Department of Finance, Executive Assistant Commissioner and Director of Accounting	On-going	The Government will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the approval process, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module.
70	D. Formalize Emergency Payroll Procedures	The management team of the Department of Finance; specifically, Director of Payroll	On-going	With infrastructure improvements related to climate resilience and technological advancements in remote capabilities prompted by the global pandemic, the Government has made significant progress in strengthening controls to ensure the continuity of normal operations under adverse conditions. Protocols for emergency payroll processing are continuously reviewed and updated.
	Finding 2022-010: Bank Accounts			

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
71	A. Strengthen Controls Over Bank Reconciliations	The management team of the Department of Finance; specifically, the Director of Treasury	On-going	The Commissioner of Finance will enforce Title 33, Subtitle 3, Chapter 115, Subchapter III, Subsection 3261 which outlines the procedures for unpaid checks. Also, the Director of Treasury will ensure that bank reconciliations are prepared and reviewed on a timely basis. The Government will also work with the Munis consultants regarding implementation of a process tracking to determine when bank reconciliations are reviewed and approved.
72	B. Cash Pooling and Allocation(s)	The management team of the Department of Finance; specifically, the Deputy Commissioner and Director of Treasury	On-going	The Director of Treasury, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure that bank reconciliations are prepared timely as the Government continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.
73	C. Check Sequences	The management team of the Department of Finance; specifically, the Deputy Commissioner and Directors of Treasury and Management Information System	On-going	The ERP system does automatically generate check numbers for some accounts. To ensure controls are in place over the sequence of checks, controls will be established on the check series used and check series not used.
	Finding 2022-011: Other Post Employment Benefit Valuation			

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
74	A. Actuarial Valuation	Executive Assistant Commissioner, Department of Finance	On-going	The Government implemented a new census data management system that can easily be updated by the component unit, which will alleviate the delayed submission of data to the actuary.
74	B. Administration and Recordkeeping	Executive Assistant Commissioner, Department of Finance, and Division of Personnel	On-going	The Department of Finance has already begun collaborating with the Division of Personnel on this matter. Moving forward, we will continue to establish processes to address the findings noted. The Division of Personnel is now able to account for the receivables and payables of the Health Insurance Retiree Fund, as an employee was hired in January 2020 to monitor and track the accounting of the fund for the Group Health Insurance Unit.
75	C. Update of Mortality Tables	Executive Assistant Commissioner, Department of Finance	Performance of next experience study	For consistency, the mortality and other demographic assumptions used in the valuation are aligned with those applied in GERS pension valuations. Updated assumptions will be adopted upon completion of the next experience study for GERS.
77	Finding 2022-012: Accounting Standards Implementation	Property and Procurement, Economic Development Authority, Virgin Islands Housing Finance Authority, Department of Finance Accounting Division	Fiscal Year 2025	The Government is beginning the process of soliciting a professional services contract to implement GASB 87. Disclosures related to GASB 77 cannot be made as the underlying contracts are subject to confidentiality restrictions prohibiting disclosure.
78	Finding 2022-013: Irregularities related to	Commissioner of Property and Procurement	October 2025	The Government is finalizing its policies and procedures to ensure all necessary supporting documentation are retained, which will support adherence to internal policies and regulatory requirements.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Procurement Activities			The Government will review regularly to verify that all procurement activities are properly documented and compliant with applicable regulations.
80	Finding 2022-014: Procurement Regulations	Department of Property and Procurement Management Team	On-going	The Government will continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders, contracts, and profiles to ensure that internal policies and regulations are being adhered to.
	Finding 2022-015: Information Technology (IT) Environment			
82	User Access and Administration	The management team of the Bureau of Internal Revenue (including the Director of Processing and IT), Office of Lieutenant Governor, Department of Labor, specifically, the IT Director, the management team of Division of Family Assistance of the Department of Human Services, and the Department of Finance IT Director	On-going	Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway. The Lieutenant Governor's Office has transitioned and upgraded its systems to address the issue of performing the re-certifications of user access security rights. Additionally, the MIS Director currently participates in regular meetings with the Bureau of Information Technology during which the implementation of a government-wide framework is being established. Only members of the Computer Operations Group are Administrators on the Bureau domain. Also, a password lockout and complexity policy are in effect. All users must take part in the Bureau annual Disclosure and Computer Awareness training. The Information Technology (IT) department has already created a recertification policy and are now working on the forms for supervisors to acknowledge.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				These documents will be ready by the next fiscal year. The password lockout policy will be implemented for the next fiscal year as well. The IT department have already had discussions with a vendor to provide this feature with Oracle Forms. VIDOL change management has been logged by emails and some word document forms that were created but not standardized. VIDOL change management has been logged by emails and some word document forms that were created but not standardized. VIDOL IT is working on implementing a standardized change management system for the next fiscal year.
