Government of the United States Virgin Islands

Management's Discussion & Analysis, Financial Statements (with Independent Auditor's Report Thereon) and Required Supplementary Information
Year Ended September 30, 2024

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

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Independent Auditor's Report

To the Honorable Governor
of the Government of the United States Virgin Islands

Report on the Audit of the Financial Statements

Adverse, Disclaimer, Qualified, and Unmodified Opinions

We have audited or were engaged to audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Government as of September 30, 2024, or the changes in financial position and, where applicable, cash flows and disclosures thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Disclaimer of Opinion on Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information

We do not express an opinion on the accompanying financial statements of the Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information of the Government. Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of these opinion units.

Qualified Opinion on the General Fund and Federal Grants Fund

In our opinion, except for the effects of the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and Federal Grants Fund of the Government, as of September 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, Federal Grants Fund, and Unemployment Insurance-Enterprise Fund of the Government as of September 30, 2024, 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) and Virgin Islands Public Broadcasting System (VIPBS), discretely presented component units, which collectively represent 3.2%, (2.2%), and 7.6%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely Presented Component Units as of September 30, 2024.
- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 57.4%, 65.4%, and 77.2%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information as of September 30, 2024.

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

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of the Aggregate Discretely Presented Component Units, General Fund, Debt Service Fund, Capital Projects Fund, Matching Fund Special Purpose Securitization Corporation Debt Service Fund, Federal Grants Fund, The West Indian Company Limited-Enterprise Fund, and viNGN, INC.-Enterprise Fund, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities 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 adverse, qualified, and unmodified audit opinions.

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

The Government's basic financial statements do not include the current fiscal year financial activity of the following discretely presented component units: Virgin Islands Housing Finance Authority (VIHFA), Schneider Regional Medical Center (a district of the Virgin Islands Government Hospital and Health Facilities Corporation), and the Virgin Islands Waste Management Authority (VIWMA). The following component units have not been audited and we were not engaged to audit the financial statements of the University of the Virgin Islands Research and Technology Park Corporation (RTPark), the University of the Virgin Islands (UVI), the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Juan F. Luis Hospital and Medical Center), the Virgin Islands Water and Power Authority (VIWAPA), the Virgin Islands Economic Development Authority (VIEDA), the Magen's Bay Authority (MBA), the Virgin Islands Port Authority (VIPA), VIHFA and VIWMA, nor was the information available as part of our audit of the Government's basic financial statements. This represents approximately 96.8%, 100.0 % and 92.4% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

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

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

Matters Giving Rise to Qualified Opinion on the General Fund 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.

The Government reported $67.3 million as other financing sources in the General Fund related to repayments of advances to component units. We were unable to obtain sufficient appropriate audit evidence regarding the nature of these transactions, including whether they meet the criteria for revenue recognition or should be reported as due to/from transfers, nor were we able to determine the accuracy and completeness of the amounts recorded. Accordingly, we were unable to determine whether adjustments are required to the General 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 $75.3 million as of the year ended September 30, 2024. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Federal Grants Fund.

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, 2024. 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 Disclosures*. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

The Government did not maintain the requisite documentation to support the opening balance for capital asset activities recording in the prior year. In addition, the Government did not maintain sufficient appropriate documentation to support construction in progress (CIP) project status balances of $349.3 million or CIP transfers of $64.7 million as of and for the year ended September 30, 2024. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances of capital assets and accumulated depreciation as of October 1, 2023. Further, because these balances affect the determination of capital assets, accumulated depreciation, depreciation expense, and net position, we were unable to determine whether adjustments were required to the Governmental Activities as of and for the year ended September 30, 2024.

The Government did not obtain an audited schedule of other postemployment benefits (OPEB) by employer, including the related auditor's report, necessary to support the allocation of collective OPEB amounts for the year ended September 30, 2024. The Government reported a net OPEB liability of $812.3 million, deferred outflows of resources of $81.7 million, and deferred inflows of resources of $186.9 million related to this matter. We were unable to obtain sufficient appropriate audit evidence regarding these amounts and the related disclosures. Accordingly, we were unable to determine whether adjustments may be necessary to the Governmental Activities.

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

We were unable to obtain sufficient appropriate audit evidence to support the due to and due from balances with component units because the balances could not be reconciled to the corresponding component unit amounts, which were also unaudited. Accordingly, we were unable to determine whether any adjustments are required to the Governmental Activities.

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

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

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

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

The basic fund financial statements do not include a liability for medical malpractice claims in the reciprocal insurance fund (a non-major enterprise fund) and, accordingly, the Government has not recorded an expense for the current period change in that liability. The Government's records do not permit it, nor is it practical to extend our auditing procedures sufficiently to determine the extent by which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2024, may have been affected by this condition.

In addition, the Government did not obtain the requisite valuation for the Workers' compensation liability as required by generally accepted accounting standards to support the measurement of the workers' compensation liability and the related expense and disclosures for the year ended September 30, 2024. As such, we were unable to determine whether adjustments are required to the Business-Type Activities and Aggregate Remaining Fund Information.

The Virgin Islands Lottery, a nonmajor enterprise fund, has not been audited, and we were not engaged to audit the fund's financial statements, nor was the information available as part of our audit of the Government's basic financial statements. As such, the Government's records do not permit, nor is it practical to extend our auditing procedures sufficiently to determine the extent to which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2024, may have been affected by this condition.

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

The Government's records were either not available or contained incomplete information. As such, the records do not permit it, nor is it practical to extend, our auditing procedures sufficiently to determine the extent by which the Unemployment Insurance-Enterprise Fund and Business-Type Activities as of and for the year ended September 30, 2024, may have been affected by this condition.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

BDO USA, P.C.

June 30, 2026

Management's Discussion and Analysis

Introduction

The following management's discussion and analysis presents an overview of the financial position and activities of the Government of the United States Virgin Islands (the Government) as of and for the fiscal years ended September 30, 2024, and 2023.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Governmental Funds

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

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

Since the 2017 hurricanes, nearly $24.0 billion has been invested in rebuilding the infrastructure of the U.S. Virgin Islands. In February 2024, the Biden administration reduced the cost share adjustment for federal projects to 2.0%. This has allowed the Office of Disaster Recovery to oversee the placement of $8.0 billion in construction projects into the procurement process between 2024 and 2025.

The Government's Rebuild USVI initiative is laying the groundwork for $14.0 billion in construction of 30 critical projects to begin in fiscal years 2026 and 2027. These projects include hospital construction projects, new power generation projects, homes for the aged, and school rebuilding projects.

To continue the growth of tourism in the Territory, the Government's Economic Development Authority has entered into hotel development agreements, and the Virgin Islands Port Authority has entered into agreements to modernize the airports on St. Thomas and St. Croix.

Financial Analysis of the Primary Government

As of September 30, 2024 and 2023, the total assets and deferred outflows of resources of the Government amounted to approximately $3.3 billion and $3.6 billion, respectively. Total liabilities and deferred inflows were approximately $8.2 billion at September 30, 2024 and $8.9 billion at September 30, 2023. Governmental liabilities exceed assets mainly due to unfunded pension and postemployment benefits (OPEB). OPEB benefits include health and life insurance paid for retired government employees. Pension and OPEB liabilities amounted to $3.8 billion at September 30, 2024 and $4.1 billion at September 30, 2023.

The Government's net deficit of $4.9 billion at September 30, 2024 consisted of a $1.0 billion net investment in capital assets; $252.4 million restricted by statute or other legal requirements and not available to finance day-to-day operations; and an unrestricted net deficit of $6.2 billion. The Government's net deficit at September 30, 2023 of $5.3 billion consisted of a $907.1 million net investment in capital assets; $393.3 million restricted by statute or other legal requirements and not available to finance day-to-day operations; and an unrestricted net deficit of $6.6 billion.

For the fiscal year ended September 30, 2024, the primary government earned program and general revenue amounting to $2.3 billion and reported expenses of $2.0 billion, resulting in a decrease in net deficit of approximately $465.5 million. For the fiscal year ended September 30, 2023, the primary government earned program and general revenue amounting to $2.3 billion and reported expenses of $2.3 billion, for a decrease in net deficit of approximately $122.3 million.

Overall revenue increased in fiscal 2024 by approximately $40.8 million, when compared to fiscal 2023, mainly due to an increase in taxes of $10.5 million, an increase in interest and other of $69.3 million, and an increase in payment in lieu of taxes of $5.5 million, offset by a decrease in charges for services of $3.8 million, and a decrease of $40.5 million in operating grants and contributions.

Overall expenses decreased in fiscal 2024 by $274.1 million when compared to fiscal 2023, mainly due to a decrease in general government expense of $164.6 million, a decrease in public safety expense of $6.9 million, a decrease in public housing and welfare expense of $32.3 million, a decrease in education expense of $64.9 million, a decrease in transportation and communication expenses of $2.5 million, a decrease in other business program expense of $3.1 million, a decrease in culture and creation expense of $0.3 million and a decrease in unemployment insurance expense of $0.2 million. These decreases were offset by an increase in WICO expenses of $0.3 million, increase in viNGN expenses of $0.2 million and an increase in interest expense on long-term debt of $0.2 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,	**2024**	2023	**2024**	2023	**2024**	2023
Assets and Deferred Outflows						
Current assets	**$ 1,272,063**	$ 1,367,936	**$ 105,320**	$ 83,636	**$ 1,377,383**	$ 1,451,572
Internal balances	**50,919**	50,294	**(50,919)**	(50,294)	**-**	-
Capital assets	**1,260,406**	1,135,668	**92,130**	98,867	**1,352,536**	1,234,535
Leases receivable	**-**	-	**7,425**	7,458	**7,425**	7,458
Other assets	**4,882**	5,044	**1,707**	1,681	**6,589**	6,725
Deferred outflows of resources	**580,806**	878,458	**-**	-	**580,806**	878,458
Total assets and deferred outflows	**3,169,076**	3,437,400	**155,663**	141,348	**3,324,739**	3,578,748
Liabilities and Deferred Inflows						
Long-term liabilities	**5,614,245**	6,059,707	**94,493**	93,830	**5,708,738**	6,153,537
Other liabilities	**1,100,502**	1,229,221	**103,694**	113,886	**1,204,196**	1,343,107
Deferred inflows of resources	**1,287,382**	1,413,149	**3,192**	3,205	**1,290,574**	1,416,354
Total liabilities and deferred inflows	**8,002,129**	8,702,077	**201,379**	210,921	**8,203,508**	8,912,998
Net Position						
Net investment in capital assets	**1,026,098**	889,370	**11,233**	17,754	**1,037,331**	907,124
Restricted	**210,202**	368,700	**42,175**	24,608	**252,377**	393,308
Unrestricted deficit	**(6,069,353)**	(6,522,747)	**(99,124)**	(111,935)	**(4,878,769)**	(6,634,682)
Total net deficit	**$ (4,833,053)**	$ (5,264,677)	**$ (45,716)**	$ (69,573)	**$(4,878,769)**	$ (5,334,250)

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2024**	2023	**2024**	2023	**2024**	2023
Revenues						
Program revenue:						
Charges for services	**$ 35,320**	$ 36,830	**$ 58,892**	$ 61,161	**$ 94,212**	$ 97,991
Operating grants and contributions	**962,794**	1,002,859	**70**	497	**962,864**	1,003,356
Capital grants and contributions	**29,059**	24,650	**2,120**	6,676	**31,179**	31,326
General revenue:						
Taxes	**1,055,037**	1,044,579	**-**	-	**1,055,037**	1,044,579
Interest and other	**149,479**	76,019	**8,262**	12,395	**157,741**	88,414
Payment in lieu of taxes	**16,134**	10,593	**-**	-	**16,134**	10,593
Tobacco settlement rights	**1,013**	1,090	**-**	-	**1,013**	1,090
Total revenues	**2,248,836**	2,196,620	**69,344**	80,729	**2,318,180**	2,277,349
Expenses						
General government	**1,047,855**	1,212,486	**-**	-	**1,047,855**	1,212,486
Public safety	**86,950**	93,845	**-**	-	**86,950**	93,845
Health	**72,745**	72,676	**-**	-	**72,745**	72,676
Public housing and welfare	**308,424**	340,707	**-**	-	**308,424**	340,707
Education	**274,609**	339,546	**-**	-	**274,609**	339,546
Transportation and communication	**51,939**	54,445	**-**	-	**51,939**	54,445
Culture and recreation	**8,862**	9,207	**-**	-	**8,862**	9,207
Interest on long-term debt	**80,839**	80,591	**-**	-	**80,839**	80,591
The West Indian Company	**-**	-	**13,669**	13,417	**13,669**	13,417
Unemployment insurance	**-**	-	**5,190**	5,346	**5,190**	5,346
viNGN	**-**	-	**10,653**	10,487	**10,653**	10,487
Other	**-**	-	**16,875**	19,997	**16,875**	19,997
Total expenses	**1,932,223**	2,203,503	**46,387**	49,247	**1,978,610**	2,252,750
Changes in net position (deficit) before transfers and special items	**316,613**	(6,883)	**22,957**	31,482	**339,570**	24,599
Transfers	**(900)**	(1,000)	**900**	1,000	**-**	-
Repayment of advances from line of credit	**67,342**	-	**-**	-	**67,342**	-
Special item - settlement proceeds	**60,000**	96,958	**-**	-	**60,000**	96,958
Special item – transfer of land	**(1,403)**	-	**-**	-	**(1,403)**	-
Special item – debt cancellation	**-**	-	**-**	717	**-**	717
Changes in net deficit	**441,652**	89,075	**23,857**	33,199	**465,509**	122,274
Net deficit, beginning of year, as adjusted	**(5,274,705)**	(5,353,752)	**(69,573)**	(102,772)	**(5,344,278)**	(5,456,524)
Net deficit, end of year	**$(4,833,053)**	$ (5,264,677)	**$ (45,716)**	$ (69,573)	**$(4,878,769)**	$ (5,334,250)

Financial Analysis of the Government's Funds

Governmental Funds

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

On September 30, 2024, the Government's governmental funds reported a combined fund balance of $192.4 million, a decrease of $15.4 million when compared to the prior year combined fund balance of $207.8 million. Approximately $534.6 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 ($314.1 million), ii) committed for particular purposes ($94.7 million), or iii) assigned for particular purposes ($318.3 million).

The General Fund is the chief operating fund of the primary Government. On September 30, 2024, the total fund deficit of the General Fund was $391.9 million, a decrease of $78.0 million from the prior year fund deficit of $469.9 million. The decrease in fund deficit of $78.0 million was mainly due to total expenditures of the General Fund of $1.2 billion exceeding General Fund revenues of $0.9 billion by $198.8 million, offset by loans issued of $22.9 million, settlements reported by the General Fund of $33.6 million, and net transfers received of $152.9 million.

The PFA Debt Service Fund accounts for the resources accumulated, and payments made for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. On September 30, 2024, the restricted fund balance of the PFA Debt Service Fund was $160.9 million, a decrease of $113.3 million from the prior fiscal year fund balance of $274.2 million. This decrease was mainly due to debt service payments of principal and interest of $72.2 million, contributions to the Government Employees' Retirement System of the U.S. Virgin Islands (GERS) Funding Note of $124.0 million, and transfers to other funds of $142.3 million. These decreases were offset by tax revenues of $210.7 million, federal grants of $7.5 million, interest and other revenues of $6.1 million, and transfers from other funds of $0.8 million.

The PFA Capital Projects Fund accounts for bond proceeds issued by PFA that have been designated for certain necessary public safety and capital development projects. On September 30, 2024, the restricted fund balance of the PFA Capital Projects Fund was $96.1 million, a decrease of $11.5 million from the prior fiscal year fund balance of $107.6 million. This decrease was mainly due to transfers to other funds of $11.0 million, general government expenses of $1.8 million, and capital outlays of $727,000 exceeding interest and other income of $2.0 million.

The Matching Fund Special Purpose Securitization Corporation (MFSPSC) accounts for the resources accumulated, and payments made, for debt service requirements of bonds issued by MFSPSC. On September 30, 2024, the restricted fund balance of MFSPSC was $43.5 million, a decrease of $34.4 million from the prior fiscal year balance of $77.9 million. The decrease is mainly due to bond interest payments of $47.9 million exceeding tax revenues of $10.3 million and interest and other revenue of $3.2 million.

The Federal Grants Fund accounts for payments that are restricted to expenditures for specified purposes. On September 30, 2024, the Federal Grants Fund deficit of $13.1 million decreased by $58.5 million from the prior year fund deficit of $71.6 million. The decrease in 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 the Virgin Islands Next Generation Network (viNGN) as these funds are considered to be major funds.

On September 30, 2024, the primary Government's proprietary funds reported a combined net deficit of $45.7 million, a decrease in deficit of $23.9 million when compared to the prior year combined net deficit of $69.6 million. The fund deficit is the result of an unrestricted deficit in the proprietary funds of $99.1 million, offset by net investment in capital assets of $11.2 million and restricted net position of $42.2 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. On September 30, 2024, the net deficit of WICO was $21.5 million, an increase in fund deficit of $4.2 million from the prior fiscal year. This increase was mainly due to interest expense of $3.4 million, payment in lieu of taxes of $643,000, and an operating loss of $922,000 offset by interest and other income of $785,000.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2024, the net deficit of the fund was $34.5 million, a decrease in deficit of $24.8 million from the prior fiscal year. The decrease in deficit was mainly due to charges of services of $29.1 million exceeding costs of services of $5.2 million, grant revenue of $67,000, and interest and other revenue of $881,000.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed interest connections to retail internet service providers. On September 30, 2024, viNGN, reported net position of $12.8 million, a decrease of $3.8 million from the prior fiscal year. This decrease was mainly due to an operating loss of $5.8 million offset by grant revenue of $2.1 million.

General Fund Budgetary Highlights

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

A summary of the budgetary report for the General Fund of the Government, for the fiscal year ended September 30, 2024, follows (expressed in thousands):

September 30, 2024	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 991,432	$ 991,432	$ 1,055,974	$ 64,542
Total expenditures	801,987	879,791	920,731	(40,940)
(Deficiency) excess of revenues over expenditures	189,445	111,641	135,243	23,602
Other financing sources (uses), net	(146,412)	(146,412)	(157,097)	(10,685)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ 43,033	$ (34,771)	$ (21,854)	$ 12,917

For fiscal year 2024, the General Fund realized an favorable budgetary variance of $12.9 million mainly due to a favorable revenue variance of $64.5 million, an unfavorable expenditure variance of $40.9 million, and an unfavorable other financing sources (uses) variance of $10.7 million.

The General Fund realized a favorable revenue variance of $64.5 million mainly due to interest & other revenues exceeding budgeted amounts by $158.7 million, federal grant revenue received of $5.6 million, payment in lieu of taxes revenue received of $5.5 million, charges for services revenues being under budget by $3.7 million and taxes revenues being under budget by $101.5 million during the fiscal year. The General Fund realized an unfavorable expenditures variance of $40.9 million due to spending exceeding budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2024 amounted to $192.5 million for governmental activities, net of adjustments, and $1.9 million for business activities net of adjustments. Capital assets additions during fiscal year 2023 amounted to $94.3 million for governmental activities net of adjustments, and $61,000 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 improvements, construction in progress, and intangibles, as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2024**	2023	**2024**	2023	**2024**	2023
Land and land improvements	**$ 253,168**	$ 237,373	**$ 7,345**	$ 7,083	**$ 260,513**	$ 244,456
Building and improvements	**688,156**	668,983	**82,477**	82,440	**770,633**	751,423
Machinery and equipment	**327,241**	311,971	**87,984**	84,250	**415,225**	396,221
Right-to-use assets	**-**	-	**1,354**	1,329	**1,354**	1,329
Infrastructure	**404,367**	365,687	**-**	-	**404,367**	365,687
Intangible assets	**-**	-	**30,774**	30,774	**30,774**	30,774
Construction in progress	**349,380**	248,347	**8,537**	11,071	**357,917**	259,418
Total capital assets	**2,022,312**	1,832,361	**218,471**	216,947	**2,240,783**	2,049,308
Less accumulated depreciation and amortization	**(761,906)**	(696,693)	**(126,341)**	(118,080)	**(888,247)**	(814,773)
Total capital assets, net	**$1,260,406**	$ 1,135,668	**$ 92,130**	$ 98,867	**$1,352,536**	$ 1,234,535

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, 2024, (expressed in thousands):

Bond Issue	**Maturity**	**Rates (%)**	**Balance**
2022 Series A Securitization Bonds	2039	4.05 - 4.73	$ 930,315
2022 Series B Securitization Bonds	2025	6.00	22,510
2019 Series A TIF Revenue and Refunding Bonds	2029	6.88	4,105
2015 Series Federal Highway Bonds	2016 - 2033	3.00 – 5.00	53,825
2014 Series D Revenue Bonds	2015 - 2033	6.03	3,830
2014 Series C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	194,760
2014 Series A Revenue Bonds	2015 - 2034	5.00	33,225
2012 Series C Revenue Bonds	2017 - 2042	3.00 – 5.00	18,830
2012 Series A & B Revenue & Refunding Bonds	2017 - 2032	2.25 – 5.25	121,420
2006 Series A Revenue Bonds	2007 - 2029	3 50 – 5.00	119,560
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	3,767
Total bonds outstanding			1,506,147
Plus (less):			
Bonds premium			36,547
Bonds discount			(168)
Bonds accretion			16,073
Net bonds outstanding			$ 1,558,599

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 $44.7 million during fiscal year 2024 and $42.9 million during fiscal year 2023.

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

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. At the time of withdrawal, the Government's issuer rating was Caa3 and the outlook was stable. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Most recently, Moody's had served as a reference rating for 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,	**2024**	2023
Governmental activities:		
Accrued compensated absences	**$ 49,198**	$ 47,583
Retroactive union arbitration	**144,110**	146,518
Litigation	**5,761**	6,685
Landfill closure and post closure	**169,350**	165,244
Business-type activities:		
Workers compensation	**40,827**	41,961
Lease liability – ViNGN	**461**	680
Lease liability - WICO	**20**	49
VIWAPA utilities - WICO	**183**	183
Compensated absences - WICO	**1,352**	1,372
Loan payable - viNGN	**438**	450
Revolving line of credit - viNGN	**95**	-
Loan payable – U.S. Treasury	**79,693**	87,406
Bonds payable - WICO	**51,676**	51,631
Total other liabilities	**$ 543,164**	$ 549,762

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 the net pension liability reported in fiscal years 2024 and 2023 (expressed in thousands):

September 30,	2024	2023
Net pension liability	$ **2,964,893**	$ 3,125,580

Net Other Postemployment Benefit (OPEB) Liabilities

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

Following is the net OPEB liability reported in fiscal years 2024 and 2023 (expressed in thousands):

September 30,	2024	2023
Net OPEB liability	$ **812,312**	$ 784,556

Significant Currently Known Facts

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

Revenue and Compliance Initiatives

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

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

Budgetary Control of Expenditures

The Government has experienced an increase in carry-forward liabilities from prior fiscal years mainly due to landfill closure costs, postemployment benefits for retirees, and net pension liabilities in connection with the Government's defined benefit pension plan. The Government also has carry-forward liabilities due to unpaid retroactive salary increases that accumulated following Hurricanes Hugo, Marilyn, and Bertha in the years of 1990 through 1998. At September 30, 2024 and 2023, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to $3.8 billion and $4.1 billion, respectively. The Government's defined benefit pension plan was 10.33% and 8.91% funded as of the measurement dates of September 30, 2024 and 2023, respectively.

Based on the most recent actuarial projection of November 2024, the Government's retirement system is expected to remain solvent in coming years. The retirement system increased the contribution rates of participating employers by: (i) 1.0% effective October 1, 2015, 2016 and 2017; (ii) by 3.0% effective January 2020; and (iii) by another 3.0% effective January 1, 2025. The January 1, 2025 increase was subsequently postposed to October 1, 2025. In September 2025, 36th Legislature of V.I. passed a measure that removed the GERS board's authority to increase the contribution rates and future changes requires legislative approval. This overturns the GERS board's decision to increase the employer contribution rate by 3.0% effective October 1, 2025.

In 2022, the Government restructured the existing matching fund bond debt to free up resources to provide annual funding for the retirement system through the issuance of the GERS Funding Note between the PFA and GERS. The GERS Funding Note establishes a funding plan for GERS using residual matching funds after debt service and other required payments under the bond indenture. Payments made to GERS in April 2022 and October 2022 through October 2025 amounted to $89.2 million, $158.0 million, $124.0 million, $102.0 million and $56.4 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:

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, 2024	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	$ 554,086	$ 47,714	$ 601,800	$ 123,697
Investments, at fair value	372,957	1,680	374,637	22,804
Receivables, net	220,423	3,799	224,222	228,376
Internal balances	50,919	(50,919)	-	-
Due from federal government	75,285	1,113	76,398	48,250
Due from component units	41,233	-	41,233	-
Due from primary government	-	-	-	22,602
Inventories	-	-	-	17,424
Prepayments and other assets	-	-	-	42,065
Restricted:				
Cash and cash equivalents	-	51,014	51,014	121,045
Investments	-	-	-	87,325
Other	-	-	-	18,291
Capital assets, net	1,260,406	92,130	1,352,536	2,593,940
Leases receivable	-	7,425	7,425	383
Notes receivable	8,079	-	8,079	3,936
Other assets	4,882	1,707	6,589	153,873
Total assets	2,588,270	155,663	2,743,933	3,484,011
Deferred Outflows of Resources				
Deferred amounts related to pension	493,549	-	493,549	265,790
Deferred charges on bond refunding	5,592	-	5,592	7,335
Deferred amounts related to OPEB	81,665	-	81,665	40,745
Total deferred outflows of resources	580,806	-	580,806	313,870
Total assets and deferred outflows of resources	$ 3,169,076	$ 155,663	$ 3,324,739	$ 3,797,881

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2024	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 468,659	$ 8,125	$ 476,784	$ 787,608
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,667
Due to primary government	-	-	-	63,239
Due to component units	26,568	-	26,568	-
Due to federal government	-	-	-	6,375
Refundable advance	111,531	9,187	120,718	-
Interest payable	37,031	1,669	38,700	8,283
Other current liabilities:				
Tax refunds payable	169,494	-	169,494	-
Line of credit	-	-	-	33,262
Loans and notes payable	18	79,710	79,728	4,831
Bonds payable	60,163	-	60,163	61,905
Unearned revenues	181,069	-	181,069	30,091
Other liabilities	45,969	1,746	47,715	15,551
Noncurrent liabilities:				
Line of credit	-	95	95	9,731
Loans and notes payable	16,154	421	16,575	12,375
Bonds payable	1,498,436	51,676	1,550,112	164,255
Net pension liability	2,964,893	-	2,964,893	1,080,349
Other postemployment benefits liability (OPEB)	812,312 -	-	812,312	132,936
Unearned revenues		1,204	1,204	57,963
Other liabilities	322,450	41,097	363,547	112,451
Total liabilities	6,714,747	198,187	6,912,934	2,611,872
Deferred Inflows of Resources				
Deferred amounts related to OPEB	186,938	-	186,938	23,456
Deferred amounts related to pension	1,100,444	-	1,100,444	233,269
Deferred amounts related to leases	-	3,192	3,192	3,172
Total liabilities and deferred inflows of resources	$ 8,002,129	$ 201,379	$ 8,203,508	$ 2,871,769
Net Position (Deficit)				
Net investment in capital assets	$ 1,026,098	$ 11,233	$ 1,037,331	$ 2,310,326
Restricted:				
Unemployment insurance	-	41,887	41,887	-
Debt service	204,415	288	204,703	-
Capital projects	5,787	-	5,787	-
Component units	-	-	-	236,501
Unrestricted deficit	(6,069,353)	(99,124)	(6,168,477)	(1,620,715)
Total net deficit	$ (4,833,053)	$ (45,716)	$ (4,878,769)	$ 926,112

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2024	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 1,047,855	$ 33,635	$ 557,934	$ 10,690	$ (445,596)	$ -	$ (445,596)	$ -
Public safety	86,950	382	7,328	-	(79,240)	-	(79,240)	-
Health	72,745	173	29,146	-	(43,426)	-	(43,426)	-
Public housing and welfare	308,424	299	271,423	-	(36,702)	-	(36,702)	-
Education	274,609	42	82,888	-	(191,679)	-	(191,679)	-
Transportation and communication	51,939	618	14,021	18,369	(18,931)	-	(18,931)	-
Culture and recreation	8,862	171	54	-	(8,637)	-	(8,637)	-
Interest on long-term debt	80,839	-	-	-	(80,839)	-	(80,839)	-
Total governmental activities	1,932,223	35,320	962,794	29,059	(905,050)	-	(905,050)	-
Business-type activities:								
WICO	13,669	8,695	-	4	-	(4,970)	(4,970)	-
Unemployment insurance	5,190	29,055	67	-	-	23,932	23,932	-
viNGN	10,653	4,690	-	2,116	-	(3,847)	(3,847)	-
Other	16,875	16,452	3	-	-	(420)	(420)	-
Total business-type activities	46,387	58,892	70	2,120	-	14,695	14,695	-
Total primary government	$ 1,978,610	$ 94,212	$ 962,864	$ 31,179	$ (905,050)	$ 14,695	$ (890,355)	$ -
Component units:								
Virgin Islands Housing Authority	$ 93,475	$ 7,239	$ 47,663	$ 23,609	$ -	$ -	$ -	$ (14,964)
Virgin Islands Port Authority*	83,567	74,832	-	27,070	-	-	-	18,335
Virgin Islands Water and Power Authority:								
Electric System*	336,388	327,105	-	81,521	-	-	-	72,238
Water System*	35,909	37,740	-	6,759	-	-	-	8,590
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital*	118,040	76,202	28,437	8,111	-	-	-	(5,290)
Juan F. Luis Hospital*	109,021	42,376	30,249	16,849	-	-	-	(19,547)
University of the Virgin Islands*	110,271	12,928	76,364	3,808	-	-	-	(17,171)
Virgin Islands Housing Finance Authority*	80,115	5,385	64,384	-	-	-	-	(10,346)
Other component units**	84,503	12,210	81,058	3,975	-	-	-	12,740
Total component units	$ 1,051,289	$ 596,017	$ 328,155	$ 171,702	$ -	$ -	$ -	$ 44,585
Total primary government and component units								$ 44,585

**Unaudited*

See accompanying notes to financial statements.