84	Finding 2022-016: Collateral of Depository	The Commissioner of Finance	On-going	Collateral reports are specific to the financial institution and may not include all quasi-governmental or component unit accounts if not identified as a government account when established at the financial institution. The Government will work with its banks to ensure any accounts identified are included on the collateral report of the related institution.
85	Finding 2022-017: Landfill Consent Decrees	Office of the Governor, Chief of Staff and the Waste Management Authority Management Team	On-going	The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the workflow to timely complete reports to meet EPA decrees concerning the various issues.
86	Finding 2022-018: Establishment of a Medical Malpractice Trust Fund	Commissioner, Department of Health and Medical Malpractice Action Review Committee	Immediately	The Department of Health has already established a Medical Malpractice fund which is called the Reciprocal Insurance Fund.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
87	Finding 2022-019: Casino Control Commission	The Department of Finance and Director of Accounting	On-going	The Government has requested and is receiving the requisite reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code.
88	2022-020: Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer and Deputy Commissioner of Human Resources	October 2024	DHS transitioned from a manual payroll process to the Government electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee. Payroll is generated based on the cost centers listed on the Notice of Personnel Action. Payroll is now reconciled by the Financial Analyst once it is posted by the Department of Finance to ensure that cost is applied appropriately. Additionally, a workflow is now established in the NOPA approval process to ensure the current org, objects and projects are listed on the Notice of Personnel Actions (NOPA) which is utilized for payroll purposes.
90	2022-021: Matching, Level of Effort, Earmarking	Chief Financial Officer and Deputy Commissioner of Human Resources	October 2025	DHS transitioned from a manual payroll process to the Government electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee. The payroll is generated based on the cost centers listed on the Notice of Personnel Action (NOPA). Processes are now in place ensuring each respective staff NOPA is updated at the start of each fiscal year to reflect new year's applicable ERP code. Additionally, once payroll costs are generated, it is reconciled by the dedicated Financial Analyst for SNAP. Additionally, a workflow is now established in the NOPA approval process to ensure the current org, objects and projects are listed on the Notice of Personnel Actions (NOPA) which is utilized for payroll purposes.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
92	2022-022: Special Tests and Provisions – EBT Card Security	Program Administrator	December 2024 March 2025	A Standard Operating Procedures and Procedures (SOPP) is being prepared to detail the EBT Reconciliation process. Additionally, a Director of Support Services will be hired to review all reports.
94	2022-023: Allowable Cost/Cost Principles – Payroll Activities	Payroll Director	October 31, 2025	VIDE acknowledges the audit findings regarding Child Nutrition Cluster payroll and is committed to strengthening internal controls for federal compliance. VIDE will enhance timesheet management by developing clear policies for completion, submission, approval, and secure retention, ensuring accurate effort documentation. Federal Grants and Payroll staff will collaboratively verify employee authorization, accurate project coding, and consistent pay rates (NOPA vs. payroll register); this reconciliation will occur periodically and before key reporting deadlines. We will also improve payroll register completeness by adjusting reporting configurations to consistently include all mandatory employer-paid benefits (e.g., retirement, health insurance) and resolve individual instances where hours worked were inaccurate. Finally, mandatory training will be conducted for relevant staff and supervisors on new timesheet procedures, federal time and effort requirements, NOPA reconciliation, and accurate payroll documentation. This comprehensive approach, supported by ongoing monitoring from the Office of Fiscal and Administrative Services, will ensure sustained compliance and robust financial management for the Child Nutrition Cluster.
96	2022-024: Cash Management	Tatia- Monell Hewitt, DOH CFO	December 2024	DOH will revise drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted. DOH will update drawdown SOPs for Fiscal Year 2025, ensuring that all drawdown documentation includes a review confirmation.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				DOH will also incorporate this updated procedure into Federal Grants update training in December 2024 and make it accessible to all staff on Business Process Improvement SharePoint site.
97	2022-025: Period of Performance	Tatia- Monell Hewitt, Department of Health, CFO	Immediately	The Department of Health will make sure that any external consultant confers with their financial division to validate process or actions taken before finalizing any adjustments. In addition, the Department of Health will conduct monthly reconciliation meetings to ensure all adjustments are completed and on time.
99	2022-026: Allowable Costs/Cost Principles – Payroll Activities and Period of Performance	Director of Administration and Business Management	December 2023	OTAG has improved their internal controls and fully implemented a policy and procedure where the employees have both a manual timesheet and electronic timesheet to verify the time worked. Policies and procedures have been updated to address the validation of payroll process activities. In addition, an Employee Relations Coordinator has been in place to ensure validation input. The Director of Administration and Business Management certifies, and the Agency Head approves of allowable cost/cost principles payroll activities. OTAG is working on the review process relative to the grant and the appropriate period of performance.