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

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2024	Net Revenue (Expense) and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General revenue:				
Taxes	$ 1,055,037	$ -	$ 1,055,037	$ -
Payment in lieu of taxes	16,134	-	16,134	-
Interest and other	149,479	8,262	157,741	28,969
Tobacco settlement rights	1,013	-	1,013	-
Repayment of advances from line of credit	67,342	-	67,342	-
Special item - settlements proceeds	60,000	-	60,000	-
Special item - transfer of land	(1,403)	-	(1,403)	-
Special item - insurance recoveries on capital assets, net	-	-	-	50
Transfers – internal activities of primary government	(900)	900	-	-
Total general revenue and other items	1,346,702	9,162	1,355,864	29,019
Changes in net position (deficit)	441,652	23,857	465,509	73,604
Net position (deficit), beginning of year, as adjusted (Note 18)	(5,274,705)	(69,573)	(5,344,278)	852,508
Net position (deficit), end of year	$ (4,833,053)	$ (45,716)	$ (4,878,769)	$ 926,112

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(in thousands)

September 30, 2024	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
Assets							
Cash and cash equivalents	$ -	$ 15,796	$ 25,083	$ 181,262	$ -	$ 331,945	$ 554,086
Investments, at fair value	164,118	129,352	34,180	43,356	-	1,951	372,957
Receivables:							-
Taxes, net	191,610	27,750	-	-	-	-	219,360
Other	200	-	-	-	-	863	1,063
Due from federal government	-	-	-	-	75,285	-	75,285
Due from:							
Other funds	235,351	-	37,129	-	-	36,381	308,861
Component units, net	33,858	-	-	-	-	7,375	41,233
Total assets	625,137	172,898	96,392	224,618	75,285	378,515	1,572,845
Liabilities							
Accounts payable and accrued liabilities	358,600	1,758	270	-	88,417	19,614	468,659
Tax refunds payable	169,494	-	-	-	-	-	169,494
Refundable advance	104,212	-	-	-	-	7,319	111,531
Unearned revenues	170,283	-	-	10,786	-	-	181,069
Due to:							
Other funds	34,262	-	-	170,282	-	53,398	257,942
Component units	26,072	-	45	-	-	450	26,567
Total liabilities	862,923	1,758	315	181,068	88,417	80,781	1,215,262
Deferred Inflows of Resources							
Unavailable revenues	154,114	10,275	-	-	-	747	165,136
Total liabilities and deferred inflows of resources	1,017,037	12,033	315	181,068	88,417	81,528	1,380,398
Fund balances (deficit)							
Restricted	-	160,865	96,077	43,550	-	13,584	314,076
Committed	71,586	-	-	-	-	23,145	94,731
Assigned	2,982	-	-	-	-	315,271	318,253
Unassigned	(466,468)	-	-	-	(13,132)	(55,013)	(534,613)
Total fund balances (deficit)	(391,900)	160,865	96,077	43,550	(13,132)	296,987	192,447
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 625,137	$ 172,898	$ 96,392	$ 224,618	$ 75,285	$ 378,515	
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.							1,260,406
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.							4,882
Note receivable related to the sale of capital assets therefore, not reported in the funds.							8,079
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.							5,592
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.							165,136
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.							(712,168)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.							(37,031)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(2,964,893)
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(812,312)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.							(1,943,191)
Net deficit of governmental activities							$ (4,833,053)

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, 2024	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
Revenues							
Taxes	$ 735,203	$ 210,716	$ -	$ 10,280	$ -	$ 16,996	$ 973,195
Payment in lieu of taxes	16,134	-	-	-	-	-	16,134
Federal grants and contributions	116,054	7,574	-	-	850,921	17,304	991,853
Charges for services	18,036	-	-	-	-	17,284	35,320
Tobacco settlement rights	-	-	-	-	-	1,061	1,061
Interest and other	81,610	6,073	1,996	3,220	14,912	43,260	151,071
Total revenues	967,037	224,363	1,996	13,500	865,833	95,905	2,168,634
Expenditures							
Current:							
General government	627,060	8	1,860	-	345,168	76,728	1,050,824
Public safety	81,505	-	-	-	4,118	450	86,073
Health	59,408	-	-	-	11,728	886	72,022
Public housing and welfare	70,766	-	-	-	237,495	1,382	309,643
Education	188,940	-	-	-	69,791	2,135	260,866
Transportation and communication	25,279	-	-	-	2,834	9,813	37,926
Culture and recreation	7,711	-	-	-	-	708	8,419
Capital outlays	35,439	-	727	-	136,185	20,152	192,503
Debt service:							
Principal	64,199	43,637	-	-	-	1,059	108,895
Interest	5,551	28,531	-	47,866	-	268	82,216
Total expenditures	1,165,858	72,176	2,587	47,866	807,319	113,581	2,209,387
Excess (deficiency) of revenue over expenditures	(198,821)	152,187	(591)	(34,366)	58,514	(17,676)	(40,753)
Other financing sources (uses)							
Loans issued	22,941	-	-	-	-	-	22,941
Cost of issuance of debt	-	-	-	-	-	-	-
Repayment of advances from line of credit	67,342	-	-	-	-	-	67,342
Settlement proceeds	33,600	-	-	-	-	26,400	60,000
GERS Funding Note payment	-	(123,997)	-	-	-	-	(123,997)
Transfers from other funds	174,214	807	-	-	-	18,284	193,305
Transfers to other funds	(21,284)	(142,331)	(10,956)	-	-	(19,634)	(194,205)
Total other financing sources (uses), net	276,813	(265,521)	(10,956)	-	-	25,050	25,386
Net change in fund balances	77,992	(113,334)	(11,547)	(34,366)	58,514	7,374	(15,367)
Fund balances (deficit), beginning of year	(469,892)	274,199	107,624	77,916	(71,646)	289,613	207,814
Fund balances (deficit), end of year	$ (391,900)	$ 160,865	$ 96,077	$ 43,550	$ (13,132)	$ 296,987	$ 192,447

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, 2024

Net change in fund balances – total governmental funds	$ (15,367)
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.	124,738
Interest income reported from note receivables not producing current resources.	(1,595)
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.	35,818
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 that exceed the amount of new debts issued in the current year.	85,955
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.	43,587
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.	(158)
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.	3,079
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.	1,377
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.	9,087
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the decrease in pension liabilities for the allocable share of pension expense reported in statement of net position.	155,131
Change in net deficit of governmental activities	$ 441,652

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, 2024	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 1,251	$ 5,312	$ 1,399	$ 39,752	$ 47,714
Investments, at fair value	-	-	-	1,680	1,680
Receivables, net:					
Grants receivable	152	-	961	-	1,113
Leases receivable	591	-	-	-	591
Premiums receivable	-	1,277	-	-	1,277
Other receivables	922	-	536	1,064	2,522
Due from other funds	-	-	-	300	300
Other assets	1,195	-	346	166	1,707
Total current assets	4,111	6,589	3,242	42,962	56,904
Noncurrent assets:					
Restricted cash and cash equivalents	8,877	41,887	250	-	51,014
Leases receivable	6,834	-	-	-	6,834
Capital assets	28,529	-	50,399	13,202	92,130
Total noncurrent assets	44,240	41,887	50,649	13,202	149,978
Total assets	$ 48,351	$ 48,476	$ 53,891	$ 56,164	$ 206,882
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 564	$ -	$ 885	$ 6,676	$ 8,125
Lease liability	20	-	179	-	199
Due to other funds	11,212	-	36,804	3,203	51,219
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	1,496	1,496
Note payable	-	-	17	-	17
Loan payable to U.S. Treasury	-	79,693	-	-	79,693
Interest payable	1,669	-	-	-	1,669
Unearned revenue	-	-	1,232	7,955	9,187
Compensated absences payable	51	-	-	-	51
Total current liabilities	13,516	82,950	39,117	19,330	154,913
Noncurrent liabilities:					
Accounts payable and accrued liabilities	183	-	-	-	183
Workers compensation	-	-	-	39,331	39,331
Compensated absences payable	1,301	-	-	-	1,301
Lease liability	-	-	282	-	282
Unearned revenue	-	-	1,204	-	1,204
Note payable	-	-	421	-	421
Line of credit	-	-	95	-	95
Bonds payable	51,676	-	-	-	51,676
Total noncurrent liabilities	53,160	-	2,002	39,331	94,493
Total liabilities	66,676	82,950	41,119	58,661	249,406
Deferred Inflows of Resources					
Deferred amount related to leases	3,192	-	-	-	3,192
Total liabilities and deferred inflows of resources	$ 69,868	$ 82,950	$ 41,119	$ 58,661	$ 252,598
Net Position (Deficit)					
Net investment in capital assets	$ (14,664)	$ -	$ 12,695	$ 13,202	$ 11,233
Restricted:					
Unemployment insurance	-	41,887	-	-	41,887
Debt service	133	-	155	-	288
Unrestricted (deficit)	(6,986)	(76,361)	(78)	(15,699)	(99,124)
Total net position (deficit)	$ (21,517)	$ (34,474)	$ 12,772	$ (2,497)	$ (45,716)

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)

	Business-type Activities				
Year Ended September 30, 2024	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Operating revenues					
Charges for services	$ 8,695	$ 29,055	$ 4,690	$ 16,452	$ 58,892
Operating expenses					
Cost of services	6,692	5,190	5,923	15,949	33,754
Depreciation and amortization	2,925	-	4,518	926	8,369
Total operating expenses	9,617	5,190	10,441	16,875	42,123
Operating (loss) income	(922)	23,865	(5,751)	(423)	16,769
Non-operating revenues (expenses)					
Grants revenue	4	67	2,116	3	2,190
Interest and other income	785	881	8	6,588	8,262
Bond issuance cost	(4)	-	-	-	(4)
Payment in lieu of taxes	(643)	-	-	-	(643)
Interest and other expense	(3,405)	-	(212)	-	(3,617)
Total non-operating (expenses) revenues, net	(3,263)	948	1,912	6,591	6,188
(Loss) income before operating transfers	(4,185)	24,813	(3,839)	6,168	22,957
Transfers from other funds	-	-	-	3,000	3,000
Transfers to other funds	-	-	-	(2,100)	(2,100)
Change in net position	(4,185)	24,813	(3,839)	7,068	23,857
Net position (deficit), beginning of year	(17,332)	(59,287)	16,611	(9,565)	(69,573)
Net position (deficit), end of year	$ (21,517)	$ (34,474)	$ 12,772	$ (2,497)	$ (45,716)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

	Business-type Activities				
Year Ended September 30, 2024	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	$ 10,659	$ 29,754	$ 5,262	$ 16,078	$ 61,753
Cash paid to beneficiaries and suppliers	(4,232)	(5,889)	(3,005)	(18,226)	(31,352)
Cash paid to employees	(3,047)	-	(2,825)	-	(5,872)
Net cash provided by (used in) operating activities	3,380	23,865	(568)	(2,148)	24,529
Cash flows from noncapital financing activities					
Other income (expense)	22	-	(129)	6,588	6,481
Transfer from other funds	-	-	-	900	900
Federal grants	4	67	3,452	3	3,526
Contribution to the Government	(76)	-	-	-	(76)
Principal paid on debt issuances, including interest	-	(7,713)	-	-	(7,713)
Net cash provided by (used in) noncapital financing activities	(50)	(7,646)	3,323	7,491	3,118
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(213)	-	(1,101)	(618)	(1,932)
Proceeds from sale of capital assets	19	-	-	-	19
Proceeds from issuance of line of credit	-	-	95	-	95
Costs of issuing bonds	(4)	-	-	-	(4)
Principal payments on lease liability	-	-	(220)	-	(220)
Principal payments on direct bank borrowing	-	-	(11)	-	(11)
Interest received (paid) from leases	380	-	(38)	-	342
Interest paid on long-term debt	(3,358)	-	(45)	-	(3,403)
Net cash used in capital and related financing activities	(3,176)	-	(1,320)	(618)	(5,114)
Cash flows from investing activities					
Interest income	360	881	8	-	1,249
Net cash provided by investing activities	360	881	8	-	1,249
Net increase in cash and cash equivalents	514	17,100	1,443	4,725	23,782
Cash and cash equivalents, beginning of year	9,614	30,099	206	35,027	74,946
Cash and cash equivalents, end of year	$ 10,128	$ 47,199	$ 1,649	$ 39,752	$ 98,728
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	$ (922)	$ 23,865	$ (5,751)	$ (423)	$ 16,769
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	(37)	-	-	-	(37)
Provision for obsolete inventories	-	-	288	-	288
Depreciation and amortization	2,925	-	4,518	926	8,369
Change in operating assets and liabilities:					
Receivables, net	1,947	-	31	(47)	1,931
Other assets	91	-	(130)	14	(25)
Accounts payable and other accrued liabilities	(605)	-	(66)	(1,157)	(1,828)
Compensated absences payable	(19)	-	-	-	(19)
Unearned revenue	-	-	542	(327)	215
Workers compensation	-	-	-	(1,134)	(1,134)
Net cash provided by (used in) operating activities	$ 3,380	$ 23,865	$ (568)	$ (2,148)	$ 24,529

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

	Business-type Activities				
Year Ended September 30, 2024	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents – current	$ 1,251	$ 5,312	$ 1,399	$ 39,752	$ 47,714
Cash and cash equivalents – restricted	8,877	41,887	250	-	51,014
Total cash and cash equivalents, end of year	$ 10,128	$ 47,199	$ 1,649	$ 39,752	$ 98,728

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

September 30, 2024	Pension Trust
Assets	
Cash and cash equivalents:	
Unrestricted	$ 19,503
Restricted	4
Investments, at fair value:	
Net investment in Havensight	7,566
Corporate obligations	1
Commingled and mutual funds	429,835
Limited partnerships	5,686
Real estate	46,500
Receivables, net:	
Loans and advances	21,914
Accrued interest	2
Due from other agencies of the Government	29,682
Capital assets, net	22,958
Other assets	2,029
Total assets	$ 585,680
Liabilities	
Retirement benefits in process of payment	$ 3,973
Other liabilities	24,348
Total liabilities	28,321
Net position restricted for pension benefits	$ 557,359

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, 2024	Pension Trust
Additions	
Contributions:	
Employer	$ 109,833
Plan members	56,182
Total contributions	166,015
Investment income:	
Net appreciation in fair value of investments	102,897
Interest, dividends, and other, net	7,079
GERS Funding Note	123,997
Rental income	382
Total investment income	234,355
Less investment management fees and custodian fees	174
Investment income, net	234,181
Other income	2,207
Total additions	402,403
Deductions	
Benefits paid directly to members	275,443
Refunds of member's contributions	9,033
Administrative and operational expenses	15,952
Total deductions	300,428
Change in net position	101,975
Net position restricted for pension benefits, beginning of year	455,384
Net position restricted for pension benefits, end of year	$ 557,359

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

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

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

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

Financial Reporting Entity

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

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

(a) Blended Component Units

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

Virgin Islands Public Finance Authority (PFA)

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

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

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

Major Component Units

Virgin Islands Housing Authority (VIHA)

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

Virgin Islands Port Authority (VIPA)

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

Virgin Islands Water and Power Authority (VIWAPA)

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

Virgin Islands Government Hospital and Health Facilities Corporation (VIGHHFC)

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

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

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

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

University of the Virgin Islands (the University or UVI)

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

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

Virgin Islands Housing Finance Authority (VIHFA)

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

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

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

Virgin Islands Waste Management Authority (VIWMA)

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

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

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

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

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

Administrative Offices

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

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

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

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

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

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

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

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

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

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

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

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

(c) 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 U.S. Virgin Islands (GERS)

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

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(a) Government-wide Financial Statements

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

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

(b) Governmental Fund Financial Statements

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

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

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

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

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

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

Fund Accounting

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

(a) Governmental Funds

The Government reports the following major governmental funds:

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

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

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

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

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

(b) Proprietary Funds

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

- The West Indian Company Limited – WICO, a blended component unit of PFA, accounts for the activities of a cruise ship pier and servicing cruise ships 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 to 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, 2024, the Government had $407.1 million in collateral with Banco Popular de Puerto Rico consisting of U.S. Treasury Notes, and $449.7 million in collateral with First Bank consisting of FHLB municipal letters of credit, mortgage-backed securities with the Government National Mortgage Association (GNMA), and deposits insured by FDIC insurance.

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

Investments

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

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

- *Primary Government Investment Policies* – Title 33, Chapter 117 of the Virgin Islands Code (V.I. Code) authorizes the Government to invest in U.S. Government and its agencies' obligations, mortgage-backed securities, repurchase agreements, commercial paper, local government obligations, and corporate debt and equity obligations.

  As of September 30, 2024, 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, 2024.

- *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 Policies* – Various bond resolutions of this blended component unit restrict investments to direct obligations of the U.S. Government, territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing. TSFC has retained investment managers and investments are held in trust by a commercial bank on behalf of the TSFC. Investments are reported at fair value in the non-major governmental fund of the Government.
- *MFSPSC Investment Policies* – the bylaws of MFSPSC allow the investment of funds or other monies under the control of the Corporation in eligible investments pursuant to the terms of the Master Trust Indenture between the Corporation 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 which mature no more than 270 days after the date of purchase.
- *VIHA Investment Policies* – This major component unit is required by the U.S. Department of Housing and Urban Development (HUD) to invest excess funds in obligations of the United States, certificates of deposit, or any other federally insured investment. HUD requires that deposits be fully collateralized and may be held by an unaffiliated bank or trust company for the account of the VIHA.

- *VIWAPA and VIPA Investment Policies* – These major component units are authorized under bond *resolutions* and the V.I. Code to invest in open accounts, time deposits, non-negotiable certificates of deposit, repurchase agreements, obligations of the U.S. government, and obligations of any state within the United States, mutual funds, and corporate commercial paper. Investments are reported at fair value.
- *VIGHHFC Investment Policies* – The board of trustees of this major component unit has not developed a formal investment policy.
- *University Investment Policies* – The board of trustees of this major component unit is responsible for the management of the University's investments and establishes an investment policy, which is carried out by the Vice President for Administration and Finance. The University and its component unit, the Foundation for the Reichhold Center of the Arts have a formal investment policy approved by their corresponding board of trustees, which contains a requisite section on addressing risks. The University's investments are included in the Foundation for the University of the Virgin Islands' investment portfolio for management and investment purposes.
- *Pension Trust Fund Investment Policies* – On January 31, 2022, Act. No. 8540, known as the GERS Rescue Act, was passed by the Legislature. Through this legislation, over the next 30 years (through 2052), GERS is expected to receive approximately $3.8 billion from the primary Government. Due to updated projected cash flows expected, GERS approved a transition from the Dynamic Asset Allocation structure, implemented in 2015, to a more traditional asset allocation seeking a higher long-term target return. GERS has determined that the following asset allocation policy is currently appropriate: (i) 45.0% in U.S. equity, (ii) 14.0% in international developed market equity, (iii) 6.0% in emerging market equity, (iv) 10.0% in investment grade bonds, (v) 10.0% in U.S. Treasury inflation-protected securities (TIPS), (vi) 10.0% in high yield bonds, and (vii) 5.0% in cash.

  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 if the municipality has at least 30,000 inhabitants and has been in business for 10 years, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, 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. The aggregate amount to be invested in common and preferred stock should be limited to 20.0% of the book value of the total investments of GERS on the date the investment is made.

Investments in equity securities in the GERS pension trust fund are carried out 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 independent appraised value of $46.5 million as of September 30, 2024.

GERS invested in two funds-of-funds, Mesirow Financial Private Equity, LP, Fund IV and Fund V. The funds reported a fair market value of $5.7 million as of September 30, 2024.

GERS owns system facilities, which is partially an investment of the GERS, on the islands of St. Thomas and St. Croix. GERS utilizes portions of the buildings in the operation of the System. Depreciation is provided for only those portions of the buildings that are utilized in the operation of the System. The remaining areas of the buildings leased to other government agencies and commercial tenants are recorded at fair value. System facilities along with other capital assets were reported at a depreciated value of $23.0 million as of September 30, 2024.

Receivables

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

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

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

Interfund and Intra-Entity Transactions

The Government has the following types of transactions among funds:

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

Similarly, receivables and payables between the PG and its blended component units are reported as amounts due from (to) other funds. Transfers between the PG and discretely presented component units (and among those component units) are reported separately as revenue and expenses or expenditures.

Amounts owed to and from discretely presented component units by the PG are reported separately from interfund payables and receivables as due from (to) component units, net of allowance for estimated uncollectible amounts.

Restricted Assets

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

Capital Assets

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

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

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

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

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements. Capital assets of the PG, excluding land and construction in progress, are depreciated on the straight-line method over the assets' estimated useful lives.

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

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

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

Deferred Outflows/Inflows of Resources

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

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

- Deferred amounts related to pension represent the 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 the 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 four items for financial reporting in this category, as follows:

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

- In accordance with GASB Statement No. 87, *Leases*, deferred inflows of resources are recognized for the right to receive lease payments over the lease term. These amounts are recognized as lease revenue on a straight-line basis over the term of the lease. This policy has been adopted as a result of WICO's implementation of GASB Statement No. 87.
- Modified accrual basis of accounting - Unavailable revenues qualify for reporting in this category. The item, *unavailable revenues*, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, gross receipts taxes, and income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Tax Refunds Payable

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

Compensated Absences

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

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

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

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

Long-term Liabilities

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

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

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

Net Position

Net position is reported in three categories:

- *Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Debt pertaining to significant unspent debt proceeds are not included in the calculation of invested in capital assets, net of related debt. The unspent portion of the debt is presented, net of the related debt, as restricted for capital projects.
- *Restricted Net Position* – Constraints placed on the use of assets are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – These consist of assets which do not meet the definition of the two preceding categories.

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

Fund Balance

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

- *Restricted Fund Balance* – Fund balances constrained by externally imposed constraints such as constitutional provisions, laws and regulations, debt covenants, and grantors. The Government's policy is to consider restricted amounts to have been spent first when expenditures are incurred for which both restricted and unassigned fund balances are available.
- *Committed Fund Balance* – Fund balances subject to constraints imposed by the Government's highest level of decision-making authority including legislation enacted by the Legislature of the Virgin Islands and resolutions or ordinances enacted by Government elected regulatory boards and authorities. Committed fund balances may be modified or rescinded by enacted legislation, or amendment of resolutions or ordinances.
- *Assigned Fund Balance* – Fund balances subject to budgetary constraints of the Legislature, the Office of Management and Budget, or authorizing boards of the Government, which are not restricted or committed.

- Budgetary authority of the Office of Management and Budget is provided by Title 2, Sections 22, 23, 26 and 27 VIC, and Executive Order No. 371-1997. The Government's policy is to expend assigned or committed amounts, before unassigned amounts, when an expenditure is incurred.
- *Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The residual deficit of the Federal Grants Fund and other governmental funds are also reported as unassigned fund balance.

Risk Management

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

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

GASB Statement No.		Adoption in Fiscal Year
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026
105	Subsequent Events	2027

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

2. Component Units

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

Major Component Units

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

Other Component Units (Nonmajor)

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

For the fiscal year ended September 30, 2024, the Virgin Islands Housing Authority provided financial information as of December 31, 2023, and the Virgin Islands Water and Power Authority provided information as of June 30, 2024. The Virgin Islands Housing Finance Authority and the Virgin Islands Government Hospital and Health Facilities Corporation – Schneider Regional Medical provided financial information for the fiscal year ended September 30, 2023. All other discretely presented component units provided financial information for the fiscal year ended September 30, 2024.

Condensed financial information of all discretely presented component units follows (expressed in thousands) is presented on the following page.

September 30, 2024	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	$ 23,653	$ 41,967	$ 85,876	$ 9,875	$ 20,989	$ 15,333	$ 28,890	$ 140,423	$ 67,360	$ 434,366
Due from primary government	-	-	18,693	602	45	114	-	-	3,148	22,602
Due from federal government	-	26,560	9,663	2,785	623	-	-	-	8,619	48,250
Restricted assets	3,334	35,182	58,972	1,449	210	-	24,498	71,423	31,593	226,661
Capital assets, net	55,587	366,242	1,609,876	92,362	32,664	147,409	108,024	47,430	134,346	2,593,940
Other noncurrent assets	1	-	119,300	-	-	-	-	38,614	277	158,192
Deferred outflows of resources	18,683	34,697	51,920	10,490	42,526	81,797	29,776	27,472	16,509	313,870
Total assets and deferred outflows of resources	101,258	504,648	1,954,300	117,563	97,057	244,653	191,188	325,362	261,852	3,797,881
Liabilities and deferred inflows										
Current liabilities	6,965	40,126	586,382	2,296	55,609	77,502	4,888	155,836	42,594	972,198
Due to primary government	13	-	20,322	-	3,284	26,925	57	6,386	6,252	63,239
Due to Federal government	-	-	4,142	-	-	2,233	-	-	-	6,375
Bonds payable - long-term	-	21,155	143,100	-	-	-	-	-	-	164,255
Notes payable - long-term	-	-	-	-	-	5,164	5,921	432	858	12,375
Line of credit – long-term	-	6,991	-	2,740	-	-	-	-	-	9,731
Pension liabilities	79,967	156,226	243,071	49,786	153,062	197,173	87,799	41,320	71,945	1,080,349
Other postemployment benefits	23,114	32,263	51,320	10,332	-	-	15,907	-	-	132,936
Other noncurrent liabilities	570	1,755	91,819	-	-	-	5,515	10,101	2,691	112,451
Unearned revenue - long-term	-	-	-	-	-	-	-	2,685	55,278	57,963
Deferred inflows of resources	23,931	35,629	72,050	14,757	33,114	16,868	20,066	16,595	26,887	259,897
Total liabilities and deferred inflows of resources	134,560	294,145	1,212,206	79,911	245,069	325,865	140,153	233,355	206,505	2,871,769
Net assets (deficit):										
Net investment in capital assets	55,587	323,020	1,498,356	119,602	32,664	142,245	(17,628)	22,884	133,596	2,310,326
Restricted	3,085	27,858	67,612	(177)	211	-	41,561	82,016	14,335	236,501
Unrestricted deficit	(91,974)	(140,375)	(823,874)	(81,773)	(180,887)	(223,457)	27,102	(12,893)	(92,584)	(1,620,715)
Total net position (deficit)	$ (33,302)	$ 210,503	$ 742,094	$ 37,652	$ (148,012)	$ (81,212)	$ 51,035	$ 92,007	$ 55,347	$ 926,112

* *Unaudited*

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

Information on Statement of Activities	Expenses	Program revenue Year ended September 30, 2024 Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Component Units
Virgin Islands Port Authority*	$ 83,567	$ 74,832	$ -	$ 27,070	$ 18,335
Virgin Islands Housing Authority	93,475	7,239	47,663	23,609	(14,964)
Virgin Islands Water and Power Authority:					
Electric System*	336,388	327,105	-	81,521	72,238
Water System*	35,909	37,740	-	6,759	8,590
Virgin Islands Government Hospital and Health Facilities Corporation:	-	-	-	-	-
Roy L. Schneider Hospital*	118,040	76,202	28,437	8,111	(5,290)
Juan F. Luis Hospital*	109,021	42,376	30,249	16,849	(19,547)
University of the Virgin Islands*	110,271	12,928	76,364	3,808	(17,171)
Virgin Islands Housing Finance Authority*	80,115	5,385	64,384	-	(10,346)
Other component units**	84,503	12,210	81,058	3,975	12,740
Total activities	$ 1,051,289	$ 596,017	$ 328,155	$ 171,702	44,585
General revenue:					
Interest and other					28,969
Special item - insurance recoveries					50
Changes in net position					73,604
Net position, beginning of year, as restated					852,508
Net position, end of year					$ 926,112

* *Unaudited*

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

The summary of due to/due from primary government and component units as of September 30, 2024, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	$ 33,858	$ 26,072
PFA capital projects	-	45
Other governmental funds	7,375	450
Discretely presented component units:		
VIWAPA – Electric System*	18,693	20,322
VIWAPA – Water System*	602	-
Hospital and Health Facilities Corporation*	159	30,209
Virgin Islands Housing Finance Authority*	-	6,386
Virgin Islands Housing Authority	-	13
Virgin Islands Waste Management Authority*	2,924	6,143
University of the Virgin Islands*	-	57
Other component units**	224	109
	$ 63,835	$ 89,806

* *Unaudited*

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

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

3. Cash and Cash Equivalents

Primary Government

As of September 30, 2024, the PG reported $601.8 million in unrestricted cash and cash equivalents and $51.0 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for $7.8 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. On September 30, 2024, GERS held $19.5 million in cash and cash equivalents consisting of: $750,000 in money market accounts and $18.8 million in operational accounts.

Component Units

As of September 30, 2024, discretely presented component units reported $123.7 million in unrestricted cash and cash equivalents and $121.0 million in restricted cash and cash equivalents. Bank balances not insured or collateralized amounted to $58.0 million, including unaudited information for the fiscal year ended September 30, 2024.

4. Investments

Fair Value Measurements

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

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

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

Level 3: Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

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

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

Level 2: Investments classified within Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The U.S. government, agency and state obligations, U.S. Treasury notes, and 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, 2024, the Government's investments included a non-negotiable certificate of deposit, commercial paper, money market investments, 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:

		(In thousands)		
	September 30, 2024	**Level 1**	**Level 2**	**Level 3**
Investments with contractual maturities:				
Certificates of deposit	$ 137,530	$ -	$ 137,530	$ -
U.S. government, agency, and state obligations	64,445	-	64,445	-
Subtotal	201,975	$ -	$ 201,975	$ -
Investments, at cost:				
Money market funds	112,149			
Commercial paper	50,012			
Non-negotiable certificate of deposit	10,479			
Other	22			
Total	$ 374,637			

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2024, (expressed in thousands):

		Maturity (in years)		
	Fair Value	Less Than 1 Year	1 to 5 Years	Over 5 Years
Investments with contractual maturities				
Certificates of deposit	$ 137,530	$ 137,530	$ -	$ -
U.S. government, agency, and state obligations	64,445	13,351	47,185	3,909
Portfolio investments				
Commercial paper	50,012	50,012	-	-
Other investments	22	22	-	-
Total investments with contractual maturities	252,009	$ 200,915	$ 47,185	$ 3,909
Investments without contractual maturities				
Money market funds	112,149			
Non-negotiable certificate of deposit	10,479			
Total	$ 374,637			

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

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

As of September 30, 2024, 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 to A+ by Standard & Poor's and A2 to A1 by Moody's Investor Services. The PG's investments in government, agency and state obligations were rated AA- to AAA by Standard & Poor's and Aa3 to Aaa by Moody's Investors Service. The Government's investments included a $2.7 million issuance by the City of Chicago and a $1.1 million issuance by New York City that were not rated. The PG's investments in certificates of deposit in the amount of $148.3 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, 2024, more than 5.00% of the PG's investments were invested in: Certificates of Deposit issued by First Bank (36.12%), Dreyfus Government Security CM Investor 610 (13.05%), Federated Government Obligation No. 5 (10.37%), and Goldman Financial Square No. 465 (5.96%).

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, 2024, $226.6 million investments were held in the name of the Bank of New York Trust Company, N.A, as trustee for the Government, $135.4 million of certificates of deposit were issued by First Bank, and $12.8 million of certificates of deposit were issued by Banco Popular de Puerto Rico.

Pension Trust Fund

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

		(In thousands)		
	September 30, 2024	Level 1	Level 2	Level 3
Debt securities:				
Corporate bond	$ 1	$ -	$ 1	$ -
Limited partnerships-private fund of funds	5,686	-	-	5,686
Real estate/other real assets	46,500	-	-	46,500
Subtotal	52,187	$ -	$ 1	$ 52,186
Investment, at cost:				
Net investment in Havensight	7,566			
Investments measured at net asset value (NAV):				
Commingled equity funds	296,007			
Commingled bond funds	133,828			
Total	$ 489,588			

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

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Investments measured at net asset value (NAV):				
Commingled equity funds	$ 296,007	$ -	Daily	None
Commingled bond funds	133,828	-	Daily	None
Total	$ 429,835	$ -		

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 fund assets can be liquidated daily. All the underlying securities within the commingled funds carry a recurring fair value measurement Level of 2. There are no unfunded commitments to commingled funds as of September 30, 2024.

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

Following is a summary of the investments of the pension trust fund, categorized by investment type and weighted average maturity, as of September 30, 2024, (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 mutual funds	$ 429,835	$ -	$ -	$ -	$ -	$ 429,835
Corporate obligations	1	1	-	-	-	-
Limited partnerships	5,686	-	-	-	-	5,686
Total investments with contractual maturities	$ 435,522	$ 1	$ -	$ -	$ -	$ 435,521

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, 2024, include (expressed in thousands):

	Standard & Poor's Credit Ratings		Moody's Investors Service Credit Ratings	
	Fair Value	Credit Ratings	Fair Value	Credit Ratings
Corporate obligations	$ 1	Not Rated	$ 1	Not Rated
U.S. equity commingled and mutual funds	204,530	Not Rated	204,530	Not Rated
International equity commingled and mutual funds	91,477	Not Rated	91,477	Not Rated
Domestic equity commingled and mutual funds	133,828	Not Rated	133,828	Not Rated
Total	$ 429,836		$ 429,836	

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. As of September 30, 2024, all cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds, or by collateral held by GERS. Other than underlying securities on loans secured by noncash collateral, the System's entire investment portfolio was held with a single third-party custodian in the System's name as of September 30, 2024.

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, 2024, GERS did not engage in any foreign currency exchange contracts.