101	2022-027: Cash Management and Reporting	Director of Administration and Business Management	March 2025	OTAG was not able to complete the preparation and submission of the SF-270 report for Fiscal Year 2022. However, OTAG has developed a Policies and Procedures Manual for FY2023. In addition, a Reimbursement Specialist was hired to ensure separation of duties in financial reporting.
103	2022-028: Matching, Level of Effort, Earmarking	Director of Administration and Business Management	On-going	OTAG has updated their policies and procedures manual which includes tracking the match fulfillment for each expenditure.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				The master cooperative agreements through the appendices identifies the cost share and what is required by people performing management functions and procedures are updated annually and accordingly to reflect any changes.
104	2022-029: Period of Performance	Director of Administration and Business Management	March 2025	OTAG has updated policies and procedures to address pre-award costs, scope of work, and payout to vendors to abide with the 90 days close out process. OTAG is training new personnel and monitoring implementation.
106	2022-030: Cash Management	OMB Director, DOF Commissioner	September 2025	The Government of the Virgin Islands (GVI) is implementing significant reforms to strengthen financial accountability and improve internal controls within its agencies. The Executive Order directing CFOs of the Government agencies to report to the Department of Finance aims to streamline financial oversight and ensure that public funds are being managed effectively. The introduction of a Public Finance Policy to standardize procedures and ensure compliance with Cash Management regulations (including CFRs and other compliance rules) is an important step in maintaining transparency and minimizing financial risks across the various government agencies.
108	2022-031: Equipment and Real Property Management	Assistant Commissioner	Immediately	The Asset Management Division (AMD) has consistently followed Federal equipment and maintenance guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). The serial numbers, model numbers, acquisition dates, cost of equipment, and agency that received the items are included. In 2022, AMD conducted inventory for four agencies, ensuring that all assets were accounted for and managed according to Federal regulations.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				Additionally, AMD have completed the Standard Operation Policies and Procedures (SOPP), which is currently in the approval process. Implementing SOPP is essential to enhancing internal controls and ensuring compliance with Federal regulations. Training sessions will be conducted for fixed assets employees across all Government agencies to provide detailed insights and updates on the processes. It has been identified that additional staff will be required to support this initiative effectively.
110	2022-032: Procurement and Suspension and Debarment	Chief Procurement Officer	Immediately	The Government has since updated its procurement laws and has 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.
112	2022-033: Reporting	Manager of Federal Grants Management Unit, Agency Heads – Various Departments and Agencies	Fiscal Year 2023	The Government will conduct a high-level review of internal control policies and closely monitor reports for completeness, accuracy, timeliness, and consistency with the guidelines, policies, and procedures established by the Cognizant Agency. Additionally, to support this effort, an analyst will be assigned to track reporting schedules, oversee grant activity, and manage document storage for individual agencies. The analyst will regularly monitor the reporting schedule for each grant award to ensure timely submission of all required reports.
114	2022-034: Activities Allowed or Unallowed	Unemployment Director	3rd Qtr. 2026	VIDOL concurs with the auditors finding relative to the balance not reconciling with the general ledger. The underlying factor that caused the variance in this finding was related to the retrieved file for the audit, which did not cover the period of the review, thus the balances provided to the auditors would not reconcile with the source system and the Government ledger.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				To avoid future occurrences, VIDOL has updated the source system report writer that produces query on balances for accounting and tracking ledger balances. VIDOL has also recently issued a request for a proposal to have a contractor assist in installing a Trust Fund accounting system infrastructure and procedures. This system is anticipated to correct many accounting deficiencies and improve operations. Based on the project plan the launch timeline is anticipated by third quarter of 2026. Once this system is operational, adequate personnel are hired and trained, postings and ledger balance should allow for more accurate data on account balances. This system will also provide a structure wherein accrual, month end, and year end system closes can occur.
116	2022-035: Eligibility	Director of Administration	3rd Qtr. 2025	The agency has commenced reviewing the agency retention policies and training with staff on keeping records and files in a systematic sequence. In the third quarter of FY2025, the agency will be launching an electronic record keeping system for claims files that will provide a more comprehensive and structured mechanism for record retention. VIDOL staff will also be engaging with USDOL to have programmatic technical assistance with record retention. The agency is also engaging with USDOL to implement data validation in the operations which is intended to verify that eligibility and records are maintained. The agency's Integrity unit will commence regular compliance reviews for claimant eligibility in the 2nd quarter of FY2025, this review will assist in mitigating past errors and provide feedback on corrective actions that will assist in proper record retention.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
118	2022-036: Reporting	Director of Administration	4th Qtr. 2026	VIDOL has obtained a federal grant award from USDOL, to assist in updating and redesigning of UI reporting and accounting system. This award is intended to rebuild the current reporting structure to assist with having complete, accurate, and timely processes in place. VIDOL has commenced work on preparing scope of works for the projects, and it is anticipated by 4th quarter of FY2026.