Component Units

Following are the investments of the discretely presented component units categorized within the fair value hierarchy, which includes prior year data as provided by certain unaudited component units:

		(In thousands)		
	September 30, 2024	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value:				
U.S. Government agencies and notes	$ 41,387	$ 41,387	$ -	$ -
Mutual funds	15	15	-	-
Subtotal	41,402	$ 41,402	$ -	$ -
Investments, at cost:				
Certificate of deposits	45,053			
Investments measured at net asset value (NAV):				
Alternative investments	23,674			
Total*	$ 110,129			

** Includes 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, 2024, (expressed in thousands), which includes prior year data as provided by certain unaudited component units:

		Maturity (in years)			
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Investments with contractual maturities					
Certificates of deposit	$ 45,053	$ 26,849	$ 18,204	$ -	$ -
U.S. Government agencies and notes	41,387	41,387	-	-	-
Total investments with contractual maturities	86,440	$ 68,236	$ 18,204	$ -	$ -
Investments without contractual maturities					
Mutual funds	15				
Other investments	23,674				
Total*	$ 110,129				

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

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

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

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

5. Receivables

Primary Government

Receivables for governmental funds on September 30, 2024, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 306,788	$ -	$ -	$ 306,788
Real property taxes	130,674	-	-	130,674
Hotel occupancy taxes	6,471	-	-	6,471
Gross receipts taxes	-	280,884	-	280,884
Subtotal taxes receivables	443,933	280,884	-	724,817
Less allowance for doubtful accounts	(252,323)	(253,134)	-	(505,457)
Taxes receivables, net	191,610	27,750	-	219,360
Tobacco settlement rights	-	-	747	747
Other	200	-	116	316
Total				$ 220,423

(a) Tax Receivables

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

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

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

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

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

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

Property taxes are to be levied by May 15 of each year in the name of the record owner on January 15 of the same year. The taxes are due on June 30 and become delinquent if not paid by August 31st in fiscal year 2024.

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, 2024, the PG reported a receivable of $747,000 for tobacco settlement right payments as included in the accompanying statement of net position.

Component Units

Receivables for the discretely presented component units on September 30, 2024, consist of the following (expressed in thousands):

Utility service charges	$	41,463
Patients		15,864
Students		14,847
Port fees		6,736
Other		149,466
Total*	$	228,376

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

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2024, consist of the following (expressed in thousands):

Personal loans	$	2,737
Mortgage loans		19,177
Total	$	21,914

(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 is to be added to the principal amount due. At September 30, 2024, principal, and interest amounted to $8.1 million.

Component Units

Notes receivables for the discretely presented component units on September 30, 2024, consist of the following (expressed in thousands):

Land and mortgage notes	$	1,489
Moderate income housing		2,447
Total	$	3,936

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

6. Unavailable Revenues

The components of unavailable revenues as of September 30, 2024, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Property taxes	$ 23,474	$ -	$ -	$ 23,474
Income taxes	130,640	-	-	130,640
Gross receipts taxes	-	10,275	-	10,275
Tobacco settlement rights	-	-	747	747
Total	$ 154,114	$ 10,275	$ 747	$ 165,136

7. Interfund Transfers

Interfund transfers for the year ended September 30, 2024, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	$ -	$ 142,331	$ 10,149	$ 19,634	$ 2,100	$ 174,214
PFA Debt Service	-	-	807	-	-	807
Other Governmental	18,284	-	-	-	-	18,284
Other Enterprise	3,000	-	-	-	-	3,000
Total	$ 21,284	$ 142,331	$ 10,956	$ 19,634	$ 2,100	$ 196,305

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 $142.3 million transfer from PFA debt service fund (a major governmental fund) representing gross receipt tax revenues available after bond debt service requirements and $18.4 million from the budget stabilization fund (a non-major governmental fund) representing certain payments related to the energy state of emergency.

Significant transfers made from the general fund include a transfer of $9.5 million to PFA Operating Fund (a non-major governmental fund); a transfer of $5.0 million to School Construction Maintenance Fund (a non-major governmental fund); a transfer of $2.5 million to the PFA Office of Disaster Recovery (a non-major governmental fund); a transfer of $2.0 million to the Agriculture Revolving Fund (other enterprise fund); and a transfer of $1.0 million to the Bureau of Motor Vehicles (other enterprise fund). The PFA capital projects fund (a major governmental fund) made a transfer of $10.1 million to the General Fund. The Other Governmental fund (a non-major governmental fund) made transfer from Communities Facilities Trust of $1.2 million to the General Fund.

Due From/To Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	$ -	$ -	$ 33,962	$ 300	$ 34,262
MFSPSC	170,282	-	-	-	170,282
Other Governmental	53,398	-	-	-	53,398
Total Governmental	223,680	-	33,962	300	257,942
WICO	11,212	-	-	-	11,212
viNGN	-	36,804	-	-	36,804
Other Enterprise	459	325	2,419	-	3,203
Total Proprietary	11,671	37,129	2,419	-	51,219
Total	$ 235,351	$ 37,129	$ 36,381	$ 300	$ 309,161

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; $9.3 million due to PFA operating fund (a non-major governmental fund) for unpaid transfers from gross receipts collections and payments made on behalf of VIWAPA; $4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations, $2.3 million due to the Elected Governor Retirement Fund, and $740,900 due to the Crisis Intervention Fund (a non-major governmental fund).

The amount due from other governmental funds by the general fund is mainly composed of $42.2 million due from the District Street Lighting Fund (a non-major governmental fund); $6.8 million from Office of Disaster Recovery (a non-major governmental fund); and $2.7 million from the Bond Proceeds Fund (a non-major governmental fund). The amount of $170.3 million due from the MFSPSC to the general fund consists of residual matching funds in connection with the GERS Funding Note and certain payments due to rum manufacturers. The due to PFA Capital Projects funds includes $36.8 million due from the Virgin Islands Next Generation Network (viNGN), a major business-type fund in connection with start-up costs of the broadband project. The amount due to other governmental funds by the other enterprise includes $1.0 million due from the Virgin Islands Lottery to the Pharmaceutical Assistance to the Aged Fund; and $1.1 million due from the Virgin Islands Lottery to the Virgin Islands Educational Initiative Fund consisting primarily of 15.0% of revenue derived from lottery games under contract between the Virgin Islands Lottery and private contractors be transferred to these funds.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2024, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$	41,887
WICO		8,877
viNGN		250
Total	$	51,014

These funds were restricted for the repayment of loans payable to the U.S. Treasury, for WICO debt service accounts as required by loan covenants, and for viNGN as collateral securing a line of credit.

Component Units

Restricted assets of discretely presented component units as of September 30, 2024, include cash and cash equivalents, investments, and receivables as follows (expressed in thousands), which includes prior year data as provided by certain unaudited component units:

Cash and cash equivalents:		
Debt service and sinking fund requirements	$	25,409
Endowment funds		814
HUD project funds		3,334
Revolving loan funds		64,438
Other		27,050
Total restricted cash and cash equivalents		121,045
Investments:		
Debt service and sinking fund requirements		51,675
Endowment funds		23,674
Revolving loan funds		11,976
Total restricted investments:		87,325
Other:		
Pledged funds		18,291
Total*	$	226,661

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

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/D isposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 216,024	$ 6,664	$ 6,046	$ (1,403)	$ 227,331
Construction in progress	248,347	166,763	(64,726)	(1,004)	349,380
Total capital assets not being depreciated	464,371	173,427	(58,680)	(2,407)	576,711
Capital assets being depreciated and amortized:					
Land improvements	21,349	-	4,488	-	25,837
Infrastructure	365,687	-	38,680	-	404,367
Buildings and improvements	668,983	6,949	12,312	(88)	688,156
Machinery and equipment	311,971	12,127	3,200	(57)	327,241
Total capital assets being depreciated and amortized	1,367,990	19,076	58,680	(145)	1,445,601
Less accumulated depreciation and amortization for:					
Land improvements	(7,883)	(927)	-	-	(8,810)
Infrastructure	(81,618)	(13,253)	-	-	(94,871)
Buildings and improvements	(351,891)	(29,886)	-	88	(381,689)
Machinery and equipment	(255,301)	(21,292)	-	57	(276,536)
Total accumulated depreciation and amortization	(696,693)	(65,358)	-	145	(761,906)
Total capital assets being depreciated and amortized, net	671,297	(46,282)	58,680	-	683,695
Total governmental activities capital assets, net	$1,135,668	$ 127,145	$ -	$ (2,407)	$1,260,406

Depreciation and amortization expense are charged to functions of the PG for the year ended September 30, 2024, as follows (expressed in thousands):

Governmental Activities:	
General government	$ 18,449
Public safety	4,693
Health	2,327
Education	22,956
Public housing and welfare	1,297
Culture and recreation	806
Transportation and communication	14,830
Total	$ 65,358

Capital assets activity for business-type activities for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Restated Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 6,378	$ -	$ -	$ -	$ 6,378
Construction in progress	11,071	1,297	(3,543)	(288)	8,537
Total capital assets not being depreciated	17,449	1,297	(3,543)	(288)	14,915
Capital assets being depreciated and amortized:					
Land improvements	705	-	262	-	967
Buildings and improvements	82,440	23	21	(7)	82,477
Machinery and equipment	84,250	586	3,260	(112)	87,984
Right-to-use building and improvements	1,329	25			1,354
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	199,498	634	3,543	(119)	203,556
Less accumulated depreciation and amortization for:					
Land improvements	(476)	(39)	-	-	(515)
Buildings and improvements	(56,784)	(2,902)	-	4	(59,682)
Machinery and equipment	(47,960)	(4,140)	-	104	(51,996)
Right-to-use building and improvements	(681)	(277)			(958)
Intangible assets	(12,179)	(1,011)	-	-	(13,190)
Total accumulated depreciation and amortization	(118,080)	(8,369)	-	108	(126,341)
Total capital assets being depreciated and amortized, net	81,418	(7,735)	3,543	(11)	77,215
Total Business-type activities capital assets, net	$ 98,867	$ (6,438)	$	$ (299)	$ 92,130

Depreciation and amortization expense are charged for the year ended September 30, 2024, as follows (expressed in thousands):

Business-type Activities:	
WICO	$ 2,925
viNGN	4,518
Other enterprise funds	926
Total	$ 8,369

Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Adjusted Beginning Balance	Additions	Transfers	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 133,659	$ 645	$ -	$ -	$ 134,304
Construction in progress	684,214	185,610	-	(1,755)	868,069
Total capital assets not being depreciated	817,873	186,255	-	(1,755)	1,002,373
Capital assets being depreciated and amortized:					
Buildings and improvements	2,648,220	22,568	-	(1,151)	2,669,637
Airport and marine terminal facilities	194,427	-	-	-	194,427
Personal property and equipment	178,162	3,565	-	(1,513)	180,214
Right to use lease assets	3,273	65	-	-	3,338
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	3,027,001	26,198	-	(2,664)	3,050,535
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,108,330)	(45,786)	-	-	(1,154,116)
Airport and marine terminal facilities	(173,558)	(4,550)	-	-	(178,108)
Personal property and equipment	(119,190)	(4,259)	-	1,427	(122,022)
Right to use lease assets	(918)	(885)		-	(1,803)
Intangible assets	(2,919)	-	-	-	(2,919)
Total accumulated depreciation and amortization	(1,404,915)	(55,480)	-	1,427	(1,458,968)
Total capital assets being depreciated and amortized, net	1,622,086	(29,282)	-	(1,237)	1,591,567
Total component units' capital assets, net*	$ 2,439,959	$ 156,973	$ -	$ (2,992)	$ 2,593,940

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

Depreciation and amortization expense charged by each component unit for the year ended September 30, 2024, is as follows (expressed in thousands):

Virgin Islands Housing Authority	$ 6,737
Virgin Islands Port Authority*	17,593
Virgin Islands Water and Power Authority:	
Electric System*	14,568
Water System*	4,298
Hospital and Health Facilities Corporation:	
Roy L. Schneider Hospital*	3,980
Juan F. Luis Hospital*	1,178
University of the Virgin Islands*	2,815
Virgin Islands Housing Finance Authority*	2,108
Other component units*	2,203
Total	$ 55,480

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

10. Long-Term Liabilities

Primary Government

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Gross Receipts Revenue Bonds						
Series 2014 D Revenue Bonds	$ 4,100	$ -	$ 270	$ 3,830	$ 290	$ 3,540
Series 2014 C Revenue and Refunding Bonds	201,805	-	7,045	194,760	7,385	187,375
Series 2014 A Revenue Bonds	35,435	-	2,210	33,225	2,325	30,900
Series 2012 A and B Revenue and Refunding Bonds	130,615	-	9,195	121,420	9,940	111,480
Series 2012 C Revenue Bonds	19,260	-	430	18,830	455	18,375
Series 2006 A Revenue Bonds	137,075	-	17,515	119,560	18,165	101,395
Total	528,290	-	36,665	491,625	38,560	453,065
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	4,827	-	1,060	3,767	-	3,767
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	58,475	-	4,650	53,825	4,880	48,945
Other Direct Placement Bonds						
Series 2019 A TIF Revenue and Refunding	-	-	-	-	-	-
Bonds	6,411	-	2,306	4,105	650	3,455
Total bonds payable	1,550,828	-	44,681	1,506,147	44,090	1,462,057
Plus (less):						
Bond premium	42,057	-	5,510	36,547	-	36,547
Bond discount	(189)	-	(21)	(168)	-	(168)
Bond accretion	14,750	1,323	-	16,073	16,073	-
Total bonds payable, net	$1,607,446	$ 1,323	$ 50,170	$1,558,599	$ 60,163	$1,498,436

Loans, Lines of Credit, and Notes Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
2019 A TIF Project Developer Note	$ 1,537	$ -	$ 16	$ 1,521	$ 18	$ 1,503
Series 2023 Note	55,909	22,941	64,199	14,651	-	14,651
Total	57,446	22,941	64,215	16,172	18	16,154
Total governmental activities bonds and direct borrowings and placements	$1,664,892	$ 24,264	$ 114,385	$1,574,771	$ 60,181	$1,514,590

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 47,583	$ 1,615	$ -	$ 49,198	$ 22,463	$ 26,735
Retroactive union arbitration	146,518	-	2,408	144,110	22,031	122,079
Litigation	6,685	740	1,664	5,761	1,475	4,286
Landfill closure and post closure	165,244	4,106	-	169,350	-	169,350
Total	$ 366,030	$ 6,461	$ 4,072	$ 368,419	$ 45,969	$ 322,450

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

As of September 30, 2024, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of $812.3 million. The OPEB liability is valued by an actuarial valuation as of October 1, 2023.

The change in OPEB liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Total OPEB liability	$ 784,556	$ 64,019	$ 36,263	$ 812,312	$ -	$ 812,312

As of September 30, 2024, the PG reported a net pension liability of $3.0 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, 2023, determined by an actuarial valuation as of that date.

The change in pension liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$3,125,580	$ -	$ 160,687	$2,964,893	$ -	$2,964,893

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
VIWAPA utilities - WICO	$ 183	$ -	$ -	$ 183	$ -	$ 183
Workers' compensation claims	41,961	1,496	2,630	40,827	1,496	39,331
Lease liability - viNGN	680		219	461	179	282
Note payable - viNGN	450	-	12	438	17	421
Revolving line of credit - viNGN	-	95	-	95	-	95
Compensated absences - WICO	1,372	349	369	1,352	51	1,301
Port Facilities Revenue Bonds - WICO	51,631	45	-	51,676	-	51,676
Total	$ 96,277	$ 1,985	$ 3,230	$ 95,032	$ 1,743	$ 93,289

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 the 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 the Virgin Islands. 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 on September 30, 2024, 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	$	3,830
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 – 5.00		194,760
Series 2014 A Revenue Bonds	2015 - 2034	5.00		33,225
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25		121,420
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00		18,830
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00		119,560
Total				491,625
Tobacco Settlement Bonds				
Series 2006 A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00		3,767
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		53,825
Other Direct Placement Bonds or Borrowings				
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88		4,105
Total bonds payable				1,506,147
Plus (Less):				
Bonds premium				36,547
Bonds discount				(168)
Bonds accretion				16,073
Total bonds payable, net			$	1,558,599

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

Series 2012 C Revenue Bonds

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

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

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

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

Series 2006 A Revenue Bonds

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

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

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

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

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

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

Pledged Funds, Covenants and Collateral

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

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

In fiscal year 2024, pledged gross receipts tax revenues represented 29.91% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to $62.0 million for bonds and $2.6 million for notes, respectively.

Tobacco Settlement Bonds

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

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

Interest on the Series 2006 Bonds is not paid currently but accretes from the date of delivery, compounded every May 15 and November 15, commencing May 15, 2006, and is paid at maturity or upon prior redemption.

Matching Fund Special Purpose Securitization Bonds

2022 Series A & B 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 (MFRs) are received from the Department of Interior as an advance of distilled spirits excise tax on rum products shipped by Virgin Islands rum producers to the United States.

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

Interest on the Series 2022 A and Series 2022 B bonds is payable semi-annually on April 1 and October 1, beginning October 1, 2022, with principal payments due October 1, beginning October 1, 2025. Capitalized interest was funded as part of the issuance of the bonds in the amount of $112.2 million. Capitalized interest is applied to semi-annual interest payments with an initial payment of $18.3 million on October 1, 2022, and subsequent semi-annual payments of $18.8 million through April 1, 2025.

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

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

The Series 2022 B bonds are subject to redemption prior to maturity, at the election of MFSPSC, on any date at a redemption price equal to the greater of (i) the principal amount of the bonds to be redeemed, or (ii) the "make whole option redemption" amount. The make whole optional redemption is the sum of the present values of the remaining scheduled payments of principal, interest, not including any portion of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury rate plus 50 basis points. 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 (the Series 2015 Bonds), the proceeds of which amounted to $89,880,000. These bonds are secured by a lien on a security interest in, the Trust Estate, which includes, all rights and interests in (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund, and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including Debt Service Reserve Fund and (iv) the Loan Agreement and the Loan Note. The bonds are limited special obligations of PFA.

The Series 2015 Bonds were issued to (i) finance costs of certain highway capital projects, (ii) establish debt service reserves, and (iii) pay the costs of issuance related to the Series 2015 Bonds. The Series 2015 Bonds mature from 2016 to 2033 at an interest rate of 3.0% to 5.0%.

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

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

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

Pledged Funds, Covenants and Collateral

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

Other Direct Placement Bonds

Series 2019 A TIF Revenue and Refunding Bonds

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

Interest on the Series 2019 A TIF Revenue and Refunding Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds. The monthly principal and interest payments are funded by pledged Gross Receipts Taxes. In the year ended September 30, 2024, the Government made an additional principal redemption of $1.2 million.

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

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

Pledged Funds, Covenants and Collateral

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

The Tax Increment Revenue Loan Agreement entered into with the Government and Trustee in connection with the issuance of the Series 2019 A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31st of each fiscal year). The ratio is the Islands Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019 A TIF Revenue and Refunding Bonds. PFA is required to maintain a Loan to Value Ratio (LTV) of no more than 65.0%. In any fiscal year in which the LTV shall exceed 65.0%, the DSCR shall be 1.35, and, upon certification thereof by the TIF Calculation Agent, any amounts then available in the Surplus Account may be made first to interest and then to principal due on the 2019A TIF Project Developer Note. No payments may be made on the 2019 A TIF Project Developer Note until the DSCR and LTV requirements have been met. For the year ended September 30, 2024, the DSCR amounted to 2.26%, 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 secure the payment of the Bonds. During the time that the Series 2019 A Bonds are outstanding, the Economic Development Authority shall obtain an independent report on the financial statements of the Islands Crossings Project, determining if the incremental pledged funds are equal to estimates, and if the Island Crossings Project is economically viable for the repayment of the Series 2019 A TIF Revenue and Refunding Bonds.

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

WICO Port Facilities Revenue Bonds

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

The Series 2022 Bonds were issued to: (i) prepay the WICO's loan (ii) fund a capitalized interest fund in an amount equal to interest accrued through December 31, 2022, (iii) fund the debt service reserve fund, (iv) finance certain capital improvements to docks, wharves, and ancillary facilities, (v) acquire a twenty-foot skiff for port operations, and (vi) pay certain costs of issuing the bonds. The Series 2022 Bonds are due from October 1, 2033, to October 1, 2052, with interest rates from 6.125% to 6.375%. Interest is payable annually on October 1st.

The Series 2022A and Series 2022B 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. If audited financial statements are not available by the set deadline, they may be submitted separately at a later date.

The bonds' indenture specifies certain debt service coverage requirements: to annually establish, impose, and collect rates, fees and charges related to docking, berthing, passenger census, insurance proceeds, and other operating revenues to achieve a debt service coverage ratio (DSCR) of no less than 1.25x for each fiscal year. The DSCR for any period is the ratio of (i) net operating revenues generated in such period and available to pay debt service on the outstanding bonds to (ii) debt service due on such bonds during the period.

Due to a decrease in operating revenues resulting from lower than projected cruise ship load factors, WICO did not comply with the DSCR requirement. WICO requested a waiver that was granted by the bondholders for the year ended September 30, 2024.

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

	Governmental Activities - Gross Receipts Revenue Bonds							
	2006 Series A Revenue Bonds		2012 Series A Revenue Bonds		2012 Series B Revenue Bonds		2012 Series C Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2025	$ 18,165	$ 5,361	$ 7,395	$ 5,335	$ 2,545	$ 512	$ 455	$ 930
2026	18,840	4,435	8,040	4,949	2,680	375	475	907
2027	19,530	3,476	8,735	4,529	2,825	231	500	883
2028	20,250	2,482	9,470	4,074	2,980	78	525	857
2029	21,000	1,450	13,390	3,503	-	-	555	830
2030-2034	21,775	463	63,360	6,575	-	-	4,170	3,624
2035-2039	-	-	-	-	-	-	6,070	2,309
2040-2044	-	-	-	-	-	-	6,080	627
2045-2048	-	-	-	-	-	-	-	-
Total	$ 119,560	$ 17,667	$ 110,390	$ 28,965	$ 11,030	$ 1,196	$ 18,830	$ 10,967

	Governmental Activities - Gross Receipts Revenue Bonds							
	2014 Series A Revenue Bonds		2014 Series C Revenue Bonds		2014 Series D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2025	$ 2,325	$ 1,603	$ 7,385	$ 9,494	$ 290	$ 222	$ 38,560	$ 23,457
2026	2,440	1,484	6,595	9,145	305	204	39,375	21,499
2027	2,565	1,359	6,920	8,807	325	185	41,400	19,470
2028	2,700	1,227	7,270	8,452	345	165	43,540	17,335
2029	2,840	1,089	7,630	8,080	365	144	45,780	15,096
2030-2034	16,525	3,105	140,630	24,784	2,200	347	248,660	38,898
2035-2039	3,830	96	5,095	3,794	-	-	14,995	6,199
2040-2044	-	-	9,630	2,085	-	-	15,710	2,712
2045-2048	-	-	3,605	81	-	-	3,605	81
Total	$ 33,225	$ 9,963	$ 194,760	$ 74,722	$ 3,830	$ 1,267	$ 491,625	$ 144,747

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

Maturity Year	Principal	Interest
2025	$ 945	$ -
2026	-	-
2027	-	-
2028	-	-
2029	-	-
2030-2034	-	-
2035-2039	43,677	-
Plus Accretion:	(24,782)	-
Total	$ 19,840	$ -

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

Maturity Year	Principal	Interest
2025	$ -	$ 47,866
2026	39,985	46,754
2027	54,710	44,274
2028	57,515	41,469
2029	60,460	38,519
2030-2034	352,100	142,785
2035-2039	384,930	45,058
2040	3,125	78
Total	$ 952,825	$ 406,803

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
2025	$ 4,880	$ 2,691
2026	5,125	2,447
2027	5,380	2,191
2028	5,650	1,922
2029	5,935	1,640
2030-2033	26,855	3,439
Total	$ 53,825	$ 14,330

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

Maturity Year	Principal	Interest
2025	$ 650	$ 262
2026	697	216
2027	746	166
2028	799	113
2029	858	57
2030-2033	355	4
Total	$ 4,105	$ 818

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

Maturity Year	Principal	Interest
2025	$ -	$ 3,338
2026	185	3,338
2027	360	3,327
2028	380	3,306
2029	405	3,283
2030-2034	4,140	15,839
2035-2039	5,555	14,417
2040-2044	7,510	12,463
2045-2049	10,225	9,746
2050-2053	23,865	4,634
Total	52,625	$ 73,691
Less: bond discount	(949)	
Total bonds payable, net	$ 51,676	

(b) Loans and Notes Payable

Series 2023 Note

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

At the date of the Revenue Anticipation Note Purchase Agreement the certificate of deposit rate was 4.500% and the interest on the loan is 6.500%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365.

Interest earned on the certificate of deposit will be deposited into a debt service reserve account. Interest accrues and is paid quarterly on or before the fifteenth day of the next succeeding month, with a final payment due at the maturity of the note.

On October 10, 2023, the Legislature amended Act 8701 to authorize an increase in the amount of the Series 2023 Note to $150.0 million, to provide $50.0 million for the payment of vendors, retroactive wage payments, and address other critical needs of the Territory. 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 during the year ended September 30, 2024 amounted to $22.9 million.

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

Maturity Year		Principal
2025	$	-
2026		14,651
Total	$	14,651

2022 GERS Funding Note, Taxable

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

The non-interest-bearing GERS Funding Note was issued for a thirty-year term with annual principal payments ranging from $73.6 million to $158.0 million, due on October 1st of each year. An initial payment of principal of $89.2 million was made to GERS on April 7, 2022, from proceeds of the issuance of the Series 2022 A and Series 2022 B Securitization Bonds, a second payment was made on October 1, 2022 in the amount of $158.0 million, and a third payment was made on October 1, 2023 in the amount of $124.0 million. The GERS Funding Note may not be sold or transferred without registration under the Securities Act of 1933, or an exemption obtained therefrom.

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

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

Maturity Year	Principal
2025	$ 157,997
2026	81,537
2027	73,616
2028	82,424
2029	82,426
2030-2034	412,143
2035-2039	456,421
2040-2044	789,567
2045-2049	789,983
2050-2052	473,990
Total	$ 3,400,104

2019 A TIF Project Developer Note

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

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

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

Maturity Year	Principal	Interest
2025	$ 18	$ 129
2026	19	128
2027	21	126
2028	23	124
2029	24	122
2030-2034	157	577
2035-2039	236	498
2040-2044	355	380
2045-2049	533	201
2050-2054	135	12
Total	$ 1,521	$ 2,297

(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, 2024, the PG owed $79.7 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 or territory repays the loan fully. For 2024, the credit reduction rate increased from 3.9% to 4.2%.

During the year ended September 30, 2024, the PG paid $2.0 million in interest on the loan. The interest rate charged on the loan was 1.68% from October 1, 2023 to December 31, 2023, and 2.61% from January 1, 2024 to September 30, 2024.

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

In September 2023, viNGN entered into a term loan agreement with a local bank in the amount of $450,000 to purchase an office building in the town of Christiansted, St. Croix. The term loan is payable in sixty (60) monthly payments based on a five-year amortization schedule commencing November 5, 2024. The final installment is due on October 5, 2028 for the outstanding principal balance. The note is subject to an interest rate of 1.25% above the Prime Rate listed in the Wall Street Journal. The promissory note may be prepaid at any time without premium or penalty. The bank has a first priority lien over the property purchased.

Future debt service requirements for the term loan follow (expressed in thousands):

Maturity Year		Principal
2025	$	17
2026		19
2027		21
2028		23
2029		358
Total	$	438

(e) Line of Credit – Virgin Islands Next Generation Network (viNGN)

In September 2024, viNGN entered into a revolving line of credit agreement with a local bank for $250,000. The facility carries a fixed interest rate of 3.55% and has a maturity date of October 1, 2025, that was extended to October 1, 2026 with an interest rate decrease to 3.30%. The line of credit was established to assist the Company with operational needs. As of September 30, 2024, the outstanding amount of the line of credit was $95,000.

(f) Guaranty of VIWAPA Indebtedness

In August 2024, PFA entered into a guaranty of indebtedness of VIWAPA to First Bank Puerto Rico in the amount of $30.8 million and to Banco Popular de Puerto Rico in the amount of $21.3 million for a total guaranty of $52.1 million. The guaranty was issued pursuant to the PFA's enabling legislation, which authorizes such financial support to component units, and is not subject to any statutory or contractual limits.

PFA agreed to unconditionally guarantee the payment of 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, in July 2025, PFA further extended the maturity dates of the guarantees 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 of $3.75 million deposited with First Bank Puerto Rico and $2.25 million deposited with Banco Popular de Puerto Rico. The debt service reserve funds are interest bearing and provide additional security for VIWAPA's credit facilities.

(g) Insurance Guaranty Fund Minimum Balance Requirement

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

Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable, outstanding on September 30, 2024, (expressed in thousands):

	Maturity	Interest Rate (%)		Balance
Bonds Payable				
Virgin Islands Water and Power Authority (Electric System)*				
Series 2022 B Bond Anticipation Note	2024	10.00	$	6,495
Series 2022 A Bond Anticipation Note	2024	7.75		33,255
Series 2021 A Bond Anticipation Note	2026	6.75		33,265
Series 2015 A Rural Utilities Service Bond	2035	1.62		8,339
Series 2012 C Revenue Bonds	2025	5.40 - 5.62		12,380
Series 2010 C Revenue Bonds	2035	6.65 – 6.85		34,915
Series 2007 A Revenue Bonds	2031	5.00		51,230
Series 2003 A Revenue Bonds	2028	4.00 – 5.00		21,960
Virgin Islands Port Authority:*				
Series 2014 A Revenue Bonds	2033	4.00 – 5.00		12,680
Series 2014 B Revenue Bonds	2044	3.00 – 5.00		9,675
Series 2014 C Revenue Bonds	2025	2.00 – 5.00		900
Subtotal				225,094
Plus, unamortized premium				1,066
Bonds payable, net				226,160
Less amount due within one year				(61,905)
Bonds payable, due in more than one year			$	164,255

* *Unaudited*

The changes in bonds payable for discretely presented component units are as follows for the year ended September 30, 2024 (expressed in thousands):

Component unit	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority:						
Electric System*	$ 235,910	$ -	$ 33,005	$ 202,905	$ 59,805	$ 143,100
Virgin Islands Port Authority*	25,625	-	2,370	23,255	2,100	21,155
Total	$ 261,535	$ -	$ 35,375	$ 226,160	$ 61,905	$ 164,255

* *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, 2024	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Notes payable						
Virgin Islands Port Authority*	$ 2,609	$ 4,745	$ 2,609	$ 4,745	$ 4,745	$ -
University of the Virgin Islands*	2,295	3,626	-	5,921	-	5,921
Virgin Islands Housing Finance Authority*	610	-	92	518	86	432
Juan F. Luis Hospital*	-	8,000	2,836	5,164	-	5,164
Other component units**	3,986	-	3,128	858	-	858
Total notes payable:	$ 9,500	$ 16,371	$ 8,665	$ 17,206	$ 4,831	$ 12,375
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 Port Authority*	6,000	991	-	6,991	-	6,991
Total line of credit payable	$ 42,002	$ 991	$ -	$ 42,993	$ 33,262	$ 9,731
Other long-term liabilities:						
Virgin Islands Housing Authority	$ 5,020	$ 1,261	$ 560	$ 5,721	$ 5,151	$ 570
Virgin Islands Port Authority*	2,538	1,031	-	3,569	1,814	1,755
Virgin Islands Water and Power Authority:						
Electric System*	109,200	-	17,381	91,819	-	91,819
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,653	673	-	5,326	5,326	-
University of the Virgin Islands*	5,701	-	186	5,515	-	5,515
Virgin Islands Housing Finance Authority*	10,353	978	101	11,230	1,129	10,101
Other component units**	4,714	462	354	4,822	2,131	2,691
Total	$ 142,179	$ 4,405	$ 18,582	$ 128,002	$ 15,551	$ 112,451

* *Unaudited*

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

(a) Component Units - Bonds Payable

Virgin Islands Water and Power Authority – Electric System Bond Anticipation Notes Series 2022 A (unaudited)

In July 2022, the Electric System's Board refinanced and retired the Series 2020 Anticipation Notes with the issuance of the Series 2022 Bond Anticipation Notes (the 2022 BANs) in two Series: the federally tax-exempt Series 2022 A in the amount of $33,255,000 with a rate of 7.750%, and the federally taxable Series 2022 B in the amount of $6,495,000 with a rate of 10.000%.

The 2022 BANs matured August 1, 2024, and were defeased by the Bond Anticipation Notes Series 2024A in the amount of $33,255,000 and the Series 2024B in the amount of $6,495,000 (Series 2024 BANs) issued on September 4, 2024. The Series 2024 A had a rate of 8.00% and the Series 2024 B had a rate of 10.25%. The Series 2024 BANs are subject to a mandatory prepayment on January 1, 2026.

Virgin Islands Water and Power Authority – Electric System Bond Anticipation Note Series 2021 A and 2021 B (unaudited)

In December 2021, the Electric System's Board authorized the issuance of the federally tax-exempt Series 2021 A Bonds in the amount of $34,500,000, and the federally taxable Series 2021 B BAN in the amount of $500,000 in order to retire the Series 2018 BANs in the same amounts. The Series 2021 BANs were issued with a rate of 6.75% and 8.50% respectively and mature on July 1, 2026.

Virgin Islands Water and Power Authority – Electric System Rural Utilities Service (RUS) 2015 A Bonds (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 – Electric System Revenue Bonds Series 2012 C (unaudited)

In May 2012, the Electric System issued the Series 2012C Electric System Subordinated Revenue Bonds in the amount of $32,065,000. The federally taxable term bonds were issued at rates of 5.40% to 5.62%. The Series 2012 C Bonds were issued to (i) refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, (ii) make a deposit into the Series 2012 C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement, and (iii) pay certain costs of issuance of the Series 2012 C Bonds. The bonds mature on July 1, 2025.

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

In March 2010, the Electric System issued the Series 2010 C Electric System Revenue Bonds in the amount of $37,330,000. The bonds were issued at rates of 6.65% to 6.85% and mature from July 1, 2028 to July 1, 2035. 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.

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

In June 2007, the Electric System issued the Series 2007 A Subordinated Revenue bonds in the amount of $57,585,000 and a rate of 5.0%. The proceeds of the Series 2007 A Bonds were used to (i) finance costs of certain capital improvements, (ii) 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, (iii) make certain required deposits to the subordinated Debt Service Reserve Fund, and (iv) pay certain costs of issuance of the Series 2007 A Bonds. The bonds mature on or before July 1, 2031.

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

In June 2003, the Electric System issued the Series 2003A Revenue Bonds in the amount of $69,960,000 at rates of 4.20% to 5.0%. 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 bond mature through July 1, 2028. The Series 2003 Bonds maturing on or after July 1, 2013, were 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 Port Authority – Series 2014 A, B, and C Revenue Bonds (unaudited)

In October 2014, VIPA issued the 2014 Series Revenue Bonds A, B & C amounting to $48,585,000 million, with average interest rates of 4.00% to 5.00% for the Series A Bonds amounting to $28,765,000, rates of 3.00% to 5.00% for the Series B Bonds amounting to $14,900,000, and a rate of 2.00% for the Series C Bonds amounting to $4,920,000. A portion of the proceeds was used to refund the outstanding bond series 2003 A and C amounting to $24.5 million, which included accrued interest as of the redemption date for October 27, 2014.

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

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

Future debt service requirements for discretely presented component units' bonds payable are as follows on September 30, 2024 (expressed in thousands):

Maturity Year:	Principal	Interest
2025	$ 61,905	$ 13,428
2026	21,256	8,976
2027	40,319	7,804
2028	13,506	5,311
2029	13,916	4,618
2030-2034	57,722	12,346
2035-2039	14,220	2,191
2040-2044	2,250	275
Total	225,094	$ 54,949
Plus: unamortized premium	1,066	
Bonds payable, net	$ 226,160	

(b) Component Units - Notes Payable

Virgin Islands Port Authority (unaudited)

In April 2024, VIPA obtained a short-term note for $4.7 million to finance VIPA's insurance premiums. The outstanding balance of the note was $4.7 million as of September 30, 2024.

University of the Virgin Islands (unaudited)

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

During fiscal year 2024, the University increased its outstanding notes payable in the amount of $3.6 million for an outstanding balance of $5.9 million as of September 30, 2024.

Juan F. Luis Hospital & Medical Center (unaudited)

In April 2024, Juan F. Luis Hospital and Medical Center secured an $8.0 million loan from a commercial lender to manage operational costs and capital improvements. This funding, which includes $6.0 million for operations and $2.0 million for improvements, will offset operating shortfalls. As of September 30, 2024, the outstanding amount of the loan was $5.2 million.

(c) Component Unit - Line of Credit Payable

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

In June 2008, Banco Popular de Puerto Rico provided the Electric System with a working capital line of credit of up to $10.0 million. As the result of extensions, the current maturity of the line of credit is August 31, 2024 with an outstanding balance of $10.2 million. The line of credit was subsequently extended to August 31, 2025.

In November 2008, Banco Popular de Puerto Rico provided the Electric System a line of credit for capital projects in the amount of $8.1 million. As the result of extensions, the current maturity of the line of credit is August 31, 2024 with an outstanding balance of $8.2 million. The line of credit was subsequently extended to August 31, 2025.

In June 2013, the Electric System entered into a loan agreement with First Bank Puerto Rico for a line of credit in the amount of $10.0 million as a working capital facility and $4.9 million as a working capital facility. Due to subsequent extensions of the maturity dates of the facilities, the amounts are due July 31, 2024, and were subsequently extended to July 31, 2025.

In May 2015, First Bank Puerto Rico established an overdraft credit facility for the Electric System in a maximum aggregate amount of $15.0 million evidenced by a promissory note and a current due date of July 31, 2024. As of June 30, 2024, the outstanding balance of the overdraft was $14.4 million, and the debt was renewed with a new maturity date of July 31, 2025.

Virgin Islands Port Authority (unaudited)

In August 2020, VIPA finalized a secured line of credit amounting to $7.0 million with Banco Popular de Puerto Rico, intended to support operations due to a shortfall of marine revenues. The terms of the line of credit were extended at the end of the term of the original line of credit in August 2023. The line of credit is secured by a $7.0 million certificate of deposit held by the bank. As of September 30, 2024, the balance on the line of credit was $7.0 million.

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 2024, the PG incurred expenditures of $96.2 million for eligible program activities, including subawards and payroll disbursements, and has reflected the unspent balance of $111.5 million as a refundable advance.

12. General Tax Revenue

For the year ended September 30, 2024, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Matching Fund Special Purpose Securitization Corporation	Other Governmental	Total
Income taxes	$ 351,378	$ -	$ -	$ -	$ 351,378
Real property taxes	48,089	-	-	5,856	53,945
Gross receipts taxes	5,000	210,716	-	250	215,966
Excise taxes	237,917	-	10,280	2,148	250,345
Other taxes	92,819	-	-	8,742	101,561
	$ 735,203	$ 210,716	$ 10,280	$ 16,996	973,195
Tax revenue recognized on the full accrual basis					81,842
Total tax revenue – government-wide					$ 1,055,037

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2024, (expressed in thousands):

	General	PFA Debt Service	PFA Capital Project	MFSPSC	Federal Funds	Other Governmental	Total
Restricted for:							
Debt service	$ -	$ 160,865	$ -	$ 43,550	$ -	$ -	$ 204,415
Capital projects	-	-	96,077	-		-	96,077
General government	-	-	-	-		-	-
Health	-	-	-	-		3,482	3,482
Public housing and welfare	-	-	-	-		5,804	5,804
Transportation and communication	-	-	-	-		4,290	4,290
Culture and recreation	-		-	-		8	8
Total	$ -	$ 160,865	$ 96,077	$ 43,550	$ -	$ 13,584	$ 314,076
Committed to:							
General government	$ 71,586	$ -	$ -	$ -	$ -	$ 13,602	$ 85,188
Public safety	-	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	-	180	180
Transportation and communication	-	-	-	-	-	9,019	9,019
Culture and recreation	-	-	-	-	-	327	327
Total	$ 71,586	$ -	$ -	$ -	$ -	$ 23,145	$ 94,731
Assigned to:							
General government	$ 2,982	$ -	$ -	$ -	$ -	$ 277,635	$ 280,617
Public safety	-	-	-	-	-	789	789
Health	-	-	-	-	-	4,998	4,998
Public housing and welfare	-	-	-	-	-	13,373	13,373
Education	-	-	-	-	-	1,964	1,964
Transportation and communication	-	-	-	-	-	14,227	14,227
Culture and recreation	-	-	-	-	-	2,285	2,285
Total	$ 2,982	$ -	$ -	$ -	$ -	$ 315,271	$ 318,253
Unassigned	$ (466,468)	$ -	$ -	$ -	$ (13,132)	$ (55,013)	$ (534,613)
Total Fund Balances	$ (391,900)	$ 160,865	$ 96,077	$ 43,550	$ (13,132)	$ 296,987	$ 192,447

The committed and assigned fund balances include approximately $413.0 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 4,600 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, 2024, contractual liability for retroactive union arbitration salary payments amounted to $144.1 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 non-monetary federal financial assistance to governmental funds amounted to approximately $724.6 million and $82.7 million, respectively, for the year ended September 30, 2024.

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

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

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

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

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

The special conditions also require the Government to submit quarterly reports on progress in improving all aspects of the fiscal management of federal education grants. The 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 $5.8 million for awarded and anticipated unfavorable judgments as of September 30, 2024.

Changes in the reported provision for legal claims during September 30, 2024, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2023	New Claims	Claims Payments and Changes in Estimates	Ending Balance on September 30, 2024
Provision for legal claims	$ 6,685	$ 740	$ (1,664)	$ 5,761

The breakdown of the provision for legal claims on September 30, 2024, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	$	1,475
Long-term portion		4,286
	$	5,761

(f) 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 $169.4 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2024, 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, 2024.

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

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	99.0%	2027
Anguilla	97.0%	2027
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.

(g) Hotel Development Agreements

The Virgin Islands Hotel Development Program promotes tourism through the construction and redevelopment of hotels damaged by hurricanes. The program is administered by the Virgin Islands Economic Development Authority (VIEDA). Hotels approved to participate in the program may be reimbursed for construction expenses from designated hotel occupancy taxes and economic recovery fees charged to hotel guests on room rentals. The Government and VIEDA enter into an agreement with the hotels for the repayment of construction costs from pledged revenues over thirty (30) years on non-interest-bearing Developer Notes. As of September 30, 2024, two hotel developers were participating in the program.

CREF 3 USVI Hotel Owner, Inc., the owner of certain hotels on St. Thomas and St. John, signed a Hotel Development Agreement with VIEDA on November 1, 2023 in the amount of $244.9 million. Under the agreement, the hotel will receive reimbursement of approved hotel construction expenses from specified hotel occupancy taxes of 12.5% and economic recovery fees of 2.5% charged to hotel guests as part of room rates. On November 1, 2023, the Virgin Islands Public Finance Authority (PFA) issued the Series 2023A Virgin Islands Public Finance Authority Occupancy Tax and Economic Recovery Fee Developer Note (Frenchman's Reef Hotel Development Project) securing the obligation. As of September 30, 2024, the remaining balance under the agreement was $241.0 million.

On April 20, 2023, RC Hotels (Virgin Islands), Inc., the owner of the Ritz Carlton Hotel on St. Thomas, entered into a Hotel Development Agreement with VIEDA for $32.6 million for a term of thirty (30) years with pledged revenues of economic recovery fees of 7.5%. PFA entered into the Economic Recovery Fee Trust Account Depository Agreement with the hotel, VIEDA, and the Government, establishing the Economic Recovery Fee Trust Account for the purpose of receiving pledged revenues and making payments under the Hotel Development Agreement with VIEDA. As of September 30, 2024, the remaining balance under the agreement was $27.1 million.

(h) Wastewater Treatment Plant Consent Decree

Since 1985, the Government has been subject to a consent decree issued by the Virgin Islands District Court, governing the operation of its wastewater treatment plants. The consent decree was amended in 1996 and further modified with the 2002 Stipulation to the Amended Consent Decree (the Stipulation) to establish deadlines for the construction of new secondary treatment facilities, including the replacement of the existing St. Croix and Airport Lagoon (Charlotte Amalie) wastewater treatment plants. The Stipulation required that the new St. Croix wastewater treatment plants be completed by the end of 2006 and the new Charlotte Amalie wastewater treatment plants be completed by the end of 2007. The cost of both facilities was estimated at approximately $50.0 million.

In January 2004, the Government's Legislature authorized the creation of the VIWMA for the purpose of meeting environmental requirements of wastewater treatment in the U.S. Virgin Islands. On December 2004, PFA issued revenue bonds amounting to $94.0 million for the purpose of constructing and rehabilitating wastewater treatment plants. The treatment facilities were completed in July 2007 and January 2008 at a cost of approximately $27.0 million and $29.0 million for the St. Croix and the St. Thomas treatment facilities, respectfully.

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

(i) Memorandum of Understanding – EPA

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

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

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

(j) Workers' Compensation Liability

The Government is exposed to the risk of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the workers' compensation liability amount in fiscal year 2024, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,		2024
Claims payable, beginning of year	$	41,961
Incurred claims and changes in estimates		1,496
Payments for claims and adjustments expenses		(2,630)
Claims payable, end of year	$	40,827

(k) Bond Credit Ratings

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

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

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022B issued in April 2022. This rating was reviewed by KBRA and affirmed in April 2024. In April 2025, KBRA affirmed the BBB rating and revised the outlook to negative. In July 2025, KBRA returned the outlook to stable, following the passage of H.R.1, the *Big Beautiful Bill Act*. Section 70427 of H.R.1 provides for the permanent increase in the cover over rate on distilled spirits to $13.25 per proof gallon, an increase of $2.75 per proof gallon, effective after December 31, 2025.

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.

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

(l) Operating Agreement – Limetree Bay Terminals, LLC

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

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

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

As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree is subject to quarterly concession payments in lieu of taxes (PILOT) of 10.0% of terminal revenues. During the fiscal year ended September 30, 2024, Limetree paid $16.5 million in PILOT including a settlement of $5.2 million for Limetree's default on previous years' payments. 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 the 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 and 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 (5) years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement.

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

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

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

In April 2018, the contract was amended to increase the compensation amount to $50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government's aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to $80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the $50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to $85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount returned to $80.0 million as specified in the second amendment. As of September 30, 2024, the amount due to the disaster recovery consultants related to these contracts was $49.6 million.

On May 4, 2018, PFA entered into Memorandums of Understanding (MOU) with VIWAPA and with the Virgin Islands Housing Finance Authority (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) Settlement of Case

In December 2022, the Attorney General for the U.S. Virgin Islands announced a settlement with Jeffrey E. Epstein's estate, certain co-defendants and 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 U.S. Virgin Islands. Under the terms of the settlement, the defendants paid the PG $105.0 million in cash plus one-half of the proceeds of the sale of the island, Little St. James.

The estate also agreed to pay $450,000 to remediate environmental damage around Great St. James, another island owned by the estate. The settlement also returned to the U.S. Virgin Islands more than $80.0 million in economic development tax benefits that had been fraudulently obtained. In the fiscal year ended September 30, 2024, the Government reported $60.0 million in settlements, net of attorney fees.

(o) Molasses Subsidy Fund

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the U.S. Virgin Islands rum producers to ensure the competitive pricing of rum produced in the U.S. Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the U.S. 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 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 result in a reduction of the federal excise taxes returned to the Government by the United States Government. The collectability of the loans from the Government is highly dependent on the its ability 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 10.0 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 increased employer contributions to the pension plan by 3.0%, from 20.5% to 23.5%.

In March 2022, the Matching Fund Special Purpose Securitization Corporation (Securitization Corporation) was created as a separate, independent instrumentality of the PG. One purpose of the Securitization Corporation is to free up funds of the PG through the issuance of Matching Fund Securitization Bonds (Securitization Bonds) to provide financial stability and liquidity to GERS.

In April 2022, a payment was made to GERS in the amount of $89.2 million as part of the Securitization Bonds issuance. In October 2022, the first full payment to GERS of $158.0 million was made in accordance with a Funding Note entered into between PFA and the primary Government as part of the GERS Solvency Plan of Act 8540. In October 2023, October 2024, and October 2025 partial payments of $124.0 million, $101.6 million, and $59.8 million, respectively, were made to GERS.

The GERS actuarial valuation and review as of September 30, 2024, issued in November 2025 includes the solvency projection that the System will remain solvent. However, assets are projected to decline to a low of $194.0 million on September 30, 2037, before increasing again thereafter.

Component Units

(a) Virgin Islands Waste Management Authority *(unaudited)*

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

The order by the District Court stipulates that the Fund be managed by the VIWMA through a separately established escrow account in the amount of $3.1 million, and that all landfill projects be completed on or before September 30, 2018. As of September 30, 2024, the amount remaining in the escrow account was $424,000.

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

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.

In October 2023, viNGN entered into a Memorandum of Understanding with VIWAPA to collaborate on the installation of WIFI equipment and development of high-speed fiber optic infrastructure for the Territory. This initiative is funded by the American Rescue Plan Act of 2021 (ARPA).

(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 or System), a cost sharing, multiple employer, defined benefit pension plan (the plan) established as of October 1, 1959, Title 3, Chapter 27 of the V.I. Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members. The plan covers all employees of the Government except employees compensated on a contract fee basis, casual, per diem or provisional and part-time employees who work less than twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

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

Regular Tier 1 employees who have completed thirty (30) years of credited service or have attained age sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier 2 employees who have reached age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity.

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

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

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

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for regular and safety Tier 1 members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for regular and safety Tier 2 members is based on career average salary, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation for regular and safety employees is $65,000. For members of the legislature and judges, the average compensation varies based on the year of service.

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

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

(b) Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier 1 and Tier 2 members was 23.5% of the members' annual salary during the fiscal year ended September 30, 2024.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2024:

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

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

Valuation Date:	October 1, 2023
Measurement Date:	September 30, 2023
Measurement Period:	October 1, 2022 – September 30, 2023

The PG is considered an employer of the plan with a proportionate share of 75.02% as of September 30, 2023, a decrease of 1.39% from its proportionate share measured as of September 30, 2022. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2017, through September 30, 2023. The PG's proportionate share of employer contributions recognized by GERS was $203.9 million for the plan's fiscal year ended September 30, 2024.

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

As of September 30, 2024, the actuarially calculated net pension liability of the PG was $2.96 billion. The net pension liability is measured as of September 30, 2023, and the total pension liability is actuarially computed as of October 1, 2023.

For the year ended September 30, 2024, the Government recognized $31.1 million in pension expense, inclusive of amortization of deferred outflows, inflows, and other 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, 2024, (expressed in thousands):

Governmental Activities		Deferred Outflows		Deferred Inflows
Difference between expected and actual experience	$	5,957	$	195,028
Net difference between projected and actual investment earnings on pension plan investments		16,318		-
Changes in assumptions		243,591		757,054
Changes in proportion and differences between contributions and proportional share of contributions		23,803		148,362
GERS Funding Note contributions		123,997		-
Contributions made after measurement date		79,883		-
Total	$	493,549	$	1,100,444

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,		
2025	$	(101,393)
2026		(214,761)
2027		(214,850)
2028		(271,012)
2029		(8,759)
Thereafter		-
Total	$	(810,775)

(d) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date on September 30, 2023, is provided below. Refer to the October 1, 2023, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website at http://www.usvigers.com/Benefits/ActuarialReports.aspx.

September 30,	2023
Inflation Rate	2.50%
Salary Increases	5.00% including inflation through 2026, and 4.00% thereafter
Actuarial Cost Method	Entry age normal
Expected Rate of Return	6.00%
Municipal Bond Yield	4.09%
Discount Rate	4.87%
Mortality Table	Healthy: Pub-2010 General Below-Median Amount Weighted Employee and Healthy Annuitant Mortality Tables Disabled: Pub -2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table Contingent Survivors: Pub-2010 General Below-Median Amount-Weighted Contingent Survivor Mortality Table With Generational Projections using Scale MP-2021

The assumptions and methods used in the actuarial valuation are based on the results of the actuarial experience study, for the five-year period October 31, 2017 through September 30, 2022, with the net investment return assumption updated for the October 1, 2023 valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 6.00% is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the System's portfolio asset classes, as well as the System's target asset allocation and the System's cash flow and potential solvency issues.

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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.39%
Developed markets	14%	6.49%
Emerging markets	6%	7.79%
Core fixed income	20%	1.59%
High Yield Fixed Income	10%	3.39%
Cash	5%	0.79%
Total	100%	

(f) Discount Rate

The discount rate used to measure total pension liability was 4.87% as of September 30, 2023, which was an increase of 0.10% from the discount rate of 4.77% as of September 30, 2022. 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. Using the above assumptions, GERS's fiduciary net position is not projected to be available to make all projected future benefit payments to current plan members.

The plan's long-term expected rate of return on pension plan investments of 6.00% 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. As of September 30, 2023, that rate was 4.09%.

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

Following is a schedule of net pension liability for the Government calculated using the discount rate of 4.87%, 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, 2024, (expressed in thousands):

	1.00% Decrease (3.87%)	Current Discount (4.87%)	1.00% Increase (5.87%)
Net pension liability	$ 3,346,999	$ 2,964,893	$ 2,645,378

(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 sixty-two (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 $57,000 for the year ended September 30, 2024. No assets are accumulated in a trust that meets the criteria of paragraph 4 in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* WICO does not offer other post-retirement benefits to its employees.

viNGN Employee Retirement Plan

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least $5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 3.0% of the eligible employee's compensation. viNGN contributed $44,000 in matching employer contributions for the year ended September 30, 2024. viNGN does not offer other post-retirement benefits to its employees.

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

The University has two retirement plans in which all eligible employees are required to participate, the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and GERS. The TIAA-CREF is a defined-contribution pension plan covering participating, full-time faculty members and other exempt employees, under which the contributions, including employees' contributions, are used to purchase annuities. There are no unfunded past service costs, and vested benefits are equal to the annuities purchased under TIAA-CREF. The University's Board of Trustees administers, establishes, and amends benefit provisions of TIAA-CREF. The University is required to contribute 14.5% of the annual covered payroll.

16. Other Postemployment Benefits

In addition to the pension benefits described above, the Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a multiple employer defined benefit OPEB plan, in which most component units of the PG participate and contribute. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

As required, the PG follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government, its component units, and certain eligible nonpublic corporations, other than pensions.

Plan Description and Benefits

The Health Insurance Board of Trustees of the PG (the Board) administers the defined benefit health and life insurance plan for eligible active and retired employees of the PG, the component units of the Government, and certain nonpublic corporations that receive allotments from the PG. The Board determines the eligibility criteria of the plan and recommends insurance contracts to the Legislature. The Group Health Insurance Office of the Department of Personnel maintains the accounting and personnel records for the health and life insurance plan. Eligible retired employees visit the Group Health Insurance Office within 30 days following retirement and complete a new insurance enrollment form. An eligible retiree is one that retires through the Government Employees Retirement System (GERS) or who is placed on disability and is eligible for retirement benefits.

The Government's OPEB plan is a multiple employer defined benefit plan created in accordance with Title 3, Ch. 25, Subchapter VIII of the Virgin Islands Code. The plan is a pay as-you-go, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, and expenses are paid as they come due. There are five participating employers in the plan: the primary Government, University of the Virgin Islands, Virgin Islands Port Authority, East End Medical Center, and Frederiksted Health Care, Inc.

The primary Government has a special funding arrangement with the following component units: VI Lottery, Magens Bay Authority, VI Economic Development Authority, VI Waste Management Authority, VI Housing Finance Authority, Juan Luis Hospital and Medical Center, Roy L. Schneider Medical Center, VI Public Finance Authority and the VI Public Broadcasting System. Under the special funding arrangement, the primary Government pays 100% of the employer costs.

Retirees participate in the same health benefit programs as active employees until they reach 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 insurance and group life insurance coverage through the Cigna Health and Life Insurance Company
- Group life and accidental death and dismemberment through ALIC Life Insurance Company
- Medicare Advantage and AARP Medicare Supplement through United Healthcare Insurance
- Vision care through Standard Insurance Company

Contributions

Contribution percentages are enacted by the Legislature of the Virgin Islands based on recommendations of the Board. Changes in percentages are implemented by the Department of Personnel. Retirees under the age of sixty-five (65) are required to contribute 27.0% of monthly health premiums and retirees over the age of sixty-five (65) are required to contribute 34.0% of monthly health premiums. The employee share is withheld from salaries or pension benefits. Retirees receive a noncontributory life insurance benefit of $5,000 and may elect to increase this coverage to $75,000 at their own expense.

Employees Covered by the Plan

As of October 1, 2023, the following employees were covered by the Government's postemployment benefits plan:

Valuation Date of October 1, 2023	Primary Government	Component Units	Total
Active employees	8,450	742	9,192
Retired employees	7,881	300	8,181
Deferred vested retirees	292	15	307
Disability retirees	235	22	257
Total	16,858	1,079	17,937

Primary Government	14,996
Component units included in primary Government's OPEB expense under special funding arrangement	1,862
Total	16,858

OPEB Liability

The PG's proportionate share of the total liability was 95.216% as of October 1, 2023, which was a decrease of 0.19% from its proportionate share measured as of October 1, 2022, The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to $812.3 million which includes the PG's share of the component unit liabilities under the special funding arrangement of $68.8 million. Also see Note 18.

Following is the total OPEB liability as of September 30, 2024 (expressed in thousands):

Primary Government	$	812,312
Component units		38,725
Total OPEB Liability	$	851,037

Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. An actuarial valuation was conducted of the amount required to fund the plan, involving assumptions about the probability of the occurrence of events in the future. Actuarial assumptions used in the computation of the total OPEB liability are as follows:

Valuation date:	October 1, 2023
Measurement date:	October 1, 2023
Report date:	September 30, 2024
Actuarial cost method:	Entry Age Normal Cost Method
Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 4.02% based on Bond Buyer 20 Bond Index as of September 30, 2022 End of Year Rate of 4.09% based on Bond Buyer 20 Bond Index as of September 30, 2023
Healthcare cost trend rates:	Pre-Medicare – 8.50% to 4.50% Medicare – 6.00% to 4.50% Dental – 4.50%
Retirees share of costs:	27.0% of the monthly health premiums for retirees under age 65 and 34.0% for retirees age 65 or older of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% of coverage.
Mortality Rates:	Healthy: Pub 2010 Table Below-Median Amount-Weighted Employee and Healthy Annuitant Mortality Table (95% load for males) with generational projection using Scale Mp-2021.

	Disability: Pub-2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table with generational projections using Scale-MP 2021. Contingent Survivors: Pub-2010 General-Below-Median Amount-Weighted Contingent Survivor Mortality Table with generational projection using Scale MP-2021.
Dependent status:	Covered dependents of current retirees were valued if non-waived coverage and a spouse date of birth indicated on data provided. Assumed that 50% of future male retirees and 25% of future female retirees who elected coverage would also cover spouses at the time of retirement. For future retirees, husbands assumed to be 3 years older than their wives.
Actuarial Experience Study:	The actuarial assumptions used in the valuation were based on recommendations from the actuarial experience study for the period from October 1, 2017 through September 30, 2022.

Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the year ended September 30, 2024 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	$ 784,556	$ 35,508	$ 820,064
Changes for the year:			
Service cost	22,459	1,081	23,540
Interest	31,720	1,446	33,166
Changes in benefit terms	4,573	260	4,833
Changes in assumptions and other input	5,267	1,684	6,951
Expected benefit payments	(36,263)	(1,254)	(37,517)
Net changes	27,756	3,217	30,973
Ending balances	$ 812,312	$ 38,725	$ 851,037

Primary Government	$ 743,467
Component Units Included in Primary Government's OPEB liability under special funding arrangement	68,845
Total OPEB Liability	$ 812,312

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

For the fiscal year ended September 30, 2024, the OPEB expense of the PG amounted to $27.2 million as follows (expressed in thousands):

	Primary Government	Component Units	Total
Service cost	$ 22,459	$ 1,081	$ 23,540
Interest on the total OPEB liability and net cash flow	31,720	1,446	33,166
Changes in benefit terms	4,573	260	4,833
Current period effect in change in assumptions	(31,576)	(1,852)	(33,428)
Total OPEB Expense	$ 27,176	$ 935	$ 28,111
Primary Government			$ 28,595
Component Units Included in Primary Government's OPEB expense under special funding arrangement			(1,419)
Total OPEB Expense			$ 27,176

OPEB Deferred Inflows of Resources

As of September 30, 2024, the PG reported deferred inflows of resources related to OPEB (expressed in thousands) is as follows:

	Primary Government	Component Units	Total
Changes in assumptions, expected results or other inputs	$ 186,938	$ 11,700	$ 198,638
Primary Government			$ 157,002
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement			29,936
Total			$ 186,938

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
2025	$ 60,604	$ 3,691	$ 64,295
2026	54,883	3,466	58,349
2027	53,653	3,425	57,078
2028	17,288	1,079	18,367
2029	510	39	549
2030 and after	-	-	-
Total OPEB Deferred Inflows	$ 186,938	$ 11,700	$ 198,638

OPEB Deferred Outflows of Resources

As of September 30, 2024, 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	$ 81,665	$ 5,580	$ 87,245
Primary Government			$ 71,973
Component Units Included in Primary Government's deferred outflows of resources under special funding arrangement			9,692
Total			$ 81,665

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

Fiscal Year Ended September 30	Primary Government	Component Units	Total
2025	$ 35,369	$ 2,149	$ 37,518
2026	32,906	2,030	34,936
2027	9,995	824	10,819
2028	2,559	434	2,993
2029	836	143	979
2030 and after	-	-	-
Total OPEB Deferred Outflows	$ 81,665	$ 5,580	$ 87,245

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):

	1.00% Decrease 3.09%	Current Discount 4.09%	1.00% Increase 5.09%
Primary Government	$ 920,952	$ 812,312	$ 723,026
Component Units	44,317	38,725	34,158
Total OPEB Liability	$ 965,269	$ 851,037	$ 757,184

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

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

	1.00% Decrease - Health Cost Trend Rate 7.50%	Current Health Cost Trend Rate 8.50%	1.00% Increase - Health Cost Trend Rate 9.50%
Primary Government	$ 722,269	$ 812,312	$ 922,724
Component Units	34,136	38,725	44,376
Total OPEB Liability	$ 756,405	$ 851,037	$ 967,100

Component Units

VIWAPA OPEB Plan *(unaudited)*

VIWAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of $61.6 million, deferred outflows of resources of $535,000, and deferred inflows of resources of $9.6 million as of June 30, 2024.

VIHA OPEB Plan

VIHA offers certain health care benefits including healthcare and prescription drug, dental, vision and life insurance to qualified retired employees and their dependents. VIHFA reported a net OPEB liability of $23.1 million, deferred outflows of resources of $5.2 million, and deferred inflows of resources of $10.4 million as of December 31, 2023.

17. Going Concern/Liquidity and Management's Plan

Primary Government

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

On September 30, 2024, the Government reported a total net deficit in governmental activities amounting to $4.9 billion. The Government's reported net deficit continues to reflect the effects of the adoption of accounting standards in prior years that required the recognition of pension and other postemployment benefit liabilities, and related expenses based on actuarial valuations. In addition, the aftermath of the 2017 hurricanes, as well as the impact of the global Coronavirus pandemic, had a further significant negative impact on operations. The culmination of these factors has resulted in liquidity challenges.