120	2022-037: Special Tests and Provisions – Employer Experience Rating	Director of Administration	3rd Qtr. 2026	VIDOL concurs with the initial auditors on finding relative to the balance not reconciling with the general ledger. The underlying factor that caused the variance in this finding was related to the retrieved file for the audit, which did not cover the period of the review, thus the balances provided to the auditors would not reconcile with the source system and the Government ledger. To avoid future occurrences, VIDOL has updated the source system report writer that produces query on balances for accounting and tracking ledger balances. VIDOL has also recently issued a request for a proposal to have a contractor assist in installing a Trust Fund accounting system infrastructure and procedures. This system is anticipated to correct many accounting deficiencies and improve operations. Based on the project plan the launch timeline is anticipated by third quarter of 2026. Once this system is operational, adequate personnel are hired and trained, postings and ledger balance should allow for more accurate data on account balances. This system will also provide a structure wherein accrual, month end, and year end system closes can occur.
122	2022-038: Special Tests and Provisions – UI Reemployment	Director of Administration	2nd Qtr. 2025	VIDOL will be implementing a RESEA case management system for reporting and program services. This case management system is currently in configuration phase of the project. Live production is expected by the 2nd quarter 2025.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Programs (WPRS and RESEA)			This system will be the official system of record for recording all services for RESEA claimants that participate in the program.
124	2022-039: Period of Performance	Manager of Federal Grants Management Unit, Commissioner of Department of Finance	Fiscal Year 2023	The office of Management and Budget will work with the Department of Finance to implement control measures that will prevent the approval of transaction beyond the period of performance.
126	2022-040: Reporting	Manager of Federal Grants Management Unit	Fiscal Year 2023	An analyst will be assigned to track reporting schedules, grant activity and store documents. The analyst will regularly monitor the reporting schedule for each grant award to ensure that all reports are submitted in a timely manner.
128	2022-041: Subrecipient Monitoring	Manager of Federal Grants Management Unit	Fiscal Year 2023	OMB will develop and enforce a robust framework that includes detailed monitoring procedures, regular compliance checks, and comprehensive oversight mechanisms. This framework will ensure that all subrecipients adhere to federal requirements, thereby promoting accountability and proper use of federal funds. These measures will help mitigate risks, enhance transparency, and ensure that subrecipients fulfill their obligations under federal statutes effectively.
130	2022-042: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities and Procurement and Suspension and Debarment	Federal Grants Management Unit and Compliance Unit	June 30, 2026	1. Hiring of Key Personnel: o A Grants Administrator has been hired to oversee the grant management process and ensure compliance with all applicable 2CFR200 regulations as well as the grant award. The Grants Administrator was onboarded in October 2023. o An external Accounting firm has been engaged to provide additional oversight and expertise in financial management and compliance. The firm began providing support in January 2022.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				2. Development of Policies and Procedures: o Comprehensive policies have been developed to ensure compliance with all applicable 2CFR200 regulations and the grant award. These policies include: • Internal controls for the vetting of subrecipients to ensure they meet all eligibility criteria. • Documentation of the awards granted, including detailed records of the grant agreement, budget, scope and period of performance adjustments. • Monitoring of expenditures to ensure funds are used for allowable activities and costs. • Communication to subrecipients on non-compliance issues and guidance for remediation activities or recoupment of costs. o Finalizing contract for the development of GVI over-arching policies to include Fraud, Waste and Abuse policy which would include a whistleblower process to encourage reporting of any suspected fraud or non-compliance. 3. Internal Controls: o Implementation of robust internal controls to ensure compliance with federal regulations. These controls include: • Regular reviews of financial transactions and documentation. • Segregation of duties to prevent conflicts of interest and ensure accountability. Grant Analyst assigned to projects, Grant Administrator reviews and oversees daily work and final sign offs required by Director.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				• Training for staff on compliance requirements and internal control procedures. 4. Monitoring and Evaluation: o Establishment of a monitoring and evaluation framework through the OMB Compliance Unit to assess the effectiveness of internal controls and compliance measures. This framework includes: • Regular reporting and review of compliance activities and findings. • Continuous improvement processes to address any identified weaknesses or gaps in controls. o Establish an Audit committee to oversee the implementation and effectiveness of internal controls and compliance measures. 5. Training: o Instituted regular training sessions for all staff involved in grant management to ensure they are aware of and understand compliance requirements.
133	2022-043: Procurement and Suspension and Debarment	Chief Procurement Officer, DPP	Immediately	The Government has since updated its procurement laws and has 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. The Government, in late January and early February 2025, conducted the Government-wide training on the updated procurement laws and re-established expectations as it pertains to processes and maintaining full and open competition.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				The Government has begun providing User Agencies with access to GVIBUY to enable them to perform informal solicitations in the eProcurement system. Further targeted training on this process will continue over time, ensuring User Agencies prioritize full and open competition in their procurement activities and will give the Department of Property and Procurement more oversight and compliance powers.