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

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

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2022 through 2024:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2022	$ (6,570,200)	$ (479,746)
2023	(6,522,747)	47,453
2024	(6,069,353)	453,394

On September 30, 2024, the Government reported a fund deficit in the general fund of $391.9 million. This fund deficit represents a decrease of $78.0 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2022	$ 42,325	$ 452	$ (419,326)	$ (376,549)
2023	56,853	2,581	(529,326)	(469,892)
2024	71,586	2,982	(466,468)	(391,900)

Per Title 33, Subtitle 3 VIC, the Government established the Budget Stabilization Fund as a separate rainy day fund for the following purposes: (i) to offset any deficit in the General Fund at the end of the fiscal year, (ii) to offset a temporary shortfall in the General Fund caused by lagging revenue collections and (iii) to provide emergency funding for disaster recovery in a state of emergency declared by the Governor. The fund consists of annual appropriations of not less than $5.0 million, and 10.0% of any fiscal year end surplus.

During the fiscal year ended September 30, 2024, the Virgin Islands Office of Management and Budget authorized payment of outstanding VIWAPA invoices due from the Virgin Islands Waste Management Authority and hospitals in the amount of $17.0 million and payment of $450,000 to PFA for a management turnaround company for VIWAPA. The fund also paid $988,800 in outstanding vendor payments of the Virgin Islands Waste Management Authority. As of September 30, 2024, the amount reported in the Budget Stabilization Fund was $2.6 million.

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2024, (expressed in thousands):

Governmental Funds

Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,194	Sewer System Fund	175
Federally Aided Education Program	9,599	District Potable Water Fund	4,962
Air & Water Pollution Control	7,030	Paternity and Child Support	11,557
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	64,386
Highway Safety	4,600	Virgin Islands Law Enforcement	3,093
Virgin Islands Energy Office	3,655	Forensic Science	74
Virgin Islands National Guard Federal	-	Vocational Rehabilitation	1,848
and State Agreement	2,759	Hurricane Hugo Insurance Claims	3,908
Food Stamp Welfare	2,434	Virgin Islands Army National Guard	2,266
Federal Programs/Department	-	Emergency Drought Relief	129
Conservation	3,640	Outdoor Recreation Program	32
Federal Aided Community Action			
Agency	187	Section 12 Bond Proceeds	24,607
Commission on Aging	50	Road Fund	6,330
Elementary/Secondary Education	19	Major Repair and Improvement	58
Job Training Partnership	-	Technical Assistance	8
Act Of 1983-1984	8,614	Juvenile Detention Center Fund	14
Civil Defense Protection	849	Non-Lapsing	
Health Information Council Assistance	18	Natural Resource Reclamation	2,205
Drug Education Training Program	123	Boating Safety Program	584
Federal Health Program Not on Federal	-	Fishery and Wildlife Projects	27
Letter of Credit System	489	VIWAPA Generating & Infrastructure	605
Taxi Revolving Fund	153	Debt Service Fund	3
		Net fund deficit	$ 178,554

Proprietary Funds

Frederiksted Small Business Fund	$ 164
Altona Community Development Fund	3
Housing Construction Revolving	7,653
Emergency Housing Fund	82
Virgin Islands ID Registration Fund	18
Virgin Islands Elections Fund	172
Gasoline Coupon Program Fund	1,398
Consumer Protection Fund	200
Enterprise Zone Fund	1,000
Virgin Islands Housing Finance Authority	2,898
Business & Commercial Property Revenue Fund	1,614
Homestead and Home Revolving Fund	344
Net fund deficit	$ 15,546

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2024, 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, 2024, WICO owed the primary Government $11.2 million in PILOT payments.

viNGN

viNGN is also a component unit of PFA. The start-up of viNGN was funded by a loan advance from PFA amounting to $36.8 million. As of September 30, 2024, no repayments of the loan advance have been made by viNGN.

Component Units

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

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

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

(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 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, 2023, the Schneider Regional Medical Center's current liabilities exceeded current assets by $37.2 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2023, tax appropriations from the PG amounted to $28.4 million and other contributions, FEMA grants and COVID assistance amounted to $8.1 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, 2024, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by $62.2 million. The hospital reported an unrestricted net deficit of $223.5 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 Beginning Net Position/Deficit

Governmental Activities – Statement of Net Position

Beginning net deficit of governmental activities in the government-wide financial statements was revised to incorporate certain information following receipt of the October 1, 2023 actuarial valuation report, which has a measurement date of September 30, 2023. As follows, management has evaluated the materiality, considering both quantitative and qualitative factors, and concluded that the related impact is not material to the 2023 financial statements (expressed in thousands):

	Net Position		
Governmental Activities	**As Previously Reported**	**Adjustments**	**As Adjusted**
Other post-employment benefits expense	$ 5,264,677	$ 10,028	$ 5,274,705

Additionally, the adjustment impacted deferred outflows and inflows of resources related to OPEB. The amounts recorded included a decrease to total OPEB liability of $192.1 million, an increase to deferred outflows of resources of $32.3 million, an increase to deferred inflows of resources of $169.8 million, and an increase to beginning net position of $10.0 million.

Component Units

Beginning net position of certain discretely presented component units was adjusted to reflect prior-year beginning balance adjustments based on unaudited financial information provided to the Government, as follows (expressed in thousands):

	Net Position (Deficit)		
Component Units	As Previously Reported	Adjustments	As Adjusted
Virgin Islands Port Authority*	$ 167,096	$ 14,885	$ 181,981
Virgin Islands Water and Power Authority:			
Electric System*	663,562	4,559	668,121
Water System*	30,568	(1,522)	29,046
Schneider Regional Medical Center*	(140,653)	(2,092)	(142,745)
Juan F. Luis Hospital and Medical Center*	(79,629)	16,211	(63,418)
University of the Virgin Islands*	58,398	(1,262)	57,136
Virgin Islands Economic Development Authority*	(10,249)	4,565	(5,684)
Magens Bay Authority*	21,629	1,134	22,763
UVI Research and Technology Park*	11,190	5,330	16,520
Virgin Island Housing Finance Authority*	99,950	-	99,950
Virgin Islands Housing Authority	(18,610)	-	(18,610)
Other component units*	7,448	-	7,448
	$ 810,700	$ 41,808	$ 852,508

* *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 April 2026, federal assistance awarded to the Territory included $22.1 billion in FEMA Public Assistance grants, $77.3 million in Federal Highway grants, $233.1 million in FEMA Hazard Mitigation grants, $1.9 billion in Community Development Block Grants, and $251.0 million in other grants for a total of $24.5 billion.

(b) *Global Pandemic and Economic Relief Legislation*

Through January 2026, federal grants and assistance received by the PG related to COVID-19 amounted to $729.7 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

(c) ***Improper Procurement Activities and Irregularities***

As the result of an investigation by the United States Department of Justice, three members of the Government's management team were convicted for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2024, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures. These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms.

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

Component Units

(a) WICO Bond Covenant Waiver

Due to a slower than expected recovery from the COVID-19 pandemic, WICO was unable to meet the debt service coverage ratio required by its bond covenants for fiscal years 2024 and 2025. In March 2026, WICO requested and was granted a bond covenant waiver for both fiscal years, based on an increase in passenger fee revenue.

(b) Lonesome Dove Petroleum Co. Asset Valuation

In March 2026, the Lonesome Dove Petroleum Co. received an independent appraisal of the fair market value of its oil and gas wells, reserves and acreage blocks. The appraisal estimated the value of these interests at $7.4 million as of January 1, 2026.

(c) Virgin Islands Public Finance Authority

Hotel Occupancy and Economic Recovery Fee Revenue Bonds

In November 2024, PFA issued the Series 2024A Hotel Occupancy Revenue Bonds in the amount of $64.9 million, and the Series 2024B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of $18.3 million. The 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 the island of St. Thomas. The Government has pledged Hotel Occupancy Tax Revenues and Economic Recovery Fee Revenues generated by the hotel project for the repayment of the bonds. The Series 2024 A Bonds will mature on April 1, 2053 with a yield of 5.750%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.000%.

Subordinate Gross Receipts Taxes Secured Series 2025 Revenue Note

In January 2026, PFA issued the Virgin Islands Public Finance Authority Subordinate Gross Receipts Taxes Secured Series 2025 Revenue Note (Virgin Islands Gross Receipts Taxes Loan Note 2025 Projects) in the amount of $90.0 million as a revolving line of credit to finance (i) disaster related projects, (ii) payment of vendors, (iii) retroactive wage payments, and (iv) other critical needs of the Government due to cash flow deficiencies. The line of credit is issued in accordance with the Second Restated and Amended Revenue Anticipation Note Purchase Agreement between the PFA and First Bank Puerto Rico with a revolving line of credit up to a maximum of $150.0 million. The line of credit is secured with the pledge of gross receipts taxes (the "GRT Secured Series 2025 Note"), has an interest rate of the Prime Rate minus a spread of 0.50%, and a maturity date of September 30, 2026.

Line of Credit

In October 2024, legislation enacted under Act 8701 by the Virgin Islands Legislature authorized an increase in the Territory's line of credit with a local bank from $100.0 million to $150.0 million. The revised credit facility allocates $100.0 million for disaster-related projects and $50.0 million for vendor payments, retroactive wage obligations, and other critical needs of the Territory. As of May 2026, $436,000 remained available for disaster-related projects and $40.1 million for other designated purposes.

Series 2025A Tax Increment Revenue and Refunding Bonds

In April 2025, PFA issued the Virgin Islands Public Finance Authority Tax Increment Revenue and Refunding Loan Note (Virgin Islands Tax Increment Revenue Loan Note – Island Crossings Shopping Center) Series 2025A Bond in the amount of $3.5 million.

The Series 2025A Bond was issued as a private placement bond with FirstBank Puerto Rico to defease the Series 2019A TIF Revenue and Refunding Bonds and the Series 2019A TIF Project Developer Note. The Series 2025A Loan Note is a special limited obligation and the Government has pledged incremental gross receipts tax revenues from the Island Crossings shopping complex on St. Croix collected by the Government. The Series 2025A Bond is payable in fifty-five (55) installments of principal and interest with a fixed interest rate of 6.875% per annum.

(d) Virgin Islands Transportation & Infrastructure Corporation (VITIC)

In November 2024, the Legislature of the Virgin Islands enacted Act No. 8949, the Federal Highway Grant Anticipation Bond Act, authorizing the establishment of the Virgin Islands Transportation & Infrastructure Corporation (VITIC), an independent instrumentality of the Government, and special purpose subsidiary of PFA.

On June 5, 2025, VITIC issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note) Series 2025 in the amount of $150.2 million. The Series 2025 Bonds were issued to: (i) finance approved projects, (ii) refund the outstanding Federal-Aid Highway Series 2015 Bonds, (iii) fund debt service reserves and (iv) pay the costs of issuing the bonds. Bond proceeds will be loaned to the Government.

The Bonds are special limited obligations payable solely from the Federal Highway Grant Revenues and received a bond rating of A (stable outlook) from S&P Global Ratings. Interest on the bonds is 5.0%, payable semiannually on March 1, and September 1, commencing September 1, 2025. The Bonds are subject to an annual redemption schedule prior to maturity with a final maturity date of September 1, 2044.

(e) Virgin Islands Hotel Development Financing Corporation (VIHDFC)

In November 2025, the Legislature of the Virgin Islands enacted Act. No. 9063, the Virgin Islands Hotel Development Financing Corporation Act, authorizing the establishment of the Virgin Islands Hotel Development Financing Corporation (VIHDFC), an independent instrumentality of the Government, and special purpose subsidiary of the Virgin Islands Public Finance Authority. VIHDFC was established to oversee the development, operation and financing of hotels in the U.S. Virgin Islands and to issue bonds, notes, or other obligations as a conduit issuer on behalf of a nonprofit organization as described in section 501(c)(3) of the Internal Revenue Code. Bonds issued by the VIHDFC do not constitute a general obligation of the PG.

In December 2025, the VIHDFC issued the Hotel Revenue Bonds (Frenchman's Reef Hotel Acquisition Project) Senior Lien Series 2025A-1 in the amount of $272.3 million, and the Federally Taxable Senior Lien Series 2025A-2 Bonds in the amount of $10.0 million. The Series 2025A-1 and A-2 bonds were issued to: (i) finance the costs of acquiring ownership interests in the Westin St. Thomas Beach Resort & Spa and the Buoy Haus Beach Resort St. Thomas, Autograph Collection, located on the island of St. Thomas; (ii) fund certain reserves and other required amounts, (iii) fund capitalized interest accounts, and (iv) pay certain costs of issuing the bonds. The Series 2025A-1 Bonds mature from February 1, 2033 to December 1, 2055 with interest rates that vary from 4.5% to 6.0%. The Series 2025A-2 bonds mature February 1, 2034 with an interest rate of 8.875%.

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2024, the statement of net position date, and through June 30, 2026, the date the financial statements were available to be issued and noted that there have been no additional events or transactions that would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2024.

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

	Primary Government						
Measurement year ending September 30,	**2024**	2023*	2022	2021	2020	2019	2018
Total OPEB Liability:							
Service cost	**$ 22,459**	$ 31,673	$ 39,683	$ 25,885	$ 25,358	$ 26,147	$ 28,216
Interest	**31,721**	23,329	21,723	28,508	28,548	26,623	23,904
Changes in benefit terms	**4,573**	-	39,411	-	-	-	-
Difference between expected/actual experience	**12,184**	-	(55,020)	-	(27,043)	-	-
Changes in assumptions or other inputs	**(6,918)**	(180,853)	(57,976)	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	**(36,263)**	(35,721)	(33,994)	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	**27,756**	(161,572)	(46,173)	205,545	12,249	(8,866)	(29,582)
Total OPEB Liability – Beginning of Year	**784,556**	946,128	992,301	786,756	774,507	783,373	812,955
Total OPEB Liability – End of Year	**$ 812,312**	$ 784,556	$ 946,128	$ 992,301	$ 786,756	$ 774,507	$ 783,373
Covered-Employee Payroll	**$ 398,823**	$ 383,469	$ 380,466	$ 364,038	$ 350,528	$ 350,409	$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	**203.68%**	204.59%	248.68%	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.

**Also see accompanying Note 18 to the Basic Financial Statements.*

Government of the United States Virgin Islands

Schedule of Changes in Total OPEB Liability and Related Ratios

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%
2022	4.02%
2023	4.09%

4. The base mortality tables were upgraded to the Pub-2010 Table Below-Median Amount with generational projection using Scale MP-2021.

5. Based on plan experience, 85.0% of future retirees were assumed to elect post-employment medical and dental coverage.

Government of the United States Virgin Islands

Schedule of Net Pension Liability (NPL)

September 30, (in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the NPL	**75.0200%**	76.4124%	77.2500%	78.3800%	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	**$ 2,964,893**	$3,125,580	$4,091,016	$4,527,445	$4,194,852	$3,246,786	$3,354,768	$3,535,517	$ 3,065,617	$2,323,163
Primary Government's covered-employee payroll	**$ 345,914**	$ 334,650	$ 336,625	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091	$ 267,698
Primary Government's proportionate share of the NPL as a percentage of its covered payroll	**857%**	934%	1,215%	1,393%	1,350%	1,047%	1,092%	1,175%	1,106%	868%
Plan fiduciary net position as a percentage of the total pension liability	**10.33%**	8.91%	8.23%	9.16%	11.32%	15.56%	16.18%	16.54%	19.58%	27.26%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

Notes to Schedule:

(1) *Changes of benefit terms:*
In the year ended September 30, 2016, there were changes to the eligibility and benefit amounts for Tier 2 Regular and Public Safety Employees for service and early pensions reflected in this valuation.

(2) *Change of Assumptions:*

- Year Ended September 30, 2015: Discount rate decreased from 4.87% to 4.42%
- Year Ended September 30, 2016: Discount rate decreased from 4.42% to 3.84%
- Year Ended September 30, 2017: Discount rate decreased from 3.84% to 3.20%
- Year Ended September 30, 2018: Discount rate increased from 3.20% to 3.74%
- Year Ended September 30, 2019: Discount rate increased from 3.74% to 4.25%
- Year Ended September 30, 2020: Discount rate decreased from 4.25% to 2.67%
- Year Ended September 30, 2021: Discount rate decreased from 2.67% to 2.23%
- Year Ended September 30, 2022: Discount rate increased from 2.23% to 2.52%
- Year Ended September 30, 2023: Discount rate increased from 2.52% to 4.77%
- Year Ended September 30, 2024: Discount rate increased from 4.77% to 4.87%

Government of the United States Virgin Islands

Schedule of Pension Contributions

September 30 (in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Primary Government	**$ 228,262**	$ 238,367	$ 279,469	$ 292,944	$ 289,507	$ 215,937	$ 205,052	$ 191,481	$ 186,089	$ 150,628
Contributions in relation to the statutorily required contributions	**$ 203,880**	$ 236,821	$ 163,960	$ 74,817	$ 72,301	$ 84,005	$ 77,840	$ 61,759	$ 68,291	$ 64,357
Contribution deficiency	**$ 24,382**	$ 1,546	$ 115,509	$ 218,127	$ 217,206	$ 131,932	$ 127,212	$ 129,722	$ 117,798	$ 86,271
Primary Government covered payroll	**$ 341,373**	$ 345,914	$ 334,650	$ 336,625	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091
Contributions as a percentage of covered payroll	**59.72%**	68.46%	48.99%	22.23%	22.25%	27.03%	25.11%	20.11%	22.69%	23.23%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.

Methods and Assumptions Used

Valuation date: Actuarially determined contributions are calculated as of October 1, 2023.

Contribution rates:

Actuarial cost method: Entry Age Normal Cost Method determined as a percentage of salary

Amortization method: Level dollar, closed group

Amortization period: 20 years open amortization

Asset valuation method: Market value

Inflation: 2.5%

Salary increases: 5.0% per year

Investment rate of return: 4.87% net of pension plan investment expense, including inflation

Mortality: Healthy annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

Disabled annuitant: Pub-2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table with generational projection using Scale MP-2021.

Contingent survivors: Pub-2010 General Below-Median Amount-Weighted Contingent Survivor Annuitant Mortality Table with generational projection using Scale MP-2021.

Government of the United States Virgin Islands

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

(in thousands)

Year Ended September 30, 2024	Original Budget	Revised Budget	Actual	Variance
Revenues				
Taxes	$ 943,097	$ 943,097	$ 841,599	$ (101,498)
Payment in lieu of taxes	11,000	11,000	16,507	5,507
Federal grants and contributions	3,630	3,630	9,216	5,586
Charges for services	19,928	19,928	16,183	(3,745)
Interest and other	13,777	13,777	172,469	158,692
Total revenues	991,432	991,432	1,055,974	64,542
Expenditures				
Current:				
General government	411,646	461,641	513,972	(52,331)
Public safety	75,433	78,793	80,575	(1,782)
Health, public housing and welfare	97,155	108,400	107,499	901
Education	175,378	182,321	187,373	(5,052)
Transportation and communication	32,301	32,381	23,594	8,787
Culture and recreation	10,074	16,255	7,718	8,537
Total expenditures	801,987	879,791	920,731	(40,940)
Excess of revenues over expenditures	189,445	111,641	135,243	23,602
Other financing sources (uses)				
Transfers from other funds	46,700	46,700	55,903	9,203
Transfer to other funds	(39,116)	(39,116)	(51,848)	(12,732)
Transfers to component units	(153,996)	(153,996)	(161,152)	(7,156)
Total other financing sources, net	(146,412)	(146,412)	(157,097)	(10,685)
Excess (deficiency) of revenues and net other financing sources over expenditures	$ 43,033	$ (34,771)	$ (21,854)	$ 12,917

See accompanying notes to the Schedule.

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

1. Budgetary Process and Control

The V.I. Code requires the Governor to submit an annual balanced executive budget to be adopted by the Legislature for the ensuing fiscal year. The Governor is required by law to submit to the Legislature the annual balanced executive budget no later than May 30. The annual balanced executive budget is prepared on a budgetary basis. If the annual executive budget has not been approved before the commencement of any fiscal year, then the appropriations for the preceding fiscal year, insofar as they may be applicable, are automatically deemed re-appropriated item by item. The annual balanced executive budget, which includes those funds of the Government subject to appropriation pursuant to law, is composed of all proposed expenditures and estimated revenue for the Government. The Legislature enacts the annual executive budget through passage of lump-sum appropriations for each department. The Legislature may add, change, or delete any items in the annual executive budget proposed by the Governor. Upon passage by the Legislature, the annual executive budget is submitted to the Governor, who may veto the budget partially or in its entirety and return it to the Legislature with his objections. A veto by the Governor can be overridden only by a two-thirds majority of all members of the Legislature. The Legislature is obligated by law to pass a final annual executive budget no later than September 30, the last day of the fiscal year. Supplemental budgetary appropriations bills that are signed into law may be created during the year without the identification of a specific revenue source to finance them. In August 1999, the Legislature enacted the Financial Accountability Act (Act No. 6289). The purpose of the Financial Accountability Act is to require by law that the budget of the Government be balanced each year, and the appropriations in each fiscal year not exceed a verifiable revenue source.

Once the budget has been enacted, fiscal control over expenditures made pursuant thereto is exercised by the Governor through the Director of OMB. During any fiscal year in which the resources available to the Government are not sufficient to cover the appropriations approved for such year, the Governor, through the Director of OMB, may take administrative measures to reduce expenditures. The Governor may also make recommendations to the Legislature for new taxes or any other necessary action to meet the estimated deficiency.

Budgetary control is exercised at the department level through an allotment process. Encumbrances and expenditures cannot exceed total allotment amounts. The Government's department heads may make transfers of appropriations within the department. Appropriation transfers between departments and supplemental appropriations require executive and legislative branch approval. Unencumbered and unexpended appropriations, not designated, lapse at fiscal year-end. Also, encumbrances are established at fiscal year-end to pay certain expenditures for travel and utility costs payable against current year appropriation authority, but to be expended in the subsequent year.

2. Budget/GAAP Reconciliation

The following schedule presents a comparison of the general fund legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of timing and entity difference of the excess (deficiency) of revenue and net other financing sources over expenditures for the year ended September 30, 2024, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$	12,917
Entity difference – deficiency of revenues and net other financing sources over expenditures – activities with budgets not legally adopted		(404,817)
Deficiency of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$	(391,900)

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, 2024

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, 2024

Government of the United States Virgin Islands

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Governor
of the Government of the United States Virgin Islands

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated June 30, 2026. We expressed the following opinions on the financial statements opinion units based on the circumstances noted in our aforementioned report.

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

Our report includes reference to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Public Broadcasting System (VIPBS), and Government Employees' Retirement System of the of the U.S. Virgin Islands (GERS), as described in our report on the Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We audited the financial statements of the Virgin Islands Public Finance Authority (PFA); The West Indian Company Limited (WICO); viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN); Tobacco Settlement Financing Corporation (TSFC); Kings Alley Management, Inc. (KAMI); Lonesome Dove Petroleum Co. (LDPC); and Matching Fund Special Purpose Securitization Corporation (MFSPSC).

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This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for PFA, WICO, viNGN, TSFC, KAMI, LDPC, and MFSPSC which are reported on separately by us.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Government's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in greater detail in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2024-001	Year-End Close Process and Financial Deficit
2024-002	Revenue and Receivables
2024-003	Grants Management
2024-004	Capital Assets and Related Expenditures
2024-005	Recording of Liabilities
2024-006	Management of the Medicaid Program
2024-007	Unemployment Insurance Trust Fund
2024-008	Workers Compensation Program
2024-009	Payroll, Related Accruals, and Other Expenditures
2024-010	Bank Accounts
2024-011	Other Postemployment Benefits Obligation
2024-012	Accounting Standards Implementation
2024-013	Irregularities Related to Procurement Activities
2024-014	Procurement Regulations

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding #	Nature of Finding
2024-015	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 audit disclosed an instance of suspected fraud that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-013. Our opinion is not modified with respect to this matter. The results of our tests also disclosed other 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
2024-016	Noncompliance with Laws and Regulations

Government of the United States Virgin Islands' Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

June 30, 2026

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

To the Honorable Governor
of the Government of the United States Virgin Islands

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified of 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, 2024. 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**
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
Supplemental Nutrition Assistance Program Cluster (SNAP)	10.551, 10.561	Qualified
WIC Grants to States – Infrastructure Disaster Relief	10.578	Qualified
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Adverse
Fish and Wildlife Cluster	15.605, 15.611	Qualified
Economic, Social, and Political Development of the Territories	15.875	Qualified
Emergency Supplemental Historic Preservation Fund	15.957	Adverse
Unemployment Insurance	17.225	Adverse
Federal Transit Cluster	20.507	Unmodified
COVID-19 - Emergency Rental Assistance Program	21.023	Unmodified
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Adverse
Construction Grants for Wastewater Treatment Works	66.418	Adverse
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Qualified
Special Education Cluster (IDEA)	84.027A, 84.027X	Qualified
Consolidated Grant to the Outlying Areas	84.403A	Qualified
COVID-19 - Education Stabilization Fund	84.425A, 84.425H, 84.425X	Qualified
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Qualified
Head Start Cluster	93.356, 93.600	Qualified
Child Care Development Block Grant (CCDF) Cluster	93.575	Adverse
Social Services Block Grant	93.667	Qualified
Children's Health Insurance Program (CHIP)	93.767	Adverse
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified

Adverse Opinions on Eight 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, 2024.

Qualified Opinions on Twelve 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, 2024.

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, 2024.

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 Eight 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	2024-025

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	2024-026
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2024-027
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2024-028
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Eligibility	2024-039
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Procurement and Suspension and Debarment	2024-040
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Subrecipient Monitoring	2024-042
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Special Tests and Provisions – Wage Rate Requirements	2024-043
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2024-044
Labor	17.225	Unemployment Insurance	Eligibility	2024-045
Labor	17.225	Unemployment Insurance	Reporting	2024-046
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	2024-047
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2024-050
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Cash Management	2024-055

Table II - Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Reporting	2024-056
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Subrecipient Monitoring	2024-057
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	2024-090
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2024-095
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions – Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Eligibility	2024-095
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid Fraud Control Unit	2024-097
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2024-098
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2024-099
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2024-101

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 Twelve Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, and as identified in Table III below, the Government did not comply with requirements regarding the following:

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2024-019
Agriculture	10.578	WIC Grants to States – Infrastructure Disaster Relief	Procurement and Suspension and Debarment	2024-022
Agriculture	10.578	WIC Grants to States – Infrastructure Disaster Relief	Reporting	2024-023
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2024-030
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2024-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2024-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2024-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2024-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2024-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2024-037
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Cash Management	2024-038
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2024-051
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Cash Management	2024-059

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Payroll Activities	2024-062
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Indirect Cost	2024-063
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2024-064
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2024-065
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Period of Performance	2024-066
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Procurement and Suspension and Debarment	2024-067
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles – Payroll Activities	2024-068
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles – Indirect Cost	2024-069
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2024-070
Education	84.403A	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment	2024-071
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2024-072
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles – Payroll Activities	2024-073
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles – Indirect Cost	2024-074
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Equipment and Real Property Management	2024-075
Education	84.425H	COVID - 19 - Education Stabilization Fund	Reporting	2024-076
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions – Wage Rate Requirements	2024-077

Table III - Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Allowable Costs/Cost Principles – Payroll Activities	2024-078
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2024-079
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2024-081
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2024-085
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2024-086
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Reporting	2024-087
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Health and Safety Requirements	2024-088
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Fraud Detection and Repayment	2024-089
Health and Human Services	93.667	Social Services Block Grant	Reporting	2024-093
Health and Human Services	93.775, 93.778	Medicaid Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2024-094
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2024-103

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 Table IV below. Our opinion on each major Federal program is not modified with respect to these matters.

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles – Payroll Activities/ Period of Performance	2024-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2024-020
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	2024-029
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment	2024-033
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Reporting	2024-041
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment	2024-048
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles – Non-Payroll Activities	2024-053
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles – Payroll Activities	2024-054
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Allowable Costs/Cost Principles – Payroll Activities	2024-058
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Period of Performance	2024-060

Table IV - Other Instances of Noncompliance Noted in Programs with Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Non-Payroll Activities	2024-061
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2024-082
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities	2024-083
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions - Program Governance	2024-084
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2024-092
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2024-096
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2024-102

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 items 2024-033 and 2024-048. 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, and as identified in Table V below, to be material weaknesses.

Table V - Material Weaknesses in Internal Control Over Compliance

Federal Awarding Agency	Assistance Listing Number(s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash Management	2024-017
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2024-019
Agriculture	10.578	WIC Grants to States – Infrastructure Disaster Relief	Cash Management	2024-021
Agriculture	10.578	WIC Grants to States – Infrastructure Disaster Relief	Procurement and Suspension and Debarment	2024-022
Agriculture	10.578	WIC Grants to States – Infrastructure Disaster Relief	Reporting	2024-023
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles – Payroll Activities	2024-025

Table V - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Cash Management and Reporting	2024-026
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Matching, Level of Effort, Earmarking	2024-027
Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Period of Performance	2024-028
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2024-030
Interior	15.605, 15.611	Fish and Wildlife Cluster	Equipment and Real Property Management	2024-031
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2024-032
Interior	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment	2024-033
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2024-034
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2024-035
Interior	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment	2024-036
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2024-037
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Cash Management	2024-038

Table V - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Eligibility	2024-039
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Procurement and Suspension and Debarment	2024-040
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Reporting	2024-041
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Subrecipient Monitoring	2024-042
Interior	15.957	Emergency Supplemental Historic Preservation Fund	Special Tests and Provisions – Wage Rate Requirements	2024-043
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2024-044
Labor	17.225	Unemployment Insurance	Eligibility	2024-045
Labor	17.225	Unemployment Insurance	Reporting	2024-046
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	2024-047
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment	2024-048
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2024-050
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Reporting	2024-051

Table V - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2024-052
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Cash Management	2024-055
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Reporting	2024-056
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Subrecipient Monitoring	2024-057
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Cash Management	2024-059
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Non-Payroll Activities	2024-061
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Payroll Activities	2024-062
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles – Indirect Cost	2024-063
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Equipment and Real Property Management	2024-064
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2024-065
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Period of Performance	2024-066
Education	84.027A, 84.027X	Special Education Cluster (IDEA)	Procurement and Suspension and Debarment	2024-067
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles – Payroll Activities	2024-068
Education	84.403A	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles – Indirect Cost	2024-069

Table V - Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2024-070
Education	84.403A	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment	2024-071
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2024-072
Education	84.425A, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles – Payroll Activities	2024-073
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Allowable Costs/Cost Principles – Indirect Cost	2024-074
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Equipment and Real Property Management	2024-075
Education	84.425H	COVID - 19 - Education Stabilization Fund	Reporting	2024-076
Education	84.425A, 84.425H, 84.425X	COVID - 19 - Education Stabilization Fund	Special Tests and Provisions – Wage Rate Requirements	2024-077
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Allowable Costs/Cost Principles – Payroll Activities	2024-078
Health and Human Services	93.323	Epidemiology and Laboratory Capacity for Infectious Disease	Equipment and Real Property Management	2024-079
Health and Human Services	93.356, 93.600	Head Start Cluster	Equipment and Real Property Management	2024-081
Health and Human Services	93.356, 93.600	Head Start Cluster	Reporting	2024-082
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions – Protection of Federal Interest in Real Property and Facilities	2024-083
Health and Human Services	93.356, 93.600	Head Start Cluster	Special Tests and Provisions – Program Governance	2024-084

Table V - 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	Child Care Development Block Grant (CCDF) Cluster	Eligibility	2024-085
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Matching, Level of Effort, Earmarking	2024-086
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Reporting	2024-087
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Health and Safety Requirements	2024-088
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Fraud Detection and Repayment	2024-089
Health and Human Services	93.575	Child Care Development Block Grant (CCDF) Cluster	Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	2024-090
Health and Human Services	93.667	Social Services Block Grant	Reporting	2024-093
Health and Human Services	93.767	Children's Health Insurance Program	Eligibility	2024-095
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2024-096
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions – Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2024-094

Table V - 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	Eligibility	2024-095
Health and Human Services	93.775, 93.778	Medicaid Cluster	Reporting	2024-096
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid Fraud Control Unit	2024-097
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	2024-098
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2024-099
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2024-100
Health and Human Services	93.775, 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2024-101
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2024-102
Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2024-103

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 VI below, to be significant deficiencies:

Table VI - Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	**Assistance Listing Number(s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles – Payroll Activities/ Period of Performance	2024-018
Agriculture	10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Period of Performance	2024-020
Interior	15.605, 15.611	Fish and Wildlife Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	2024-029
Treasury	21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2024-049
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles – Non-Payroll Activities	2024-053
Environmental Protection Agency	66.418	Construction Grants for Wastewater Treatment Works	Allowable Costs/Cost Principles – Payroll Activities	2024-054
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Allowable Costs/Cost Principles – Payroll Activities	2024-058
Environmental Protection Agency	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Period of Performance	2024-060
Health and Human Services	93.356, 93.600	Head Start Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	2024-080
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	2024-091
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2024-092

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, 2024, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated June 30, 2026, which contained a qualified opinion on the financial statements of the general fund and federal grants fund opinion unit, a disclaimer of opinion on the financial statements of the governmental activities, business-type activities, unemployment insurance-enterprise fund, and aggregate remaining fund information opinion units, and an adverse opinion on the financial statements of the aggregate discretely-presented component units opinion unit based on the circumstances noted in our aforementioned report.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

June 30, 2026

Schedule of Expenditures of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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			$ 66,612
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	$ 126,655	241,001
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525	001561211	72,508	72,508
Child Nutrition - Technology Innovation Grant	10.541			13,376
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551			72,308,337
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,915,837
COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			13,700
Total SNAP Cluster				77,237,874
Child Nutrition Cluster				
National School Lunch Program (NSLP)	10.555			2,561,050
COVID-19 - National School Lunch Program (NSLP)	10.555			148,740
Summer Food Service Program for Children (SFSPC)	10.559			2,589,865
Fresh Fruit and Vegetable Program (FFVP)	10.582			15,319
Total Child Nutrition Cluster				5,314,974
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			4,793,942
Child and Adult Care Food Program (CACFP)	10.558			118,545
State Administrative Expenses for Child Nutrition	10.560			371,828
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568			45,900
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			10,894
Total Food Distribution Cluster				56,794
WIC Grants to States - Infrastructure Disaster Relief	10.578			2,019,006
Child Nutrition Discretionary Grants Limited Availability	10.579			106,781
Urban and Community Forestry Program	10.675	001561211		80,014
Forest Legacy Program	10.676			9,586
Forest Stewardship Program	10.678			66,656
Soil and Water Conservation	10.902			71,201
Total U.S. Department of Agriculture			199,163	90,640,698

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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 Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	1,451,011	1,475,880
Broadband Equity, Access, and Deployment Program	11.035			21,744
Economic Development Cluster				
Economic Adjustment Assistance	11.307			3,000
Interjurisdictional Fisheries Act of 1986	11.407			1,122
Coastal Zone Management Administration Awards	11.419	0169363814	371,579	1,029,807
Cooperative Fishery Statistics	11.434			132,163
Southeast Area Monitoring and Assessment Program	11.435			121,488
COVID-19 - Unallied Management Projects	11.454	0169363814		5,074
Habitat Conservation	11.463	0169363814	82,860	82,860
Meteorologic and Hydrologic Modernization Development	11.467			452,360
Unallied Science Program	11.472	0169363814		65,868
Office for Coastal Management	11.473			2,000
Coral Reef Conservation Program	11.482		184,922	542,893
Total U.S. Department of Commerce			2,090,372	3,936,259
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			3,300,690
U.S. Department of the Interior				
Fish and Wildlife Cluster				
Sport Fish Restoration Program	15.605		9,926	1,264,337
Wildlife Restoration and Basic Hunter Education	15.611		131,058	1,972,125
Total Fish and Wildlife Cluster				3,236,462
Cooperative Endangered Species Conservation Fund	15.615	160342882	20,000	53,729
Sportfishing and Boating Safety Act	15.622	160342882	78,800	95,321
Coastal	15.630			12,479
State Wildlife Grants	15.634		6,954	119,446

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Interior (continued)				
Economic, Social, and Political Development of the Territories	15.875	160342882	279,191	6,024,723
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			393,529
				6,418,252
Historic Preservation Fund Grants-In-Aid	15.904	160342882		382,437
Outdoor Recreation Acquisition, Development and Planning	15.916			6,280
Emergency Supplemental Historic Preservation Fund	15.957	160342882	6,964,757	7,336,833
Total U.S. Department of the Interior			7,490,686	17,661,239
U.S. Department of Justice				
Juvenile Justice and Delinquency Prevention	16.540			16,200
Crime Victim Assistance	16.575	829924047	1,096,316	1,108,481
Crime Victim Compensation	16.576			50,330
Violence Against Women Formula Grants	16.588	829924047	671,130	683,027
Residential Substance Abuse Treatment for State Prisoners	16.593			69,240
State Criminal Alien Assistance Program	16.606			142,162
Project Safe Neighborhoods	16.609		5,919	6,409
Public Safety Partnership and Community Policing Grants	16.710			556,798
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	392,814	853,157
Total U.S. Department of Justice			2,166,179	3,485,804
U.S. Department of Labor				
Labor Force Statistics	17.002			412,741
Compensation and Working Conditions	17.005			31,678
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,113,706
Jobs for Veterans State Grant	17.801			113,201
Total Employment Service Cluster				1,226,907
Unemployment Insurance	17.225			7,308,524
COVID-19 - Unemployment Insurance	17.225			361,709
				7,670,233
Senior Community Service Employment Program	17.235			792,457

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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)				
WIOA Cluster				
WIOA Adult Program	17.258			686,889
WIOA Youth Activities	17.259			982,823
WIOA Dislocated Worker Formula Grants	17.278			1,156,488
Total WIOA Cluster				2,826,200
Work Opportunity Tax Credit Program (WOTC)	17.271			20,051
Temporary Labor Certification for Foreign Workers	17.273			9,999
WIOA Adult, Dislocated Worker and Youth Outlying Areas Consolidated Grants	17.290			87,523
Occupational Safety and Health State Program	17.503			180,401
Total U.S. Department of Labor			-	13,258,190
U.S. Department of Transportation				
Highway Planning and Construction	20.205			25,159,654
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218			162,425
Federal Transit Cluster				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			7,831,893
COVID -19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507			632,462
Total Federal Transit Cluster				8,464,355
Public Transportation Emergency Relief Program	20.527			23,165
Highway Safety Cluster				
State and Community Highway Safety	20.600	147287705		1,748,465
Total U.S. Department of Transportation			-	35,558,064
U.S. Department of the Treasury				
COVID-19 - Emergency Rental Assistance Program	21.023		5,512,187	5,512,187
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		17,962,334	96,163,541
Total U.S. Department of Treasury			23,474,521	101,675,728
National Foundation on the Arts and Humanities				
Promotion of the Arts Partnership Agreements	45.025	135962475	370,280	370,280
Grants to States	45.310			53,372
Total National Foundation on the Arts and Humanities			370,280	423,652

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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				
Multipurpose Grants to States and Tribes	66.204			6,210
Construction Grants for Wastewater Treatment Works	66.418	138919282	4,524,909	6,410,177
Water Quality Management Planning	66.454			450
Regional Wetland Program Development Grants	66.461	138919282	39,641	39,847
Capitalization Grants for Drinking Water State Revolving Fund	66.468	138919282	3,860,135	3,989,465
Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600			14,776
Performance Partnership Grants	66.605	138919282		616,402
Pollution Prevention Grants Program	66.708	138919282	343,562	343,562
Hazardous Waste Management State Program Support	66.801			110,628
State and Tribal Response Program Grants	66.817			276,409
Total U.S. Environmental Protection Agency			8,768,247	11,807,926
U.S. Department of Energy				
State Energy Program	81.041			372,654
Weatherization Assistance for Low-Income Persons	81.042			459,450
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128			4,456
Total U.S. Department of Energy			-	836,560
U.S. Department of Education				
COVID-19 - American Rescue Plan - Adult Education - Basic Grants to States	84.002A			270,413
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027A			8,214,094
COVID-19 - American Rescue Plan - Individuals with Disabilities Education Act	84.027X			201,606
Total Special Education Cluster (IDEA)				8,415,700
State Vocational Rehabilitation Services	84.126A			1,788,301
Independent Living Services for Older Individuals Who are Blind	84.177B			18,486
Special Education - Grants for Infants and Families	84.181			352,430
Special Education - Grants for Infants and Families - Infant & Toddlers/Families (Part C)	84.181A			13,263
				365,693

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

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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)				
Innovative Approaches to Literacy: Promise Neighborhoods	84.215K			55,795
Comprehensive Literacy State Development	84.371C			177,435
Consolidated Grant to the Outlying Areas	84.403A		472,820	16,668,238
Student Support and Academic Enrichment Program	84.424			17,594
Stronger Connection Grant (SCG)	84.424F			65,692
				83,286
COVID-19 - Education Stabilization Fund				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			12,954,094
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H		821,699	4,933,539
COVID-19 - American Rescue Plan - State Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			31,370,759
Total COVID-19 - Education Stabilization Fund				49,258,392
Total U.S. Department of Education			1,294,519	77,101,739
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404			136,968
U.S. Department of Health and Human Services				
Aging Cluster				
COVID-19 - Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, CARES Act for Supportive Services Under Title III-B of the Older Americans Act, and American Rescue Plan for Supportive Services Under Title III-B of the Older Americans Act	93.044			754,572
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			145,014
Total Aging Cluster				899,586

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

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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)				
Public Health Emergency Preparedness	93.069			517,322
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			35,769
Maternal and Child Health Federal Consolidated Programs	93.110			314,213
COVID-19 - Maternal and Child Health Federal Consolidated Programs	93.110			450,980
				765,193
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			98,237
Emergency Medical Services for Children	93.127			182,941
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			124,110
Injury Prevention and Control Research and State and Community Based Programs	93.136			57,465
Projects for Assistance in Transition from Homelessness (PATH)	93.150	001560155		6,500
Grants to States for Loan Repayment	93.165			366,256
Family Planning-Services	93.217			924,359
COVID-19 - Family Planning-Services	93.217			182,396
				1,106,755
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			93,029
Early Hearing Detection and Intervention	93.251			208,832
Immunization Cooperative Agreements	93.268			954,109
COVID-19 - Immunization Cooperative Agreements	93.268			415,061
				1,369,170
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,292,141
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			4,084,148
				5,376,289
Behavioral Risk Factor Surveillance System	93.336			192,329
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			59,148
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			51,539
				110,687

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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)				
Head Start Cluster				
Head Start Disaster Recovery	93.356			12,552,918
Head Start	93.600			8,447,016
COVID-19 - Head Start	93.600			149,790
Total Head Start Cluster				21,149,724
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			343,097
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391			1,019,341
Congressional Directives	93.493			1,897,000
Public Health Training Centers Program	93.516			776,362
Marylee Allen Promoting Safe and Stable Families	93.556			311,578
Temporary Assistance for Needy Families (TANF)	93.558			1,596,625
COVID-19 - Temporary Assistance for Needy Families (TANF)	93.558			(9,000)
				1,587,625
Payments to Territories - Adults	93.560			987,000
Child Support Services	93.563			6,442,850
Low Income Home Energy Assistance Program (LIHEA)	93.568			85,688
COVID-19 - Consolidated Appropriations Act Low Income Home Energy Assistance (LIHEA)	93.568			105,225
				190,913
Child Care Development Block Grant (CCDF) Cluster				
Child Care and Development Block Grant	93.575			2,124,710
COVID-19 - Child Care and Development Block Grant	93.575			10,171,402
Total CCDF Cluster				12,296,112

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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)				
State Court Improvement Program	93.586			107,031
Community-Based Child Abuse Prevention Grant	93.590			57,320
Grants to States for Access and Visitation Programs	93.597			99,821
Stephanie Tubbs Jones Child Welfare Services Program	93.645			35,672
Social Services Block Grant	93.667			6,884,763
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671			151,413
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674			5,256
COVID-19 - Elder Abuse Prevention Interventions Program	93.747			2,995
Children's Health Insurance Program (CHIP)	93.767			6,141,108
Medicare Prescription Drug Coverage	93.770			508,677
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775			423,105
Medical Assistance Program (Medicaid; Title XIX)	93.778			137,737,988
Total Medicaid Cluster				138,161,093
Opioid STR	93.788			(1,819)
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			958,770
COVID-19 - Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870			144,485
				1,103,255
National Bioterrorism Hospital Preparedness Program	93.889			330,909
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			668,742
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917			583,461
HIV Prevention Activities-Health Department Based	93.940			923,416
Block Grants for Community Mental Health Services	93.958			361,135
COVID-19 - Block Grants for Community Mental Health Services	93.958			81,397
				442,532
Block Grants for Substance Use Prevention, Treatment, and Recovery Services	93.959			516,799
COVID-19 - Block Grants for Substance Use Prevention, Treatment, and Recovery Services	93.959			206,799
				723,598
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967			988,018

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Schedule of Expenditures of Federal Awards

Year ended September 30, 2024

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)				
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			226,089
COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			534,757
				760,846
Preventive Health and Health Services Block Grant	93.991			211,010
Maternal and Child Health Services Block Grant to the States	93.994			1,531,503
Total U.S. Department of Health and Human Services			-	218,932,692
Corporation for National and Community Service				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program (FGP)	94.011			56,173
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	75,707	76,656
Boating Safety Financial Assistance	97.012			454,603
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	194,161,499	378,501,944
Hazard Mitigation Grant Program (HMGP)	97.039	825544042	16,168,684	19,244,792
Emergency Management Performance Grants	97.042			706,985
COVID-19 - Emergency Management Performance Grants	97.042			35,801
				742,786
Homeland Security Grant Program (HSGP)	97.067	825544042	35,895	1,327,859
Earthquake State Assistance	97.082			48,591
Total U.S. Department of Homeland Security			210,441,785	400,397,231
Total Expenditures of Federal Awards			$ 256,295,752	$ 979,209,613

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, 2024, 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 $72,308,337) and the food cost (ALN 10.557 in the amount of $3,252,642) 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 2024, the Government received cash rebates from infant formula manufacturers in the amount of approximately $713,531 on sales of formula to participants in the WIC program (ALN 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs.

8. Unemployment Insurance

The U.S. Department of Labor in consultation with the U.S. Office of Management and Budget officials has determined that for the purpose of audits and reporting under the Uniform Guidance, State or Territory Unemployment Insurance (UI) funds as well as Federal funds should be considered Federal awards for determining Type A programs. A State or Territory receives Federal funds for administrative purposes. State or Territory unemployment taxes must be deposited to a state (territory) account in the Federal Unemployment Trust Fund, used only to pay benefits under the Federally approved state law. State or Territory UI funds as well as Federal funds are included on the Schedule. The following table provides a breakdown of the Territory and Federal portions of the total amount expended under ALN 17.225.

Territory UI Benefits (Trust Fund)	$ 5,159,650
Federal UI Benefits (Administration)	2,510,583
Total	$ 7,670,233

9. Research and Development Programs

The Government may receive and expend Federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2024, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

10. Contingencies

The Government is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the impact of any disallowed grant expenditures would not have a material adverse effect on the Government's financial position, changes in net position, or liquidity. Also see Note 11.

11. Subsequent Events

Hurricane Recovery

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

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions. Through April 2026, federal assistance awarded to the Territory included $22.1 billion in FEMA Public Assistance grants, $77.3 million in Federal Highway grants, $233.1 million in FEMA Hazard Mitigation grants, $1.9 billion in Community Development Block Grants, and $251.0 million in other grants for a total of $24.5 billion dollars.

Global Pandemic and Economic Relief Legislation

Through January 2026, federal grants and assistance received by the PG related to COVID-19 amounted to $729.7 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

Improper Procurement Activities and Irregularities

As the result of an investigation by the United States Department of Justice, three members of the Government's management team were convicted for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2024, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures. These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms. No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

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

Internal control over financial reporting:

• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified?	X Yes	___ None reported
Noncompliance material to financial statements noted?	X Yes	___ No

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified?	X Yes	___ None reported

Type of auditor's report issued on compliance for major federal programs:

Assistance Listing Number(s)	Major Federal Program or Cluster	Opinion
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Qualified
10.578	WIC Grants to States – Infrastructure Disaster Relief	Qualified

Assistance Listing Number(s)	Major Federal Program or Cluster	Opinion
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Adverse
15.605, 15.611	Fish and Wildlife Cluster	Qualified
15.875	Economic, Social, and Political Development of the Territories	Qualified
15.957	Emergency Supplemental Historic Preservation Fund	Adverse
17.225	Unemployment Insurance	Adverse
20.507	Federal Transit Cluster	Unmodified
21.023	COVID-19 - Emergency Rental Assistance Program	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Adverse
66.418	Construction Grants for Wastewater Treatment Works	Adverse
66.468	Capitalization Grants for Drinking Water State Revolving Fund	Qualified
84.027A, 84.027X	Special Education Cluster (IDEA)	Qualified
84.403A	Consolidated Grant to the Outlying Areas	Qualified
84.425A, 84.425H, 84.425X	COVID-19 - Education Stabilization Fund	Qualified
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Qualified
93.356, 93.600	Head Start Cluster	Qualified
93.575	Child Care Development Block Grant (CCDF) Cluster	Adverse
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program (CHIP)	Adverse
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	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)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
10.578	WIC Grants to States – Infrastructure Disaster Relief
12.401	National Guard Military Operations and Maintenance (O&M) Projects
15.605, 15.611	Fish and Wildlife Cluster
15.875	Economic, Social, and Political Development of the Territories
15.957	Emergency Supplemental Historic Preservation Fund

Assistance Listing Number(s)	Major Federal Program or Cluster
17.225	Unemployment Insurance
20.507	Federal Transit Cluster
21.023	COVID-19 - Emergency Rental Assistance Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
66.418	Construction Grants for Wastewater Treatment Works
66.468	Capitalization Grants for Drinking Water State Revolving Fund
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 (ELC)
93.356, 93.600	Head Start Cluster
93.575	Child Care Development Block Grant (CCDF) Cluster
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program (CHIP)
93.775, 93.778	Medicaid Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish.
between Type A and Type B programs: $3,000,000

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

Section II - Financial Statement Findings

Finding 2024-001: Year-End Close Process and Financial Deficit

A. Timeliness and Methodology of Close Process

Criteria - Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Condition - We observed a significant delay in the year-end closing process and the preparation of the Government's year-end financial statements. In numerous instances, account reconciliations were not finalized until the audit process was already in progress, resulting in a substantial lag after the Government's fiscal year-end. As a result, detailed schedules supporting general ledger accounts did not consistently agree to the corresponding general ledger balances.

During the audit, significant post-closing adjustments were identified and provided by management. We also noted these post-closing adjustments were not recorded in the accounting system; instead, they were maintained in a manual Excel working trial balance.

Additionally, our review of the Government's draft financial statements identified inconsistencies and omissions in note disclosures, as well as classification and presentation issues for certain account balances. Specifically:

- The draft financial statements omitted the required disclosure for refundable advances in the notes.
- Tobacco Settlement Rights receivables and related unearned revenue were improperly presented in the government-wide financial statements instead of the Debt Service Fund, which required an adjustment.
- The effect of blending component units was not appropriately assessed; $4.9 million of federal revenue and expense should have been reversed based on blending results.
- A transaction of $18.4 million was presented as repayments of advances funded through a line of credit, rather than as a transfer between funds, which required an adjustment.

Cause - The adjustments, omissions, and errors found appear to result from internal controls not being performed at an appropriate level of precision to prevent, or detect and correct, financial statements misstatements and limited resources of financial personnel.

Effect or Potential Effect - Delays in the year-end closing process and in the preparation of financial statements increase the risk that errors may remain undetected, thereby compromising the accuracy of financial reporting. When account reconciliations are not completed prior to the audit, stakeholders may be presented with incomplete or inaccurate information, which can adversely affect decision-making. Maintaining post-closing adjustments in a manual Excel file, rather than within the accounting system, increases the risk of errors and diminishes transparency. Inconsistencies and omissions in footnote disclosures may result in misleading financial statements. Collectively, these issues may hinder the Government's ability to comply with applicable accounting standards and may undermine stakeholder confidence in the integrity of its financial statements.

Recommendation - We recommend the Government strengthen and formalize its year-end close and financial reporting processes by implementing documented policies and procedures and by implementing and consistently following a comprehensive year-end closing calendar to ensure the timely completion of all closing activities and the preparation of the financial statements.

These policies and procedures should: (1) establish and monitor a close calendar with clearly defined due dates for account reconciliations, accruals, supporting schedules, and internal review and approval prior to audit fieldwork; (2) require timely reconciliation of all balance sheet accounts, including documented supervisory review, and ensure supporting schedules agree to the general ledger before drafting the financial statements; (3) strengthen the reconciliation review process to include tests of mechanical accuracy and tracing reconciling items to relevant source documentation, including confirmation with departments independent of Accounting, and require unreconciled differences to be identified, investigated, and resolved timely with necessary journal entries recorded to prevent recurrence; (4) record all material post-closing adjustments promptly in the accounting system, rather than maintaining adjustments solely in a manual Excel working trial balance, and retain appropriate approvals and audit trail documentation to enhance accuracy, transparency, and auditability; and (5) provide targeted training to accounting and financial reporting personnel on generally accepted accounting principles (GAAP)/Governmental Accounting Standard Board (GASB) financial reporting and classification requirements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. The Government does not expect this finding to be resolved immediately; however, by addressing challenges across various areas of fiscal management on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training, we believe significant improvements will be evident by fiscal year 2026. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Component Units Reporting

Criteria - GAAP requires that component units be included in the Government's financial statements, either as blended or discretely presented entities, with appropriate disclosures in the footnotes. GAAP also emphasizes the need for consistent classification and reporting of component units, and mandates that all significant disclosures related to component units be incorporated within the Government's financial statements.

Condition - As of September 30, 2024, several of the Government's components did not have audited financial statements nor reported their 2024 financial transactions in the financial statements. These include Virgin Islands Port Authority, Virgin Islands Water and Power Authority, Virgin Islands Economic Development Authority, University of the Virgin Islands, Virgin Islands Waste Management Authority, Governor Juan F. Luis Hospital and Medical Center, Magens Bay Authority, Virgin Islands Housing Finance Authority, Schneider Regional Medical Center, Virgin Islands Waste Management Authority, and Virgin Islands Research and Technology Park Corporation.

Our review of the Government's draft financial statements identified inconsistencies and omissions in component unit transactions and disclosures, as well as inconsistencies in the classification and reporting of component units' account balances between the current and prior years. We noted one of the component units should have been classified as major rather than non-major in accordance with GASB guidance. We also noted that the schedule of due to and due from component units did not reconcile with the amounts presented in the financial statements.

In addition, the Government recorded $67.3 million as revenue related to repayments of advances funded through the Series 2023 Line of Credit. Based on our review, these amounts appear to be reimbursements from several component units for payments the Government made to provide cash flow support and ease operational cash flow constraints at the component unit level. We were unable to obtain sufficient appropriate audit evidence regarding the nature of these transactions, including whether they meet the criteria for revenue recognition or should be reported as transfers, nor were we able to determine the accuracy and completeness of the amounts recorded.

Cause - The lack of audited financial statements for several component units is primarily attributable to delays in completing their audits. The inconsistencies and omissions in component unit disclosures and in the classification and reporting of component unit account balances, resulted from inadequate oversight and coordination of the financial reporting process, limited financial reporting resources, and inconsistent adherence to established accounting policies.

Effect or Potential Effect - The absence of audited financial statements for several component units, together with the inconsistencies and omissions in related disclosures and reporting, may result in the Government's financial statements not presenting an accurate or complete picture of its financial position and operations. These deficiencies may impair the reliability and transparency of financial information provided to stakeholders (including oversight bodies, investors, and the public), increase the risk of material misstatements, hinder informed decision-making, and potentially result in noncompliance with GAAP and other applicable requirements.

Recommendation - We recommend the Government take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report.

In addition, the Government should strengthen its oversight and coordination of the financial reporting process by establishing and enforcing clear policies and procedures for the classification, reporting, and disclosure of component unit information. The Government should also implement regular communication and targeted training with component unit personnel to promote GAAP compliance and to ensure the consistency and completeness of financial statement preparation and related footnote disclosures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Deficits in Unrestricted Net Position

Criteria - A sound financial position is essential for the effective day-to-day operations of the Government. In accordance with GAAP requirements, unrestricted net position should be sufficient to meet operational needs and provide a cushion for unforeseen expenditures.

Condition - Our review of the Government's financial position indicates it continues to experience significant financial challenges. The deficit in unrestricted net position is primarily attributable to recurring operating losses, substantial debt service requirements, unfunded pension and other postemployment benefits (OPEB), significant capital assets impairment related to prior-year hurricanes, and reduced tax revenues associated with broader economic challenges following the coronavirus (COVID-19) pandemic. Collectively, these factors have materially and adversely affected the Government's financial stability.

Cause - The Government continues to face significant financial challenges resulting from long-term structural deficits, increased debt service obligations, limited access to external financing, difficulties in implementing cost-saving measures, and inefficiencies in financial management practices. These factors have substantially impeded the Government's ability to stabilize its financial position and effectively address ongoing fiscal constraints.

Effect or Potential Effect - In recent years, the Government has incurred substantial operating losses, contributing to a continuing deficit in unrestricted net position. This condition has resulted in the inclusion of an emphasis-of-matter paragraph in the audit opinion. Addressing these conditions is critical for the Government to meet obligations related to debt service, pension and OPEB liabilities, and employer premium contribution requirements, and to maintain access to future bond markets. If negative results continue, the Government's overall financial position and cash flows may be further adversely affected.

Recommendation - Management has initiated actions intended to stabilize and improve the Government's financial position through a multi-faceted plan that includes legislative measures to enhance revenue, cost-reduction initiatives, and proposed increases in employee pension contributions.

We further recommend that management continue to develop and implement a comprehensive financial recovery plan to address its continuing financial challenges and improve its overall financial stability. This plan should include strategies to reduce recurring operating losses, strengthen budgetary controls, monitor and manage debt service obligations, evaluate long-term funding approaches for pension and OPEB liabilities, and identify opportunities to restore revenues and control expenditures. Management should also perform regular assessments of financial condition and cash flow projections to support timely corrective action and improve the Government's ability to maintain fiscal sustainability.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The OMB Director, in collaboration with the DOF Commissioner and approved by the Governor, will continue to submit budgets with conservative projections, work closely on federal drawdowns to replenish government funding, and pursue austerity measures and other mechanisms to stay within the annual budget. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Government Insurance Fund

Criteria - The Government Insurance Fund should maintain sufficient employer premium contributions to cover claims and operational costs, thereby ensuring the Fund's financial stability. Timely and accurate actuarial reports should be prepared and reviewed annually to assess the Fund's financial position.

Condition - We noted financial strain from claims due to a mismatch between the employer premium contributions and claim costs within the Government Insurance Fund. It appears that losses since the 2008 financial crisis have exceeded the premiums collected, in addition to the operational costs associated with administering the workers' compensation portion of the Fund.

Cause - For several years, the Government has experienced sustained claims costs that exceeded premium revenues and other funding sources. Management did not adjust premium base rates sufficiently to cover claims liabilities, resulting in continued use of fund balance and accumulation of a deficit in the Government Insurance Fund. In addition, delays in obtaining and implementing actuarial recommendations have contributed to the underfunding of the liability.

Effect or Potential Effect - As a result, the Government Insurance Fund may not have sufficient resources to meet future workers' compensation obligations as they become due. This underfunding could increase reliance on general government resources to cover benefit payments, potentially delay claim settlements, and heighten fiscal pressure on the Government's overall financial position.

Recommendation - To support continued solvency, we recommend that management evaluate claims adjudication and related processes to identify opportunities to reduce costs, as an alternative to increasing potentially mandated employer contribution formulas. Management should also consider engaging an advisor to evaluate alternatives that could reduce the frequency and severity of losses.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Journal Entries

Criteria - Implementing role-based access controls for recording of journal entries play a crucial role in ensuring the accuracy of accounting data and information included in various interim financial statements and/or reports.

Condition - We noted that several individuals have access rights to create, approve, and post journal entries. In addition, during our review of journal entries, we selected thirteen (13) journal entries and found all were created and posted by the same user, with no evidence of review by other authorized personnel.

Cause - The lack of segregation of duties and insufficient oversight in the journal entry process may have resulted from inadequate access control policies and a lack of formalized procedures for review and approval.

Effect or Potential Effect - Errors or fraudulent entries may be recorded in the financial records.

Recommendation - We recommend that management enhance access controls to ensure segregation of duties in the journal entry process. In addition, management should establish a formal review and approval procedure, including documented evidence of oversight by the Department of Finance, to support the integrity and accuracy of the financial records.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-002: 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 that the Government does not reconcile its subsidiary registers with its tax receivable general ledger account balances.

Cause - The Government does not appear to adhere to established written policies and procedures regarding the proper reconciliation and reporting of revenue and receivables.

Effect or Potential Effect - This condition could result in improper recording of revenue and receivables and may lead to a misstatement in financial statements.

Recommendation - To prevent the need for major adjustments to the impacted tax receivable and revenue accounts at the end of each year, we recommend that the general ledger accounts be reconciled to the detailed records on a quarterly basis. A strong control system over receivables, including an accounting system that maintains agreement between the receivables subsidiary ledger and the general ledger, will help prevent audit adjustments at year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Tax Return Processing Method

Criteria - The Government uses a manual process to batch tax returns by type and tax year before entering them into the VITAX system. Best practices and internal control standards require that all data entered into financial systems be thoroughly reviewed and verified for accuracy and completeness. Manual data entry should be regularly checked and validated, to reduce errors and protect the integrity of financial information.

Condition - We noted that manual tax return data entry is reviewed on a random-sample basis, and the Bureau relies on the system's automated edit checks to identify errors. Although these automated edit checks detect many errors, they do not ensure the complete accuracy of the information entered. Accordingly, reliance primarily on automated edit checks and random-sample reviews does not fully ensure the accuracy and reliability of the data 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. Additionally, error in recording receivables may occur due to insufficient review or weakness in internal controls over receivable process.

Effect or Potential Effect - This condition increases the risk of data omissions, typographical errors, entries posted to incorrect fields, and potential fraudulent data entry. Further, the inclusion of incorrect transactions in receivables may result in an overstatement of assets and negatively affect the accuracy of the financial statements.

Recommendation - We recommend that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen internal controls over data entry and the recording of receivables. In addition, implementing regular reconciliations will help ensure the accuracy of receivable balances.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables. The Government expects to implement adjustments in fiscal year 2026, with the goal of achieving improved results in fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Real Property Tax

Criteria - Management should maintain timely, complete, and accurate real property tax records and related supporting documentation to ensure effective control over real property tax receivables and revenues and to support accurate financial reporting in accordance with applicable governmental accounting standards.

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 five (5) transactions and noted that the interest penalty was calculated incorrectly.
- During our testing of real property tax credits, we selected a sample of ten (10) items and noted that one (1) tax credit was issued without sufficient supporting documentation.

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 matters noted may result in inaccurate tax billings, unsupported tax credits, and incorrect interest calculations, which could cause misstatements in real property tax receivables, revenue, and tax credit balances. These issues may also lead to taxpayer disputes, improper collections or adjustments, revenue loss, and reduced confidence in the Government's tax administration and financial reporting processes.

Recommendation - Management should review the tax roll listing to identify properties owned by the Government and its component units and ensure that appropriate tax credits or exemptions are applied. Management should also implement enhanced controls to ensure that tax billings are issued only to taxable properties. In addition, management should review and correct the penalty interest calculation methodology to ensure that it reflects the appropriate time period. Regular internal reviews and staff training should be conducted to help prevent future discrepancies. Management should strengthen controls over the issuance of real property tax credits by requiring complete and adequate supporting documentation before approval and processing. Management should also implement a formal review process to verify that all tax credits are properly supported, authorized, and accurately recorded.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management will also implement enhanced controls to ensure tax billings are accurately issued only to taxable properties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Allowance for Doubtful Debts

Criteria – Estimates for the allowance for doubtful accounts should be based on complete, accurate, and current accounts receivable aging reports, together with a periodic assessment of recent collection trends and other relevant account-level risk factors.