135	2022-044: Reporting	Manager of Federal Grants Management Unit	Fiscal Year 2023	OMB has established a reporting approval memo in which the OMB Director signs acknowledging the review and approval of the Treasury reports starting in calendar year 2024 reporting. OMB has improved the collection and storage of underlying supporting financial information for all projects being reported in the quarterly reports and can provide the necessary support upon request as of FY23.
137	2022-045: Subrecipient Monitoring	Manager of Federal Grants Management Unit	Fiscal Year 2025	OMB will identify and monitor the federal awarding agencies and will request single audit results for the applicable recipients beginning FY25 and include the results in the monitoring reviews. For revenue replacement projects, based on Treasury's Final Rule FAQ (13.14), "Recipients' use of revenue loss funds does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award." As such, they are not subject to the Single Audit Act.
140	2022-046: Equipment and	Fixed Assets Director	March 2025	VIDE acknowledges the finding regarding the management and documentation of federally funded equipment.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Real Property Management			VIDE will ensure the reliability of its asset tracking system and ensure the maintenance of a centralized record of all assets acquired with federal funds, to include property description, serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and disposition information. The Procurement Division will schedule quarterly inventory audits and reconciliation processes to ensure all federal program assets are accounted for and that records align with actual inventory. Any discrepancies identified during these audits will be resolved promptly. The Fixed Asset Director will create a protocol to facilitate regular communication and updates among Programs/Divisions responsible for asset acquisition, maintenance, and recordkeeping. Monthly status reports on federal asset records will be required from each Program/Division to ensure data accuracy and timely updates.
142	2022-047: Matching, Level of Effort, Earmarking	Federal Grants Director	December 2024	VIDE acknowledges the audit finding related to matching, level of effort, and earmarking requirements, and recognizes the need for stronger internal controls and improved documentation to ensure full compliance with federal regulations. To address the finding, VIDE is committed to enhancing monitoring. VIDE will establish a dedicated team within the Federal Grants Office to conduct quarterly reviews of documentation, including student counts, poverty data, and funding allocations, and to document all monitoring activities and findings. They will also report any identified issues to management and recommend corrective actions.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				The IDEA State Office will establish clear procedures for Local Education Agencies (LEAs) to report student counts and poverty data, develop a process for verifying the accuracy of this data, and ensure all necessary data is collected and documented to support level of effort and earmarking calculations. To ensure all relevant staff understand the new policies and procedures, VIDE will provide comprehensive training.
144	2022-048: Cash Management	Federal Grants Director	December 2024	VIDE acknowledges the findings related to cash management processes under the U.S. Department of Education Consolidated Grant. VIDE is committed to implement corrective actions to enhance cash management procedures and maintain compliance with U.S. Department of Education conditions. VIDE will reinforce its procedure that mandates completion of all drawdown requests within 24 hours after receiving the request from the TPFA. To maintain compliance and prevent any delays in processing drawdown requests, VIDE will ensure designated individuals are trained to process requests when the primary staff member is unavailable. VIDE will conduct weekly reconciliations of all drawdown requests and disbursements, developing a process for investigating and resolving discrepancies, and maintaining detailed records of all reconciliations.
146	2022-049: Equipment and Real Property Management	Fixed Assets Director	March 2025	VIDE acknowledges the finding regarding the management and documentation of federally funded equipment. VIDE will ensure the reliability of its asset tracking system and ensure the maintenance of a centralized record of all assets acquired with federal funds, to include property description, serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				disposition information. The Procurement Division will schedule quarterly inventory audits and reconciliation processes to ensure all federal program assets are accounted for and that records align with actual inventory. Any discrepancies identified during these audits will be resolved promptly. The Fixed Asset Director will create a protocol to facilitate regular communication and updates among Programs/Divisions responsible for asset acquisition, maintenance, and recordkeeping. Monthly status reports on federal asset records will be required from each Program/Division to ensure data accuracy and timely updates.
148	2022-050: Reporting	Federal Grants Director	July 2025	VIDE acknowledges the audit finding concerning the failure to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for first-tier subawards. VIDE plan will prioritize the development and implementation of detailed reporting policies and procedures, with a focus on FFATA requirements. These policies will include clear procedures for identifying and tracking all subawards subject to FFATA reporting, specific guidelines for collecting and reporting required data elements, and established timelines for data submission. Roles and responsibilities for all involved personnel, including program staff, grants management staff, and the Federal Grants Office, will be clearly defined within these policies. To enhance our subaward tracking capabilities, VIDE will implement a dedicated system for tracking subawards and collecting the required data. This may involve enhancing our existing grants management system or implementing a new system specifically designed to capture all necessary data elements for FFATA reporting. Comprehensive training on the use of this system will be provided to all relevant staff. VIDE will also strengthen its data verification and validation procedures.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				This will include establishing a formal process for reviewing and verifying the accuracy and completeness of subaward data before submission. Data quality checks will be implemented within the tracking system, and regular reconciliations will be conducted between subaward data and other relevant records to ensure consistency and accuracy. To ensure that all relevant personnel are well-versed in the new policies and procedures, VIDE will conduct mandatory training sessions. These sessions will cover FFATA reporting requirements in detail, VIDE's new policies and procedures for subaward reporting, and proper data collection and submission procedures.