Condition – The allowance for doubtful accounts continues to be calculated using a formula established several years ago. Management's computation of the allowance places a high degree of reliance on prior years' collection rate. Management did not perform a year-end reassessment to determine whether the historical percentages remained appropriate under current receivable aging, collection patterns, and economic conditions.

Cause – Management has continued to rely on a legacy methodology and has not implemented a formal process to periodically validate and update the allowance model using current aging data, recent collection experience, and other relevant performance indicators.

Effect or Potential Effect – As a result, the allowance may not reflect the current collectability of receivables, and bad-debt expense may not be recognized in the proper period or amount. This may lead to an understatement of the allowance for doubtful accounts and accounts receivable being reported at amounts that exceed their net realizable value, which could also affect management's ability to monitor collections and cash flow.

Recommendation – We recommend that management re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management should also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate. A revised methodology would improve the accuracy of the allowance estimate, better align bad-debt expense with related revenue, and support more effective cash flow management.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management will also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Hotel Development Program

Criteria – The Bureau should design, implement, and maintain effective internal controls to ensure that hotel occupancy taxes and economic recovery fees reported and remitted under the Hotel Development Program are calculated, collected, and recorded in accordance with the applicable Hotel Development Agreements and related statutory requirements.

Condition - The Government had not established and implemented sufficient review controls to verify that amounts reported on hotel tax filings and related remittances were calculated in accordance with the terms of the applicable Hotel Development Agreements, including the use of the proper pledged percentages. Based on our review of one Hotel Development Agreement, we noted that the Bureau was required to collect a 7.5% hotel economic recovery fee from the participating hotel developer; however, the Bureau collected only 6.0%.

Cause - The Government did not have a formal process in place to ensure the correct agreement rates were identified and applied to hotel tax filings and remittances.

Effect or Potential Effect - Amounts due under the Program may be incorrectly calculated, collected, remitted, pledged, or restricted, increasing the risk of noncompliance with the applicable agreements and the risk of financial statement misstatement.

Recommendation – We recommend that the Government establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages. Such controls should include a documented review of the governing agreement terms, verification of the rates applied, and timely reconciliation of the amounts reported on filed calculations and amounts collected to the applicable contractual requirements to help ensure that all amounts due under the Program are accurately assessed and collected.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-003: 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 that significant transactions paid to, or transferred to, various Government departments were erroneously reported as subrecipient transactions.

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

Effect or Potential Effect - Erroneously reporting significant transactions paid to, or transferred to, various Government departments as subrecipient transactions may result in misclassification of expenditures in the financial statements. Further, they may affect the allocation and monitoring of funds, hinder effective oversight, and increase the risk of audit findings and/or questioned costs.

Recommendation - Management should strengthen its review and reporting controls over transactions paid or transferred to Government departments to ensure they are properly evaluated, classified, and reported in accordance with applicable grant and financial reporting requirements. Management should also implement a review process to verify the accuracy of subrecipient classifications before submission of the related reports.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Federal Grants and Contributions

Criteria - The Government receives grant and contract funds from various funding agencies. These situations necessitate a strong accounting system to record specific grant and contract activities. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Condition - Based on our review of the schedule of grants and contracts, we noted that the Government is not monitoring its outstanding federal receivables on a periodic basis. We observed an improvement in record-keeping, as the Government has implemented a process to establish discrete and separate receivable balances on a per grant/project basis; however, key components are lacking, including the following:

- There is no readily verifiable information regarding the aging and collection of prior-year receivables, nor an assessment of the adequacy of the allowance for uncollectible accounts. Specifically, there is no documentation that matches each cash receipt to the related expenses and indicates the period in which the expense was incurred.
- The Government was unable to provide supporting documentation for four (4) of one hundred and seventy-eight (178) sampled transactions related to drawdowns made during fiscal year 2024.
- The Government was unable to provide supporting documentation to substantiate proper revenue recognition for one (1) of fourteen (14) sampled transactions related to federal grant receivables.

Cause - The Government does not appear to have a process in place to adequately monitor federal receivables and does not maintain proper accounting records for financial transactions.

Effect or Potential Effect - This condition makes it difficult to establish and support individual receivable balances and related deferrals for grants and contracts, may obscure items that have been inactive for many years, and can create confusion regarding the true level of activity. Additional time and effort were required during the audit to reconcile balances and locate supporting documentation or alternative evidence. This condition also increases the risk of errors and potential fraudulent transactions.

Recommendation - We recommend that receivables be tracked by each individual Government agency, including the following:

- Maintain a drawdown schedule that identifies the expenses included in each drawdown for each federal program and the period in which the expenses were incurred.
- Attach a copy of each drawdown request, including evidence of required approvals, in the ERP system, along with the corresponding bank statement evidencing receipt of funds from the federal government.
- Include, within the ERP system, a detailed listing of the expenses supporting the amounts drawn down. This detail should include, as applicable, the invoice date, payroll period, and check date.
- Produce and maintain detailed reports and supporting records at defined intervals for review and analysis by management, independent auditors, and oversight bodies. Management should also consider strict adherence to, and/or revision of, its records retention policy.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will track receivables for each agency by maintaining detailed drawdown schedules for federal programs, attaching supporting documentation and approvals in the ERP system, and including a listing of expenses (with invoice date, payroll period, and check date) to support each drawdown. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Accounting for Subaward Reimbursement

Criteria – In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, transactions should be recognized and reported based on their underlying substance and timing of eligibility requirements. Resources received or returned in connection with nonexchange transactions should be evaluated to determine whether they represent current-period inflows, receivables, reductions of prior outflows, or other balance sheet activity.

Condition - The Government received funding under ALN 21.023, *Emergency Rental Assistance Program*, and passed the funds through to the Virgin Islands Housing Finance Authority (VIHFA), a component unit, as a subaward. Based on our review, VIHFA returned approximately $7.5 million to the Government during the year for amounts previously disbursed in excess of the subaward agreement. This repayment represented the recovery of prior-year overpayments and, therefore, did not constitute federal financial assistance. However, the Government recorded the reimbursement as other income rather than as an offset to the prior-year receivable, which had not been recorded.

Cause - This issue appears to have resulted from inadequate monitoring and reconciliation of subaward expenditures against approved grant award amounts, as well as a lack of clear guidance for accounting for reimbursements of prior-year overpayments.

Effect or Potential effect - Overpayments to subawardees indicate noncompliance with federal grant requirements. Because the reimbursement represented a recovery of prior-year overpayments rather than current-year revenue or federal financial assistance, recording the amount as other income may overstate current-year revenue and misstate the nature of the transaction. In addition, prior-year receivable balances or related accounts may not have been properly recognized or adjusted, resulting in an inaccurate presentation of financial position and changes in net position or fund balance.

Recommendation - We recommend that management strengthen subaward monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management should also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will strengthen subrecipient monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management will also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Report Submission

Criteria - 2 CFR 200.512, *Report Submission*, establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition - We noted that the Government did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2024.

Cause - This appears to be the result of a lack of design and implementation of internal controls to ensure compliance with the reporting requirement.

Effect or Potential Effect - Non-compliance can jeopardize the Government's eligibility for current and future federal funding.

Recommendation - We recommend that the Government establish controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will improve audit and grant management processes by establishing a centralized annual reporting calendar, utilizing Amplifund for compliance and automated reminders, developing standardized policies and procedures across all agencies, and providing supplemental resources such as cheat sheets, checklists, and training guides. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-004: Capital Assets and Related Expenditures

A. Record Keeping

Criteria - GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Government*, requires capital asset transactions reporting in the government-wide financial statements. The Government's policies and procedures require the timely reporting of all transactions in the ERP system.

Condition - During our procedures over capital asset additions, we noted the following:

- Forty-six (46) capital expenditure line items, totaling approximately $1.6 million, appeared to meet the criteria for capitalization but had not been recognized as capital asset additions during the year.
- Thirteen (13) invoices related to capital asset accruals, totaling approximately $0.3 million, appeared to meet the criteria for capitalization but had not been recognized as capital asset additions during the year.
- We were unable to determine whether adjustments to beginning balances for capital assets and accumulated depreciation were necessary.

Cause - Supervisory reviews and other checks and balances may not be timely or effective in all instances due to manual processes. The Government does not maintain proper accounting records for financial transactions, which may be attributable to insufficient internal controls or oversight of the documentation process for capital asset additions.

Effect or Potential Effect - Capital asset balances reported in the financial statements may be understated or incomplete, potentially leading to inaccurate reporting of total assets.

Recommendation - We recommend that the Government strengthen its procedures for recording and reviewing capital asset additions to ensure that all relevant invoices are accurately and timely included in the asset listings. This should include implementing periodic reconciliations between supporting documentation and the capital asset register, as well as providing additional training to staff on proper cut-off procedures and period-end reporting requirements. Enhanced controls will help prevent omissions and misstatements, ensure accurate financial reporting, and reduce the need for subsequent adjustments.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF has rerouted that specific payment through the regular Accounts Payable invoice processing, which is captured in the spool. This took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary. Also, effective immediately is the updated Policy and Procedures (SOPP 130), which establishes a timeline for Departments and Agencies (D&A) invoice submissions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Reconciliation and Review of Subsidiary Registers

Criteria - The Government maintains a subsidiary asset register for the purpose of calculating depreciation for all assets. A systematic process should be established to regularly reconcile subsidiary asset registers to ensure consistency, accuracy, and completeness of records in line with best practices.

Condition - Based on our review of the subsidiary asset registers, we noted that the subsidiary registers for land contained a significant number of properties that are grouped into only few asset numbers instead of being recorded as individual properties. Also, certain depreciable assets recorded as additions during the fiscal year in the registers had inaccurate depreciation start dates.

Cause - The Government does not maintain proper supporting documentation to verify the accuracy of the capital asset subsidiary register(s).

Effect or Potential Effect - The practice of grouping a significant number of properties under only a few asset numbers, rather than recording them individually, may result in inaccuracies in asset management and financial reporting. This can lead to difficulties in tracking and valuing individual properties, increasing the risk of misstatements in the financial statements. In addition, inaccurate depreciation start dates increase the risk of misstatements to depreciation expense in the financial statements.

Recommendation - We recommend that the Government reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

In addition, asset transfers to and from the Government should be monitored promptly, and asset custodians should be regularly reviewed to ensure that all central Government assets are properly accounted for and that formal title transfers have occurred, as applicable.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Construction in Progress (CIP) Monitoring

Criteria - Effective internal control standards and best practices require that construction in progress be monitored on a regular and systematic basis to ensure that projects are completed on time, within budget, and in accordance with established specifications. Timely analysis and review of project status, as well as the prompt recording of necessary adjustments, are essential to maintaining accurate financial records and supporting sound project management.

Condition - We noted the following:

- We selected a sample of twenty-two (22) construction-in-progress (CIP) assets for project status testwork and five (5) CIP assets recorded as CIP transfers. For the project status testwork, supporting documentation was not provided for sixteen (16) of the twenty-two (22) assets selected. In addition, for one (1) of the twenty-two (22) assets selected, the project was confirmed to have been completed in prior fiscal years but remained recorded as CIP as of September 30, 2024. For the CIP transfer testwork, supporting documentation was not provided for four (4) of the five (5) items selected.

- The Government adopted the method of using the 'release of claims' date as the date a project is placed in service. However, we noted inconsistent application of this methodology:
    - In some instances, the 'release of claims' date did not correspond with the actual date the project was completed and placed in service, as confirmed by the project managers.
    - In other instances, the 'release of claims' date was not utilized; instead, the date of the last invoice received on the project or the 'substantial completion letter' was utilized as the indicator of when the project was completed and as the depreciation start date.

Cause - The Government does not maintain proper supporting documentation to verify CIP activity, and there is inconsistency in the methods used to determine project completion during the fiscal year. Additionally, confirmation procedures were not performed in a timely manner, resulting in outdated or inaccurate CIP information.

Effect or Potential Effect - Failure to timely transfer completed projects from construction in progress to the completed asset category, combined with inconsistent application of the methodology for determining the date a project is placed in service, may result in misstatements of capital asset balances and related depreciation in the financial statements. This can impact the accuracy and reliability of financial reporting, hinder effective asset management, and potentially lead to noncompliance with applicable accounting standards.

Recommendation - With the increase in the number of CIP projects, it is imperative to maintain a robust system for recording project costs accurately and timely, as well as consistently monitoring project status with the respective project owners. It is critical that the Government reconciles these costs with the reports and records of the project managers, related invoices, contracts, and amendments, ensuring alignment with contract costs and capital expenditure budgets. Further, a consistent method should be applied for determining project completion and transferring assets to the appropriate depreciable asset class.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works, Assistant Commissioner of Finance and Director of Fiscal to build an internal procedure to ensure that the correct documentation is available and even supported at the time of invoice entry and/or at minimum be able to be provided to Capital Asset Coordinators. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Capital Assets Impairment Process

Criteria - Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include amongst others, evidence of physical damage.

Condition - We noted the following regarding the Government's capital assets impairment process:

- An overall documented impairment analysis was not available for audit review.
- Certain assets were not readily traceable to the asset registers due to lack of a proper ID.
- Some damage assessments and physical inventory counts for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them.

Cause - Each division or department appeared to have its own separate process for conducting damage assessments and physical inventory counts, resulting in 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, lack of proper asset ID may result in improper accounting of the transaction(s) with respect to the derecognition of the assets from the books. 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 Government.

Recommendation - We recommend that the Government implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts should be readily available for analysis by external parties and should be compared to the detailed capital asset subsidiary ledger. These results should be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It should also be noted that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations and will establish a formal process for annual impairment assessments, ensure physical count results are available and reconciled with asset records, and communicate findings to the Department of Finance for necessary adjustments. Additionally, the Government will maintain an inventory management system to track federally funded assets. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-005: Recording of Liabilities

A. Retroactive Pay Liability

Criteria - An effective control system for liability calculation requires an accounting system that performs timely reviews to ensure accurate financial reporting and that all liability transactions are properly recorded and adequately supported. For union employees in various Government departments, salaries are negotiated and agreed upon through Collective Bargaining Agreements (CBAs). The Government is responsible for accurately calculating and recording liabilities arising from unpaid salary increases that have been collectively bargained but not paid to employees. As new and existing contracts are negotiated or renegotiated and signed, it is essential that the accounting system reflects these obligations to ensure the completeness and accuracy of reported liabilities.

Condition - We noted that currently there is a $144.1 million retroactive pay liability reflected in the books and records; however, the supporting schedules can only confirm $135.0 million, which is based on an analysis of CBAs from the initial retroactive pay wage commission findings. Additionally, approximately 70.0% of the Government's employees are paid varying rates, based on different CBAs. We also noted that several CBAs have not been evaluated, implemented, ratified, or accrued for.

Cause - This discrepancy between recorded and confirmed retroactive pay liabilities may be attributable to errors in calculation, incomplete data, or a lack of proper reconciliation. Additionally, the Government lacks adequate controls and a formalized process for implementing negotiated CBAs.

Effect or Potential Effect - The lack of evaluation, implementation, ratification, and accrual for several CBAs may result in further inaccuracies in the Government's financial records. This situation could adversely impact budget planning, financial reporting, and compliance with contractual obligations.

Recommendation - We recommend that management conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management should evaluate, implement, ratify, and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. Additionally, management should establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will thoroughly review and reconcile retroactive pay liabilities, ensure all amounts are supported by detailed schedules, and properly account for outstanding CBAs. A centralized master file of pay rates will be maintained and periodically reviewed for accuracy. These measures will improve financial reporting, compliance, and budget planning. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Medical Malpractice Liability

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review. Specifically, for the Reciprocal Insurance Fund, all disbursements related to payments of medical malpractice claims must be accurately recorded and supported by appropriate documentation, with oversight to confirm compliance with established policies and procedures.

Condition - The Government has not completed the necessary analysis to determine and record a quantifiable and estimated liability for medical malpractice claims, as required by generally accepted accounting principles.

Cause – There appears to be a lack of controls and procedures around the Government's claims data process.

Effect or Potential Effect – The liabilities and related expenses may be understated or misstated because medical claims have not been analyzed and reported, adversely affecting the Government's financial position and increasing the risk of noncompliance with accounting standards.

Recommendation - We recommend that the Government undertake a comprehensive analysis to identify, quantify, and record an estimated liability for medical malpractice claims in accordance with generally accepted accounting principles. Management should ensure that all relevant data is collected and maintained to facilitate actuarial assessments and accurate financial reporting. Additionally, procedures should be established to regularly review and update the estimated liability to reflect changes in claim activity and ensure ongoing compliance with applicable accounting standards.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Accounts Payable

Criteria - A fundamental element of a sound system of internal controls is an effective liability calculation process. This process should ensure that all liability transactions are properly recorded, adequately supported, and subjected to supervisory review.

Condition - At present, the Government's general ledger control account for accounts payable does not agree with the subsidiary ledger balances throughout the entire fiscal year. This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which is based solely on subsequent events when performing the yearly financial statement close process. This practice, in turn, is based on a system functionality wherein, the accounting system does not allow for recording or accrual of invoices when the obligation is incurred, but rather when the corresponding allotment has been approved by OMB. This also impacts the accuracy of capital asset recordation, as accruals for goods and services received are not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods.

The Government records accounts payable in total at year-end and does not record or track accounts payable at the individual project level, and therefore, by each federal program.

Cause - This is due to the fact that management establishes its accounts payable subsidiary ledger through a manually intensive process, which relies solely on subsequent events during the yearly financial statement close process. This practice is based on a system functionality in which the accounting system does not allow for the recording or accrual of invoices when the obligation is incurred, but only when the corresponding allotment has been approved by OMB.

Effect or Potential Effect - These practices result in significant adjustments during the annual financial statement close process and necessitate manual reconciliation of capital expenditures and accounts payable. Furthermore, supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities may not be timely or effective in all instances, increasing the risk of inaccuracies in financial reporting and potential misstatements in the financial statements.

Recommendation - Management should consider utilizing the ERP Accounts Payable module more consistently to reduce the manual efforts currently involved in establishing accounts payable. We recommend that controls be enhanced to ensure that all invoices for services performed as of year-end are properly accrued. In addition, the Government should strengthen supervisory review of the accounts payable reconciliation process and the estimation of accrued liabilities to improve the accuracy and timeliness of financial reporting.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices. Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Completeness and Accuracy of Pension Census Data

Criteria - Maintaining current and accurate records and statistics is an important control for participant data, as well as for compliance with employment laws and regulations. Ensuring the completeness and accuracy of census data is crucial for accurate analysis, decision-making, and reporting.

Condition - We obtained the current year census data and compared it to the prior year census data for the central government to assess completeness and noted the following inconsistencies:

- Active employees – We recalculated the number of active employees based on roll-forward details as 6,615, while the census data provided reflected 6,322 employees, resulting in a variance of 293 employees (4.6%).

- Retirees and beneficiaries – We recalculated the number of retirees and beneficiaries based on roll-forward details as 8,050, while the census data provided reflected 7,715 individuals, resulting in a variance of 335 employees (4.3%).

We further noted that the pension census data submitted to actuarial service providers contained significant discrepancies when compared to employee records maintained by the Government. We selected a sample of twenty-five (25) individuals from the census data, including both active employees and retirees, and noted the following:

- For five (5) employees, we identified discrepancies between the hire dates reported in the census data and those recorded in the most recent Notice of Personnel Action (NOPA) records.
- For one (1) employee, we identified a discrepancy in salary information when comparing the census data to the latest details in the NOPA records.
- For two (2) employees, we identified discrepancies in both hire dates and salary information between the census data and the most recent NOPA records.
- For one (1) retiree, detailed NOPA records were not available. However, we performed alternative procedures by verifying the individual's hire date and employment status in the Munis system, which confirmed that the individual was a former employee who has 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 management develop and implement internal controls to ensure the accuracy and completeness of active employee and retiree census data prior to submission for future valuations, calculations, or analysis. Additionally, adequate resources should be allocated to properly evaluate all census information provided to various actuarial service providers, as this data is essential for calculating related liabilities. It is imperative that employee data in the census information be accurate.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

E. Income Tax Refunds Payable

Criteria - Paragraph 102 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* 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.

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 was not properly accrued, resulting in an understatement of approximately $90.0 million, which required an adjustment.

Cause - The Government currently does not have a formalized procedure in place to determine the income tax refund payable at the end of the fiscal year.

Effect or Potential Effect - This absence of a structured process can lead to inconsistencies and potential inaccuracies in calculating the amounts owed to taxpayers and may lead to misstated financial liabilities, affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

F. 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, 2023, the Retirement System was 10.33% funded for the year ended September 30, 2024. The same report also disclosed a net pension liability of approximately $4.0 billion, representing a long-term obligation that the Government is responsible for funding.
- As per the OPEB actuarial valuation report as of October 1, 2023, the OPEB plan reflected a total OPEB liability of approximately $812.3 million, representing long-term medical, dental, and other postemployment benefit obligations that the Government is responsible for funding.

Cause - Over multiple years, the Government has not allocated sufficient resources to meet the funding requirements of these plans, resulting in significant unfunded liabilities. Contributing factors include budgetary constraints, competing fiscal priorities, and limited revenue growth, which have restricted the Government's ability to make the necessary annual contributions.

Effect or Potential Effect - Insufficient funding of the Retirement System and OPEB plan weakens the Government's overall financial position, reduces net assets, and may adversely affect credit ratings, thereby increasing the difficulty or cost of future borrowing. Additionally, inadequate funding raises concerns regarding the Government's ability to fulfill future benefit commitments to retirees and employees, potentially resulting in benefit reductions, delayed payments, or increased financial pressure on current and future budgets.

Recommendation - We recommend that the Government develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government should also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-006: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Criteria - Each State or Territory establishes systems for administering and providing Medicaid benefits. The Medicaid program is jointly funded by the Federal and the respective local government. The Virgin Islands Department of Human Services (the Department) is the primary agency responsible for administering the Government's Medicaid program.

Condition - We noted the following:

- Two Government-owned and operated hospitals—the Governor Juan F. Luis Hospital & Medical Center and the Roy Lester Schneider Hospital—provide Medicaid services to eligible Territory residents. Both hospitals operate on a non-DRG platform and bill using daily per diem rates based on the number of patients served. Costs incurred by the hospitals, long-term care facilities, and/or Federally Qualified Health Centers (FQHCs) participating in the Medicaid program are summarized in cost reports, which are submitted to the Department. Under the Government's Medicaid State Plan, these cost reports are required to be audited. Based on the audited cost reports, a receivable or payable should be recorded for the difference between costs submitted for reimbursement and the amounts actually reimbursed. We noted that the Department did not audit the fiscal year 2024 cost reports.
- The Department did not perform a risk analysis and system security review for the Virgin Islands Benefit Eligibility System (VIBES) when it was implemented in July 2017.

Cause - The Government's records do not permit a determination of the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside.

Effect or Potential Effect - The Government was unable to determine how Governmental Activities and the General Fund may have been impacted as of, and for the year ended, September 30, 2024, which affected the auditor's ability to opine on these opinion units. In addition, because a risk analysis and system security review were not performed, there is no assurance that the system is functioning as intended, which exposes the program to potential unauthorized activity and payments to ineligible participants.

Recommendation - We recommend that management evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow the Government to reduce the time between Medicaid expenditures are incurred and when reimbursement is ultimately received from the federal government.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Human Services (DHS) is requesting federal authorization for sole sourcing to allow the process to move forward with the previous vendor of record. Once approval is obtained and the contract is executed, DHS intends to issue a Notice to Proceed so the implementation of the audit recommendation can continue. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-007: 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, 2024, thereby affecting the auditor's ability to opine on said opinion units.

Recommendation - To prevent significant errors and possible irregularities, including fraud, from occurring and remain undetected in the financial records and statements, we recommend that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, we recommend that the Government consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-008: Workers Compensation Program

A. Actuarial Valuation

Criteria - The workers compensation program provides for medical costs, death benefits, and lost wages arising from work-related accidents. The program is administered by the Division of Workers' Compensation within the Virgin Islands Department of Labor (VIDOL).

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* requires governments to recognize liabilities for claims incurred but not reported (IBNR), estimate the cost of claims, and disclose information about claims and potential losses. An actuarial analysis is required periodically to provide a reasonable estimate of outstanding workers' compensation claims liability for financial statement reporting.

Condition - The Government did not engage a third-party actuary to assist with the valuation of the workers' compensation liability, as it had in prior years. In addition, the Government did not maintain adequate supporting documentation to substantiate the reasonableness of the internally calculated liability.

Cause - The absence of an independent actuarial valuation and lack of adequate supporting documentation undermines the reliability of the workers' compensation liability reported in the financial statements. This increases the risk that liability is misstated, which could result in either an overstatement or understatement of liabilities.

Effect or Potential Effect - The Government's workers' compensation liabilities may be inaccurately reported, affecting the accuracy of the financial statements.

Recommendation - We recommend that the Government ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Claims Expenditure

Criteria – Management is responsible for ensuring that workers' compensation claims expenditures, which may require significant judgment and estimation, are based on accurate underlying data and are subject to appropriate review controls to ensure completeness, accuracy, and proper financial statement recording.

Condition - During our audit procedures over workers' compensation claims expenditures for the year ended September 30, 2024, we identified an error in the calculation and recording of claims expenditures. Management recorded an expenditure of $4.4 million; however, the correct amount was $2.6 million, which required an adjustment.

Cause – The error was caused by an insufficient review of the workers' compensation reports and related calculations to ensure the accuracy of the recorded expenditure amount.

Effect or Potential Effect - Workers' compensation claims expenditures and the related liability were overstated. Although the misstatement was identified and corrected during the audit, the condition demonstrates a deficiency in internal controls over the review and recording of claims expenditures. If not addressed, similar errors could occur in future reporting periods and may result in material misstatements to the financial statements.

Recommendation - We recommend that management enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management should implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements. This review should be documented and performed in a timely manner to help ensure that claims expenditures and related liabilities are complete, accurate, and properly reported.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. Management will enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management will implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-009: 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 - During our review of the compensated absences schedule for the year, we identified the following:

- Twenty (20) instances in which the employee pay rate used in the compensated absences report did not agree to the rates from the last payroll cycle of the fiscal year.

- In several instances, employees in certain labor categories received overtime payments that exceeded their annual salaries due to staffing shortages. Although these payments were approved, this remains an area susceptible to error or misuse given the volume and dollar amounts involved.

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

Effect or Potential Effect – These conditions increase the risk that payroll expense, compensated absences liabilities, accrued leave balances, and related disclosures may be incomplete, inaccurate, or unsupported. Inaccurate employee data, inconsistent pay rates, redundant records, and missing supporting documentation may result in errors in the calculation and reporting of payroll-related amounts and may impair management's ability to effectively monitor and reconcile payroll and leave activity.

Recommendation - We recommend that the Government consider the following:

- Conduct a thorough review and cleanup of the compensated absences schedule to remove redundant data and correct inaccuracies.
- Strengthen internal controls and conduct regular reconciliations of payroll and leave records.
- Closely monitor and review overtime payments to ensure they are properly authorized and justified.
- 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 Payroll Unit will monitor accrual liabilities bi-annually. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Transactions with Personnel

Criteria - The Government has established policies governing executive and other employee expense reimbursements, which require that all business expenses incurred through credit cards or advance payments be supported by adequate documentation. Required documentation includes, as applicable, a statement of expense, purchase order, approved Government Travel Request, travel voucher, and receipts sufficient to substantiate each element of the expenditure.

Condition - We noted that, for two (2) sampled selections, expenditures were not recorded in the proper period. In addition, for one (1) sampled selection, supporting documentation was not available to substantiate the expense.

Cause - The Government did not consistently follow its established policies and did not maintain the supporting documentation necessary to demonstrate compliance with requirements related to employee reimbursement transactions.

Effect or Potential Effect – Failure to follow established policies and maintain adequate supporting documentation increases the risk of financial misstatements, improper period recognition, unauthorized transactions, and potential misuse of public funds.

Recommendation - We recommend that the Government strengthen its monitoring controls to ensure compliance with its reimbursement policies and implement an independent review process to verify that expenditures are properly supported, accurately recorded, and recognized in the appropriate reporting period.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Reporting for Expenditures

Criteria - A strong and efficient system of controls over purchasing and expenditures is critically important. A strong internal control system can generally be implemented to cover potential threats of error and misappropriation with a reasonable effort. These include proper supervision, review, and separation of like-minded duties or functions.

Condition - During our sampling procedures over general expenses, we noted that twenty-two (22) out of two hundred and seventy (270) expense transactions were not recorded in the proper period.

Cause – There appears to be a lack of adherence to established written policies and procedures related to the proper recording and reporting of expenditures.

Effect or Potential Effect - Recording expenditures in the wrong period can result in inaccurate financial statements, as expenses may be overstated or understated in a given fiscal year.

Recommendation - We recommend that the Government adhere to its established written policies and procedures related to the proper recording and reporting of expenditures. Timely review and reconciliation of expenditures will ensure that expenditures are recorded in the correct period.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. To address untimely adjustments due to a lack of monthly reconciliations at D&A, CFOs will be required to provide Flexible Period Reports by the 30th of each month, enabling timely journal entries and approvals. An ERP workflow will assign responsibility to CFOs for these adjustments, and DOF accounting leadership will collaborate with Tyler Tech to track timeliness within the ERP system. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Formalize Emergency Payroll Procedures

Criteria - A robust and efficient system of payroll controls is essential to ensure the timely and accurate processing of payroll, particularly during unexpected events or disruptions. Formal emergency payroll procedures should be established to clearly define roles, responsibilities, and the steps to be taken in the event of emergencies such as natural disasters, system outages, or other crises.

Condition - Payroll processing begins with timesheets approved by department heads in the STATS system, which then serve as the basis for payroll calculations in the Payroll Division. In 2017, hurricanes caused significant power outages and displacement of personnel, rendering roads inaccessible and preventing employees from attending work for several days. Consequently, the recording of timesheets in the STATS system was temporarily suspended.

Cause - The Government does not have formalized emergency payroll procedures to guide payroll operations during emergencies, such as natural disasters or other significant disruptions.

Effect or Potential Effect - In the absence of proper documentation and approval of employee work hours, there is an increased risk of errors, omissions, or inconsistencies in payroll calculations. This may result in misstated personnel costs, adversely affecting the accuracy of financial reporting and the reliability of financial statements.

Recommendation - We recommend that the Government develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-010: 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 2007, are still being carried on the reconciliations and were eventually reclassed to accounts payable at year-end.
- Several accounts that had been formally closed at year-end contained adjustments or reclassification entries during the fiscal year related to outstanding checks totaling $2.2 million.
- During our review of the bank reconciliations, we noted insufficient documentation to confirm that the reconciliations and related journal entries had been reviewed and approved. In addition, we identified a $1.4 million variance between the accounting records and the external bank confirmation(s).

Cause - These issues reflect weaknesses in the Government's bank account administration processes. The absence of comprehensive and current records, including incomplete bank listings and missing documentation for new account openings, indicates insufficient oversight and a lack of formalized procedures and review controls.

Effect or Potential Effect - These weaknesses in recordkeeping can lead to significant inaccuracies in the Government's financial statements. Outstanding checks that remain unreconciled for extended periods may result in overstated liabilities or misclassified balances.

Recommendation - We recommend that the Government perform timely reconciliations of all bank accounts to promptly identify and resolve outstanding checks and other discrepancies. The Government should also implement and consistently apply a documented review and approval process for all bank reconciliations and related journal entries, including retaining evidence of review, such as the reviewer's name or signature, electronic approval, and date, with the reconciliation package in accordance with its record-retention policy.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The DOF's Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Cash Pooling and Allocation(s)

Criteria - Cash 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. There should be a clear and easy-to-track link between the confirmed cash account balances and the cash balances for each fund, including how those amounts are restricted or assigned in the year-end financial statements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Check Sequences

Criteria - A strong system of internal controls should be implemented over check runs and unused checks to ensure consistency, accuracy, and completeness of financial records. Such controls are essential for safeguarding assets, preventing unauthorized transactions, and supporting reliable financial reporting.