150	2022-051: Subrecipient Monitoring	Federal Grants Director	March 2025	VIDE acknowledges the need for strengthened controls to ensure subrecipient compliance with federal audit requirements, as specified in 2 CFR Part 200, Subpart F. VIDE is committed to implementing effective measures to ensure that all subrecipients adhere to federal regulations and that sufficient oversight is provided. VIDE will ensure all subrecipient agreements include explicit reporting requirements and compliance expectations under 2 CFR Part 200, Subpart F. In addition, training will be given to internal staff on subrecipient monitoring requirements and best practices to ensure consistent implementation.
152	2022-052: Allowable Costs/Cost Principles – Payroll Activities	Payroll Director	March 2025	VIDE acknowledges the audit finding related to payroll activities and recognizes the need for stronger internal controls to ensure full compliance with federal regulations. To address the identified discrepancies and prevent future occurrences, VIDE will enhance timesheet management and strengthen rate verification processes. To improve timesheet management, VIDE will implement a system to ensure all timesheets are submitted and readily available.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				This will include electronic timesheet submission, mandatory supervisor review and approval before payroll processing, and secure electronic storage and archiving of timesheets. VIDE will also strengthen its rate verification process by implementing a standardized procedure that includes a checklist for comparing NOPA rates with payroll system rates. Payroll staff will be required to complete this checklist at the start of each pay cycle and maintain a tracker to flag any discrepancies. To ensure all employees and supervisors understand the new policies and procedures, VIDE will conduct mandatory training sessions. These sessions will cover proper timesheet completion and submission, rate verification requirements, and the importance of adhering to the new guidelines.
154	2022-053: Reporting	Federal Grants Director	March 2025	VIDE acknowledges the deficiencies identified in the reporting processes for the COVID-19 Education Stabilization Fund (ESF-SEA). VIDE is committed to enhancing our reporting practices to ensure compliance with federal requirements and to prevent future occurrences. VIDE will implement a structured review and approval process for all performance and special reports, ensuring that each report is vetted by the appropriate officials. Training will be provided for all staff involved in report preparation and submission.
157	2022-054: Special Tests and Provisions – Participation of Private School Children	Federal Grants Manager & OMB Compliance Unit	March 2025	VIDE acknowledges the findings related to the participation of private school children in the COVID-19 Education Stabilization Fund (ESF-SEA) program. VIDE is committed to rectifying these issues and enhancing our systems to ensure equitable services for private school children.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				OMB will develop and implement a formal policy and procedures that outline the process for ensuring the participation of private school children in compliance with federal regulations. This will include guidelines for timely consultation with nonpublic schools and documentation of services provided. OMB will create a consultation schedule to ensure that timely consultations with nonpublic schools are conducted each fiscal year. The schedule will outline key dates for initiating and completing consultations to meet compliance requirements. OMB will collaborate with the Department of Education to develop control measure to ensure that all private schools expenditures are equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel.
159	2022-055: Special Tests and Provisions – Wage Rate Requirements	Federal Grants Director & OMB Compliance Unit	March 2025	VIDE acknowledges the findings regarding compliance with wage rate requirements under the COVID-19 Education Stabilization Fund (ESF-SEA) program. VIDE is committed to addressing these compliance gaps and strengthening our processes to ensure that all wage rate requirements are met. All existing and future contracts will be reviewed to ensure they contain appropriate language regarding compliance with wage rate requirements. Contract templates will be updated to include clauses that mandate compliance and outline the consequences of noncompliance. VIDE will establish a system requiring contractors to submit certified payroll reports on a weekly basis for all contract work performed. A designated team will be responsible for collecting, reviewing, and retaining these reports to verify compliance.
161	2022-056: Allowable	Payroll Director, DOH Commissioner	Immediately	DOH fully acknowledge and accept the auditor's finding regarding DOH's inability to reconcile the payroll expenses listed in the SEFA

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Costs/Cost Principles – Payroll Activities			with those documented in the payroll register. This discrepancy arose because payroll adjustments were not completed in time to reflect accurately in the FY2022 SEFA. To address this, DOH team has received thorough training, and staff members now have the necessary access to make payroll adjustments in the Government Financial Management System as of FY2024. Moving forward, DOH will strengthen our SOPs by conducting monthly reconciliation meetings with all relevant program teams to ensure timely adjustments and continuous monitoring. Additionally, DOH will update procedures to guarantee that all new fiscal staff are granted complete financial system access and are trained on reconciliation and adjustment processes within two weeks of starting.
163	2022-057: Equipment and Real Property Management	Director, DOH Commissioner	Immediately	The Epidemiology Division has established robust procedures to manage and monitor property and equipment effectively, adhering to Property and Procurement guidelines. All equipment is meticulously inventoried, and employees sign acknowledgment forms listing the items assigned to them, such as laptops or cell phones, with serial numbers clearly documented and safeguarded. However, DOH recognize the need for improved coordination between the Epidemiology Division and Property and Procurement. To enhance asset management, the Department of Health will update our Fixed Asset SOP to require that each division shares its asset inventory with Property and Procurement on a quarterly basis, ensuring more accurate and up-to-date records.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
165	2022-058: Equipment and Real Property Management	Commissioner of DPP, DHS Fixed Asset Director	On-going	An internal asset listing at DHS is maintained. However, the Department of Human Services will work collaboratively with the Department of Property and Procurement to ensure adherence to Federal regulations related to equipment and its related maintenance. The Office of Management and Budget is also reviewing and following up with the agency leadership of DPP and DHS to validate that the process is updated, maintained to monitor equipment acquired with Federal funds.
167	2022-059: Reporting	Program Administrator	July 2025	Program is collaborating with the Director of Asset Management and the Fiscal Analyst to include SOPP verbiage to ensure that completion of said forms are timely and submitted as required. Efforts are being supported by the Federal Office of Head Start Grants Office.
169	2022-060: Special Test and Provision – Protection of Federal Interest in Real Property and Facilities	Program Administrator	March 2025	Program is collaborating the Office of Legal Council to include SOPP verbiage to ensure that completion of said forms. Efforts and technical assistance are being provided by the Federal Office of Head Start Grants Office. All outstanding reports will be submitted by the end of March 2025. This will be included in quarterly monitoring meeting.
171	2022-061: Special Test and Provision – Program Governance	Program Administrator	October 2023	The Governing Board transitioned to virtual meetings due to the Pandemic with pre-empted the FY22 training and has incorporated electronic voting from board members into its procedures. Therefore, regular trainings occur that enable the governing body to perform its legal, fiscal and oversight responsibilities.
173	2022-062: Activities Allowed	Chief Financial Officer	October 2024	A dedicated Fiscal Analyst has been hired and is now inserted into the approval workflow to ensure compliance.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities			Additionally, any open purchase orders are now closed at the end of the grant year to ensure compliance.
175	2022-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Payroll Activities	Deputy Commissioner of Human Resources and Labor Relations	October 2024	The Division of Human Resources is now adjusting the Notice of Personnel Actions to reflect the requisite Project code at the beginning of each Fiscal year.
177	2022-064: Eligibility	CCDF Administrator	October 2024	The DHS has implemented a checklist as an added internal control step to comply with the Federal requirements for review of provider enrollment applications by the provider relations staff.
179	2022-065: Matching, Level of Effort, Earmarking	Chief Financial Officer	October 2025	The CCDF team is collaborating with the CFO to finalize and approve the Standard Operating Procedures (SOPPs) for Matching, Level of Effort, Earmarking (MLEE). The team is also ensuring that matching fund contributions are monitored, with one member overseeing this aspect while another manages programmatic activities to ensure alignment with MLEE expenditure goals. An MLEE Compliance Tracker will be developed, and staff will receive training on federal MLEE requirements. Internal reviews will begin in Q1 2026 to assess compliance. Monthly tracking reports and quarterly audits will provide ongoing oversight, enabling the timely identification and resolution of any discrepancies.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
180	2022-066: Period of Performance	Chief Financial Officer	October 2024	A dedicated Fiscal Analyst has been hired and is now inserted into the approval workflow to ensure compliance. Additionally, any open purchase orders are now closed at the end of the grant year to ensure compliance.
181	2022-067: Reporting	Chief Financial Officer	August 2024	A Federal Grants Financial Analyst specific to the CCDF program has been onboarded with responsibility for the accuracy and submission of the financial reports. Internal controls have been implemented whereas final review and approval is required by a supervisor.
183	2022-068: Special Tests and Provisions – Health and Safety Requirements	Program Administrator	Immediately	While DHS remains in compliance with this finding from previously audited years, the untimely submission resulted in this finding. Moving forward, a shared file will be established to ensure that the requisite information for each year is readily available for audit purposes.
185	2022-069: Special Tests and Provisions – Fraud Detection and Repayment	Program Administrator	Immediately	An internal audit process is in place and is being utilized. Specifically, this includes exchanging caseloads between workers and having the eligibility and subsidy determinations cross-checked by the different worker based on the federally and locally established policies.
187	2022-070: Activities Allowed or Unallowed and Allowable Costs/Cost	IV-D Director, Program Specialist, and Case Administrator Supervisor	November 2024	DOJ will ensure each timesheet contains approval by the respective employee's supervisor before it is forwarded to DOF Payroll Division for processing.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Principles - Payroll Activities			
188	2022-071: Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Chief Financial Officer	October 2024	The Stats Timeforce system has been implemented. Time and attendance are no longer a manual process eliminating these types of variance. The system is automated wherein designated employees utilize a fingerprint to log their time. The time once vetted and approved, is released to the Department of Finance for check processing. The process is automated to fall in line with designed ERP cost center listed on the employee's Notice of Personnel Action. Invoice transactions are vetted by the CFO. Any transactions over $50K is then approved by the Commissioner or her designee.
190	2022-072: Period of Performance	Chief Financial Officer	October 2023	As part of the close-out process, all open purchase orders are now submitted to the Department of Finance to be closed. Additionally, the grant close out process has now shifted to OMB to ensure the grant is no longer available for transactions entries or liquidations. Additionally, a dedicated Fiscal Analyst is being inserted into the workflow to ensure compliance.
192	2022-073: Reporting	Chief Financial Officer	October 2025	Presently, there is a collaboration with our Federal Partners to consolidate the reporting in the Payment Management System portal as there is no one report for the SSBG as required. Presently, report requests are not consistent with one consolidated grant. Additionally, the pre and post expenditures are submitted through the portal with a log of submission.
194	2022-074: Allowable	Medicaid Director	Immediately	Isolated occurrence while the MAP program was being transitioned from one building to another.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	Costs/Cost Principles – Non-Payroll Activities			As the equipment could not be used at the new location, it was stored for future use. The Director of Asset Management has oversight of the storage of inventory to avert future occurrences.
196	2022-075: Eligibility	Director of Operations, Medicaid Director	March 2024	DHS staff will work with PMO, hired to assist with the Public Health Emergency Unwind and establish Standard Operating Policies and Procedures (SOPPs) on certification and recertification processes and procedures. DHS is also in the process of hiring a Program Integrity Director and Medical Eligibility Quality Control (MEQC) staff, whose responsibility will be to review completed case files.
198	2022-076: Reporting	Chief Financial Officer	October 2024	As Medicaid staffing shortages are addressed, reports are submitted for review via email. The Department has implemented a shared folder to ensure copies of the approval emails and any time extension requests are now stored in said folder to ensure access for audit purposes as the submission portal does not allow for attachments.
200	2022-077: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	On-going	DHS has onboarded a Director of Program Integrity who will be responsible for establishing The Quality Control Unit, which will work with the Medical Eligibility Quality Control (MFCU) on behalf of the Medicaid Program.
202	2022-078: Special Tests and Provisions - Inpatient Hospital	Medicaid Director	May 2025	DHS is in the process of composing the solicitation for bid on the project to cover all periods outstanding.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	and Long-Term Care Facility Audits			
204	2022-079: Special Tests and Provisions – ADP Risk Analysis and System Security Review	Medicaid Director, MIS Manager	March 2024	DHS secured a commitment from a vendor who was unable to perform the required services. DHS is currently working through the procurement process with DPP in order to identify a new vendor to perform the mandated services.
206	2022-080: Special Tests and Provisions – Medicaid National Correct Coding Initiative	Medicaid Director	March 2024	Although DHS stated that the documentation supporting DHS download and incorporation of the NCCI methodologies were available for review and the MMIS has the methodologies built into the system. OMB recommends that the documentations that DHS will implement internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid Program.
208	2022-081: Reporting	Malinda Vigilant-Messer, Territorial Public Assistance Officer	Fiscal Year 2023	The formalized process related to financial and performance report preparation and submission is now in place with clear roles and responsibilities outlined. The Disaster Program Financial Specialist is responsible for preparing the reports quarterly and submitting them to the Territorial Public Assistance Officer for review. The review process includes thorough reconciliations between the reports and other supporting data, such as accounting records.
210	2022-082: Subrecipient Monitoring	Malinda Vigilant-Messer, Territorial Public Assistance Officer	Fiscal Year 2024	The formal process for completing and retaining Subrecipient Agreements is now operational to ensure compliance with programmatic obligations.

Appendix B
Government of the United States Virgin Islands

Corrective Action Plan

Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
				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 reconciling that the subrecipient agreement has been signed by the Applicant and Governor's Authorized Representative and provided to the Territorial Public Assistance Officer. As such, no funds will be disbursed until the Subrecipient signs and returns the subrecipient agreement. These agreements are saved in a centralized location for documentation and audit purposes.
213	2022-083: Reporting	Graciela Rivera, Territorial Hazard Mitigation Officer	On-going	A process related to financial and performance report preparation and submission will be formalized, and clear roles/responsibilities will be outlined. The Disaster Program Account Supervisors will be responsible for preparing the reports on a quarterly basis and submitting them to the Territorial Hazard Mitigation Officer for review. The review process will include thorough reconciliation between the reports and other supporting data, such as accounting records.