Condition - During procedures performed over the subsequent check registers, we noted several large gaps in the check sequences.

Cause - The Government's ERP system does not automatically generate check numbers; instead, check numbers are entered and tracked manually by Government personnel.

Effect or Potential Effect - A lack of control over unused checks could lead to unauthorized transactions, potentially resulting in fraudulent activities that affect financial reporting.

Recommendation - We recommend that a process be implemented whereby personnel responsible for check runs review prior and current manual check entries to detect gaps before processing.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Director of Management Information System (MIS) and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-011: Other Post Employment Benefit (OPEB) Valuation

A. Plan Auditor's Report

Criteria – GAAP, for accounting and financial reporting for postemployment benefits other than pensions, requires participating employers in a cost-sharing OPEB plan to recognize and disclose their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and OPEB expense.

Condition – The Government was unable to provide a plan auditor's report or audited schedules of OPEB amounts. As a result, the Government's proportionate share of the total OPEB liability, reported at $812.3 million as of September 30, 2024, could not be verified.

Cause – Management did not engage a plan auditor to provide specific employer-level allocation reports required for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effect or Potential Effect – In the absence of a plan auditor's report, sufficient supporting documentation is not available to substantiate each participating employer's proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. As a result, there is an increased risk that the OPEB liability, related expense, deferred outflows and inflows of resources, and related disclosures may be materially misstated.

Recommendation – We recommend that the Government coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that a plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management should also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that an audited plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management will also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Administration and Recordkeeping

Criteria - The Government follows the provisions of GASB Statement No. 75. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees.

Condition - The Division of Personnel, through the Virgin Islands Health Insurance Board, is responsible for administering health insurance and related benefits for retirees.

The Virgin Islands (V.I.) Code stipulates that the Government, the University of the Virgin Islands, the Virgin Islands Waste Management Authority, the Virgin Islands Port Authority, and any not-for-profit corporation funded at least 75% annually by federal or local government funds, are legally responsible for providing health benefits to active and retired service personnel. However, it has been observed that the component units and organizations referenced above have paid these benefit costs for active employees only, while the Government has assumed responsibility for the payment of benefit costs for retirees.

Additionally, the accounting requirements for postemployment retirement plans are increasingly complex and demand specialized expertise to ensure accurate accounting and reporting in accordance with applicable standards.

Cause - The V.I. Code explicitly designates legal responsibility for these benefits. The current condition appears to result from noncompliance with the arrangement outlined in the V.I. Code, whereby the Government has assumed the responsibility for retiree benefit payments instead of the component units and organizations.

Effect or Potential Effect - This arrangement results in the Government recognizing substantial long-term liabilities for retiree health benefits on its financial statements, which can significantly reduce net assets and adversely affect overall financial health. Furthermore, the complexity of accounting for postemployment benefits increases the risk of misstatements or incomplete disclosures, potentially compromising the accuracy and transparency of the financial statements.

Recommendation - We recommend that the Government formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, we recommend that the Government and/or Division of Personnel consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. This enhancement within the Division of Personnel will help clarify transactions, strengthen internal controls, reduce confusion regarding transfers and transactions between funds and component units, and improve communication with actuaries and insurers.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Accuracy of Census Data

Criteria - Maintaining current and accurate records and statistics is an important control for participant data, as well as for compliance with employment laws and regulations. Ensuring the completeness and accuracy of census data is crucial for accurate analysis, decision-making, and reporting.

Condition – We noted discrepancies between the Government's OPEB census data submitted to actuarial service providers and the employee records maintained by the Government. As part of our procedures, we evaluated the beginning census data using information from the October 1, 2022 and 2023 valuation reports. From a sample of ninety (90) individuals, including both active employees and retirees, we compared hire dates in the census data to the most recent NOPA records. We found exceptions for three (3) employees whose hire dates did not match the NOPA records, two (2) from the 2022 valuation data and one (1) from the 2023 valuation data.

Cause - There may be a lack of standardized processes, formats and controls for collecting and submitting census data, resulting in inconsistencies and errors.

Effect or Potential Effect - This introduces a greater level of uncertainty to the actuarial calculations. The time required to make significant adjustments and assumptions may lead to delays in the completion of actuarial reports and the submission of financial statements.

Recommendation - We recommend that management develop and implement internal controls to ensure the accuracy of active employees and retiree census data prior to submission for future valuations, calculations, or analysis. Additionally, adequate resources should be allocated to properly evaluate all census information provided to various actuarial service providers, as this data is essential for calculating related liabilities. It is imperative that employee data in the census information be accurate.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will develop and implement internal controls to ensure the accuracy of active employees and retiree census data prior to submission for future valuations, calculations, or analysis. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-012: 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 Statement No. 77 provides essential information about the nature and magnitude of reductions in tax revenues resulting from tax abatement programs.

Effective for the fiscal year ended September 30, 2022, the Government is required to implement GASB Statement No. 87, *Leases*. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Effective for the fiscal year ended September 30, 2023, the Government is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Under this Statement, the government is required to recognize a right-to-use subscription asset as an intangible asset and a corresponding subscription liability. Additionally, because no analysis was performed on software-related transactions, software was not assessed for potential capitalization as an intangible asset under GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Condition - The Government did not perform an assessment to analyze the impact that implementing GASB Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 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 Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 on the Government's financial statements.

Effect or Potential Effect - This oversight results 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 Statement No. 77, GASB Statement No. 87, GASB Statement No. 96, and GASB Statement No. 51 on its financial statements. This assessment should include a detailed analysis of the requirements and implications of these standards to ensure accurate and compliant financial reporting.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-013: 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 objectives and respond to risks, including proper authorization and segregation of duties. This can be achieved through the implementation of control activities, including the adoption of appropriate policies and procedures that define expectations and guide operations to safeguard government assets and 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 been 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 DPP 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 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 buyer interface system, GVIBUY, should retain all contracts.

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 (DOJ) into potential criminal activities associated with three members of management of the Government and formal indictments followed. Management performed an investigation into the matter and, we observed the following:

- Invoices were dated prior to the purchase order approval date for eighty-four (84) out of one hundred and ninety-nine (199) transactions selected.
- No evidence was available that a request for proposal (RFP) was initiated for thirty-five (35) out of thirty-five (35) purchase orders selected over the $50,000 policy threshold.
- A single individual approved multiple levels for payment remittances for fifty-four (54) out of one hundred and ninety-nine (199) transactions selected.
- As required by the procurement policy, no evidence was available to show that three quotes were requested and obtained prior to the awards for eighteen (18) out of twenty-one (21) purchase orders above $10,000.

- No contract was provided to verify the terms and conditions for fifteen (15) out of thirty-five (35) purchase orders selected above $50,000.
- No evidence that a payment remittance was fully approved for six (6) out of one hundred and ninety-nine (199) transactions selected.
- 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 eighty-one (81) out of one hundred and ninety-nine (199) transactions selected.
- Invoices provided did not contain the information to clarify the prices or services provided for eleven (11) out of one hundred and ninety-nine (199) transactions selected.
- The purchase order description did not match the invoice description for nineteen (19) out of one hundred and ninety-nine (199) transactions selected.
- A vendor received payments of approximately $1.6 million from a checking account restricted for American Rescue Plan Act (ARPA) funds.

Cause - The Government did not retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and procedures to support the transactions and limitation on the availability of finance personnel.

Effect or Potential Effect - Failure to retain necessary supporting documentation and adhere to established procurement laws, regulations, policies and procedures may result in noncompliance with procurement regulations. This deficiency increases the risk of improper or unauthorized purchases, reduces transparency and accountability in the procurement process, and may lead to audit findings or other regulatory noncompliance.

Recommendation - We recommend that the Government evaluate its policies and procedures to ensure all necessary supporting documentation - such as purchase orders, contracts, and vendor profiles – is retained to support adherence to internal policies and regulatory requirements. Management should implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-014: 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 DPP 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 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 buyer interface system, GVIBUY, should retain all contracts.

Condition - We sampled and selected ninety-five (95) purchase orders and sixty (60) contract files and noted the following:

- One (1) missing purchase order (PO) number during sequence testing. Management explained that the PO number was missing in 2024 but did not provide any report or supporting details to confirm it was unused. Additionally, there is no formal procedure in place to document unused PO numbers or the reasons for their omission. Accordingly, we cannot conclusively verify the completeness of the PO population.
- Twenty-one (21) purchase orders from twelve (12) different vendors where the files did not contain the requisite documentation to provide evidence that the purchase order met the stated requirements.
- Thirteen (13) purchase orders from five (5) vendors appeared to be split purchase orders where adequate supporting documentation was not available to determine if purchase order splitting occurred.
- Forty (40) instances where executed contract files did not contain requisite documentation to provide evidence that the respective procurement met stated requirements.
- Forty-four (44) instances where adequate supporting documentation was not available to determine whether the initial 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 strengthen its procurement processes by retaining all required documentation, regularly reviewing compliance, and implementing a formal process to ensure all executed contracts are promptly uploaded to GVIBUY. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-015: Information Technology (IT) Environment

User Access and Administration

Criteria - Logical security for user access and user administration are critical components of overall information security strategy. These elements focus on ensuring that only authorized individuals have access to information systems and data, thereby protecting sensitive information from unauthorized access, misuse, or breaches.

Condition - We noted the following during our procedures over user access and change management:

- There are no formal re-certifications of user access security rights performed for the following Windows domains and applications:

  Windows Domain:

  - Department of Finance
  - Bureau of Internal Revenue
  - Department of Labor
  - Department of Human Services
  - Lieutenant Governor's Office

  Applications:

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

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

  Windows Domain:

  - Department of Labor
  - Department of Human Services

  Applications:

  - VIDOLA$
  - VIBES

- Evidence of a terminated user's access being removed timely could not be provided (VIBES) and a terminated user's access was not removed timely after termination notification (MMIS):

  Windows Domain:

  - Department of Human Services

Applications:

- VIBES
- MMIS

- Evidence was not available to demonstrate that there was an approval for a change that was implemented into production for the Bureau of Internal Revenue for the RawData application.
- There was a new access request where the access granted did not match the requested and approved access permission on the Department of Labor operating system and VIBES application.

Cause - These conditions appear to be the result of insufficient oversight and a lack of established policies and procedures for user access management, password security, and change management across key operating systems and applications.

Effect or Potential Effect - The absence of formal re-certifications of user access security rights, lack of strong password and account lockout configurations, and insufficient evidence of formal change management policies significantly increase the risk of unauthorized access to sensitive systems and data. These deficiencies may result in the exposure of confidential information, potential misuse or alteration of critical data, and increased vulnerability to security breaches.

Recommendation - The Government should evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government should assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

Views of Responsible Officials: The Government concurs with the auditor's findings and recommendations. The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2024-016: Noncompliance with Laws and Regulations

A. Collateral of Depository

Criteria - Collateralization provides an avenue of recovery in the unlikely event of the failure of a bank or financial institution holding government deposits. Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e., surety bonds or letters of credit) by depositories is an important safeguard for government deposits. Further, in the event of a failure of a bank, the Federal Deposit Insurance Corporation (FDIC) will honor the collateralization agreement if the agreement is valid and enforceable under applicable law.

Virgin Islands Code Section 3304, *Collateral of Depository,* requires depositories to pledge collateral that is satisfactory to the Commissioner of Finance, to secure governmental deposits held with that institution. It is recommended that margin levels should be at least 102%, depending on the liquidity and volatility of the collateral pledged.

Condition - During our review of the Government's collateral of depository reports, we noted that not all cash accounts of the Government and its component units are included in the report to be collateralized. Additionally, for five (5) out of twelve (12) months, the collateral held at First Bank was less than deposit balance.

Cause - The Government does not appear to have adequate policies and procedures to ensure compliance with stated requirements.

Effect or Potential Effect - Failure to meet the required margin levels constitutes non-compliance with regulatory requirements and internal policies, potentially leading to penalties or sanctions. Also, under collateralization of all cash accounts with depositories can cause a violation of the code and potential loss of Government assets if a financial institution were to fail.

Recommendation - We recommend that the Government implement policies and procedures to ensure all cash accounts for the Government and its component units are in compliance with the stated requirements. Additionally, we recommend the Government implement procedures to regularly monitor and ensure that collateral levels consistently meet or exceed deposit balances at all financial institutions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Department of Finance acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

B. Landfill Consent Decrees

Criteria - Closure and post-closure directives related to landfills are regulated by various Federal laws, including requirements by the United States Environmental Protection Agency (EPA). As such, the Government is required to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure.

Condition - During our procedures, we noted several instances of noncompliance with EPA decrees concerning the Anguilla and Bovoni landfills. These matters include various health and safety risks, failure to submit required reports, and incomplete installation of the groundwater monitoring system around the perimeter of the Anguilla landfill.

Cause - The Government does not appear to have adequate policies and procedures to comply with EPA decrees concerning the Anguilla and Bovoni landfills.

Effect or Potential Effect - Noncompliance with the consent decree timetables can result in the accrual of penalties at specified rates.

Recommendation - We recommend that the Government allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

C. Establishment of a Medical Malpractice Trust Fund

Criteria - In accordance with subsection (a) of Virgin Islands Code (V.I. Code) Section 27, in lieu of procuring a group insurance policy, the Commissioner of Health is authorized to self-insure health care providers against claims arising from the rendering or failure to render medical care or services, as well as claims for injury or death to patients resulting from the activities of health care providers.

Additionally, the establishment of a Medical Malpractice Risk Management Trust Fund (the Fund) is required to provide coverage against professional medical malpractice liability. This Fund must be managed by a licensed broker or brokerage firm, with the investment plan subject to the approval of the Medical Malpractice Action Review Committee. A maximum of 1% of the proceeds from the Fund may be used by the Territorial Office of Risk Management for administrative purposes, as defined within the V.I. Code. Interest accruing on the Fund must be retained or redeposited into the Fund.

Condition - We noted that the Government has not established a separate trust fund.

Cause - The Government does not appear to have adequate policies and procedures in place to ensure compliance the requirement to establish a Medical Malpractice Trust Fund.

Effect or Potential Effect - The failure to set up a separate trust fund may lead to non-compliance with legal or regulatory requirements, potentially resulting in penalties or sanctions.

Recommendation - We recommend that the Government establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management should develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

D. Compliance with Legislative Appropriation

Criteria - The Legislature of the Virgin Islands passed an Act 8920 (Bill No. 35-0380), which appropriates funds received under various settlement agreements to enhance community services, mental health resources, infrastructure, and economic development in the U.S. Virgin Islands. Act 8920 includes the establishment of the Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund. No amounts in these funds are available for expenditure or disbursement except as authorized or appropriated by Legislature.

In addition, Act 8694 (Bill No.34-0368) requires the establishment of an Opioid Abatement Fund and an Opioid Abatement Fund Committee to oversee the use of monies in the fund to mitigate the impacts of the opioid epidemic in the U.S. Virgin Islands, including, but not limited to, expending access to opioid use disorder prevention, intervention, treatment, and recovery options. The Opioid Abatement Fund includes all monies, payments, proceeds, attorneys' fees and costs or other things received by the Government each year through verdict, judgment, compromise, or settlement of any case or controversy relating to the manufacturing, marketing, distribution, promotion, or dispensing of opioids; monies appropriated or transferred to the fund by the Legislature; and gifts, donations, grants, bequests, and other monies received by the Territory on the fund's behalf.

Additionally, under a settlement agreement, a financial institution agreed to pay the Government $75.0 million, to be used for specified purposes, including support for charitable organizations, efforts to combat human trafficking, and legal-related purposes of the Territory, in accordance with the terms of the agreement.

Condition - During Fiscal Year 2024, the Government received approximately $60.0 million under the various settlement agreements and $2.3 million under the Opioid Abatement settlement. We noted that the Government has not established:

- The Southern Trust Company Settlement Fund and the Survivors and Mental Health Healing Trust fund, as required by Act 8920.

- The Opioid Abatement Fund and the Opioid Abatement Committee, as required by Act 8694.

In addition, the Government did not provide evidence demonstrating that amounts received under the settlement agreement with a financial institution were used in accordance with the terms of that agreement.

Cause - The Government does not appear to have established adequate policies, procedures, and oversight controls to ensure compliance with the requirements set forth in Act 8920, Act 8694, and the applicable settlement agreements.

Effect or Potential Effect - Failure to comply with applicable legislative and settlement agreement requirements may result in noncompliance with legal and regulatory provisions, unauthorized use of restricted funds, inadequate oversight of settlement proceeds, and potential penalties, sanctions, or other adverse consequences.

Recommendation - We recommend that the Government promptly establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust Fund, the Opioid Abatement Fund, and the Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management should also develop and implement formal policies and procedures to ensure proper administration, oversight, monitoring, and documentation of these funds and to demonstrate that all related receipts and disbursements are made in accordance with legislative requirements and settlement agreement provisions.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The Government will establish separate Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Section III – Federal Award Findings and Questioned Costs

Finding Number: **2024-017**
Prior Year Finding Number: **2023-024**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN: 10.557
Award #: Various
Award Period: Various

Criteria – The WIC program is subject to the provisions of the Cash Management Improvement Act (CMIA) (42 USC 1786(h)(8)(J)) and federal regulation 7 CFR section 246.15(a).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 16 of the 153 drawdowns and noted that 4 drawdown requests did not contain evidence of review and approval.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential Effect – Without proper review and oversight drawdowns may not be in compliance with the cash management compliance requirements.

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 $2,014,096. The amount sampled is $317,786. The total drawdowns related to the sampled drawdown requests that lack evidence of review and approval is $97,870.

Recommendation – We recommend that the DOH reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures over reviews and authorizations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DOH has updated Standard Operating Procedures (SOPs) over drawdowns requiring signatures or initials on all supporting documents, certifying proper review. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-018**
Prior Year Finding Number: **2023-019**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities/ Period of Performance**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.561
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 noted the following:

- The SNAP participation report was not properly reconciled to accounting records.
- One grant award was overspent by $391,000. No adjustment was made to the SEFA.
- During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of the 1,806 payroll disbursements and noted the following:
    - 19 instances in which DHS did not consistently apply the funding allocation. The hours that should have been split 50/50 between federal and local or that should have been 100% local were charged 100% to the program.
    - 3 instances in which the project code on an employee's Notice of Personnel Action (NOPA), which is used to record time and effort to the appropriate grant, were expired and had not been updated.
    - 9 instances in which payroll costs were charged outside of the award's period of performance.

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.

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.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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 2024 were $4,207,231. The amount sampled is $159,098. The known amount of inconsistencies noted is $38,462. The total food stamps expenditure charged to the program in fiscal year 2024 were $72,308,337. The known amount of unreconciled information is $355,108.

Recommendation – We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS has enhanced the internal control policies and processes to ensure compliance with federal requirements and has adopted an electronic system for payroll, replacing manual processes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-019**
Prior Year Finding Number: **2023-020**
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: 10.561
Award #: Various
Award Period: Various

Criteria – 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its matching process.

Further, 2 CFR Section 200.306 provides detailed criteria for acceptable matching costs. The basic criteria for acceptable matching costs include costs that are necessary and reasonable for accomplishment of program objectives and are allowed under 2 CFR Part 200, Subpart E (Cost Principles).

Condition – We found that DHS was unable to readily exhibit and provide evidence that it met the matching requirement or monitored compliance with the matching requirement.

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.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles.

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. DHS has developed a specific liquidation report to ensure that matching is completed with each report submission. Additionally, an audit team is being developed to support compliance and 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: **2024-020**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN: 10.561
Award #: Various
Award Period: Various

Criteria – A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We found that for 1 project, expenditures were incurred before the award's period of performance without written approval from the Federal awarding agency.

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

Effect or Potential Effect – DHS is not in compliance with the stated provisions. Failure to obtain Federal awarding agency approval for incurring expenditures before an award's period of performance can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs – $47,135.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles. Total expenditures for this project in the fiscal year 2024 SEFA are $47,135 and all were determined to be incurred prior to the award's period of performance.

Recommendation – We recommend that DHS strengthen its process with respect to charging expenditures between various grant awards. We also recommend 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. DHS has established close-out procedures so that all open purchase orders are now submitted to the Department of Finance for closure and the grant close-out process has been shifted to the OMB. Additionally, an audit team is being developed to support compliance and oversight. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-021**
Prior Year Finding Number: **2023-026**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 6 of the 8 drawdowns and noted that all 6 drawdown requests did not contain evidence of review and approval.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential Effect – Without proper review and oversight drawdowns may not be in compliance with the cash management compliance requirements.

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 $2,051,331. The total drawdowns related to the sampled drawdown requests that lack evidence of review and approval is $1,971,498.

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 matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-022**
Prior Year Finding Number: **2023-027**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's Department of Property and Procurement (DPP), which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Further, non-Federal entity must comply with section 70914 of the Build America, Buy America Act (BABA), including through incorporation of a Buy America preference in the terms and conditions of each award with an infrastructure project or obtain waiver.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - We selected 5 of 13 procurement transactions and noted the following:

- The support provided for 3 procurement transactions did not contain sufficient supporting documentation to validate adherence to procurement policy.

- The support provided for 5 procurements did not include Buy America domestic preference provisions in the agreement or obtained a BABA waiver.

Cause – DOH and DPP do not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential Effect – DOH and 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.

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 amount of procurement transactions was $2,016,062. The known amount of exceptions is $2,016,062.

Recommendation – We recommend that DOH 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 matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-023**
Prior Year Finding Number: **2023-028**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: 1VI700748
Award Period: 07/01/19 - 12/31/23

Criteria - Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected all reports submitted, consisting of 2 financial reports and 2 progress reports, and noted the following:

- 1 financial report and 1 progress report did not appear to be submitted as required.
- 1 financial report where the basis of accounting used in reporting the data was not specified.
- 1 progress report did not contain evidence that it was reviewed by an authorized reviewer prior to submission.

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

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.

Effect or Potential Effect – The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs – None.

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

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 matter will be considered in future recommendations; however, as the program has been closed, no further action can be taken to address the observation at this time. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number 2024-024: Not Used

Finding Number: **2024-025**
Prior Year Finding Number: **2023-029**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Defense

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

National Guard Military Operations and Maintenance (O&M) Projects
ALN: 12.401
Award #: W9127P-23-2, W9127P-24-2
Award Period: 10/01/2022 – 09/30/2023
10/01/2023 – 09/30/2024

Criteria – CFR 200.403(g) states that for costs to be allowed under Federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.403(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

The Uniform Guidance in 2 CFR 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 60 out of 3,696 payroll transactions and identified the following:

- 3 instances where the timesheets for the pay period selected were not provided.
- 1 instance in which total hours worked on the employees' timesheet did not agree with total hours worked as recorded in the payroll register.

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

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.

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

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 2024 were $1,669,934 and the total amount of our sample was $52,772. The known amount of the exceptions totaled $11,469.

Recommendation – We recommend that OTAG strengthen internal controls by developing and implementing policies and procedures to ensure compliance with Federal requirements related to payroll expenditures, including applicable cost principles and documentation standards.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG has reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance 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: **2024-026**
Prior Year Finding Number: **2023-030**
Compliance Requirement: **Cash Management and Reporting**

Program:
U.S. Department of Defense

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

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2, W9127P-24-2
Award Period: 10/01/2022 – 09/30/2023
10/01/2023 – 09/30/2024

Criteria – U.S. Department of the (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as (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 Assisting Lising 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 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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – As a part of its reporting requirements, OTAG is required to submit the SF-270, 'Request for Advance or Reimbursement' Report to the Federal grantor to facilitate cash drawdown requests for reimbursements. 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.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

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 will enhance internal control processes and procedures including reconciliations, a centralized tracking log, and supervisory review and approval. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-027**
Prior Year Finding Number: **2023-031**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Defense

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

National Guard Military Operations and Maintenance (O&M)
Projects
ALN: 12.401
Award #: W9127P-23-2, W9127P-24-2
Award Period: 10/01/2022 – 09/30/2023
10/01/2023 – 09/30/2024

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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 had 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 level of precision to ensure compliance with the matching compliance requirement.

Cause – OTAG does not appears to have adequate policies and procedures in place to ensure compliance with the matching requirement.

Effect or Potential Effect – OTAG is not in compliance with the stated provisions.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of OTAG's compliance with the specified requirements and general compliance principles.

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 will enhance internal control processes and procedures including a formal methodology for calculating, documenting, and monitoring matching requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-028**
Prior Year Finding Number: **2023-032**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Defense

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

National Guard Military Operations and Maintenance (O&M) Projects
ALN: 12.401
Award #: W9127P-23-2, W9127P-24-2
Award Period: 10/01/2022 – 09/30/2023
10/01/2023 – 09/30/2024

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 per National Guard Regulation (NGR) 5-1, chapter 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 authorized 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 arising from the recipient's performance of the CA will remain 90 days after the close of the federal fiscal year, the recipient shall provide a detailed listing of uncleared obligations and a projected timetable for their liquidation and disbursement no later than 31 December. The USPFO shall then set an appropriate new timetable for the recipient to submit its final accounting (NGR 5-1, Chapter 11).

Costs incurred in a federal fiscal year, which are not disclosed by the recipient within 90 days of the end of the federal fiscal year, except costs associated with unliquidated claims and undisbursed obligations arising from the recipient's performance of the CA that the recipient has reported, shall not be eligible for reimbursement by NGB. The USPFO may extend the 90-day limit for good cause shown (NGR 5-1, Chapter 11).

Additionally, a non-federal entity may charge to the Federal award, allowable costs incurred during the period of performance and any cost 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 the written approval of the Federal awarding agency.

Further, the Uniform Guidance in 2 CFR 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 83 of 489 transactions and noted the following:

- 28 instances where transactions were charged to the incorrect grant award based on the noted period of performance for each award.
- 2 instances where transactions were paid outside the liquidation period.

Additionally, we tested period of performance and noted the following :

- We selected a sample of 60 of 619 non-payroll transactions and identified 13 instances in which non-payroll expenditures were incurred and charged outside of the allowable liquidation period, without evidence of an approved extension or authorization, in noncompliance with Federal award requirements.

- We selected a sample of 60 out of 3,696 payroll transactions and noted 6 instances in which payroll costs were charged to prior-year Federal grant projects that were outside the approved period of performance and lacked evidence of an authorized extension.

Cause – OTAG did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance.

Effect or Potential Effect – OTAG is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws regulations along with loss of funding.

Questioned Costs – 257,468.

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 charged to program was $3,300,673 and the total amount of our sample was $881,480. The known amount of the exceptions totaled $257,468.

Recommendation – We recommend that OTAG strengthen its processes with respect to setting up and charging expenditures between various grants awards. We also recommend that OTAG enhance its review process to properly determine the activities of each grant relative to the appropriated period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. In addition, OTAG should enhance its review and monitoring processes to ensure payroll costs are properly supported and charged within the appropriate period of performance for each Federal 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: **2024-029**
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 the Interior

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 and allowable cost/cost principal process.

Condition – In our review of 60 of 538 non-payroll transactions, we noted 5 instances in which the expenditure was not approved by authorized personnel.

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

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

Questioned Costs **-** None.

Context – This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program were $1,565,197. Total amount sampled is $828,341. The known amount of the instances of noncompliance is $27,015.

Recommendation – We recommend that DPNR improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-030**
Prior Year Finding Number: **2023-033**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of the Interior

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 and allowable cost/cost principal process.

CFR 200.403(g) requires all costs charged to a federal award must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 620 payroll disbursements and noted the following:

- 1 instance in which the approved timesheet for the pay period selected was not available for review, and there was a variance between the hours reported on the payroll register and the Detail Check History.
- 13 instances in which the employee assigned project code documented on the Notice of Personnel Action was not associated with the grant. Additionally, the payroll register reflected a different project code for these transactions.

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

Cause – DPNR does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and to ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Effect or Potential 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.

Questioned Costs – $43,593.

Context – This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 were $1,704,442. The amount sampled is $181,084. The value of transactions with exceptions totaled $43,593.

Recommendation – We recommend that DPNR 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. DPNR will enhance internal control procedures to include reconciliations and increased review and approval 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: **2024-031**
Prior Year Finding Number: **2023-034**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of the Interior

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Period: Various

Criteria - Per 2 CFR section 200.313, *Equipment,* property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 DPP maintains the equipment register for the Government. DPNR was unable to provide accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2024.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management and real property compliance requirements.

Cause – DPNR and DPP do not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Effect or Potential Effect – Inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements. Equipment purchased in 2024 totaled $47,748.

Recommendation – We recommend that DPNR 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 Asset Management Division (AMD) adheres to Federal Equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource system (ERP) The completed Standard Operating Policies and Procedures (SOPP) are pending update and approval crucial for enhancing internal controls. Training sessions will occur 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: **2024-032**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of the Interior

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 – The payroll expenditures recorded in the Schedule of Expenditures of Federal Awards (SEFA) agree to the payroll expenditures recorded in the accounting system. The summary level payroll transactions recorded in the accounting system could not be reconciled to the transaction level detail obtained from the payroll system. When comparing the two populations, we identified multiple differences that net to a variance of $38,439.

Cause – DPNR did not adhere to their internal policies and procedures to ensure the accuracy of the SEFA.

Effect or Potential Effect – The SEFA may not be completely and accurately stated. In addition, the lack of established internal control policies and procedures to ensure the SEFA is completely and accurately stated can lead to noncompliance with federal statutes, regulations, and provisions of grant agreements.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPNR system's population completeness over the compliance requirements for the program. Total payroll expenditure charged to the program for the year is $16,218.

Recommendation – We recommend that the DPNR develop policies and procedures and enhance existing their existing reconciliation process to ensure completeness and accuracy of the SEFA, and that amounts reported on the SEFA are supported by transaction level detail.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR will implement enhanced internal control procedures to ensure that payroll expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are complete, accurate, and fully supported by transaction-level detail in accordance with Federal statutes and regulations by implementing monthly payroll reconciliations, by developing and enhancing internal controls and procedures, and by providing training to relevant personnel. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-033**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment**

Program:
U.S. Department of the Interior

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

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

Criteria – Funds may be used only for activities that are authorized under the terms and conditions of the award, the approved project budget, and applicable federal requirements, including 2 CFR Part 200. Costs charged to the program must be necessary, reasonable, allocable, and directly related to carrying out the approved program objectives.

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, document, 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 government 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 now former USVI officials (collectively the "Indicted Individuals").

DOJ alleged that the Indicted Individuals were involved in activities associated with bribery, and 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 2024, Mon Ethos Pro Support, LLC was paid $20,000 from Economic, Social, and Political Development of the Territories Program funds, which are considered questioned costs.

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.

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

Context – This is a condition identified per review of current events and specific transactions related to the vendor identified in the DOJ indictment.

Recommendation – We recommend that OMB should strengthen controls over vendor procurement and the review and submission of program costs to help ensure that transactions charged to federal programs are valid, properly supported, and allowable under applicable grant requirements. This should include clearer review procedures, adequate supporting documentation, supervisory approval, and periodic monitoring of procurement and cost submissions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OMB will strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework and the hiring of key personnel. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-034**
Prior Year Finding Number: **2023-035**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of the Interior

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Government Department/Agency:
Virgin Islands Department of Education (VIDOE) & Department of Planning and Natural Resources (DPNR)

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. 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 10 out of 77 drawdowns, and noted no supporting documentation was available for review for 1 drawdown.

Additionally, for one project included in the program, we noted a variance of $2,288 between the cash receipts recorded in the accounting system and the amount reflected in the related federal drawdown.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential Effect – VIDOE and DPNR are not in compliance with the stated provisions.

Questioned Costs – $258,122.

Context – This is a condition identified per review of VIDOE and DPNR's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2024 drawdown requests were $5,674,452. Total amount sampled is $4,247,674. The total related to the drawdown request without supporting documentation is $258,122.

Recommendation - We recommend that VIDOE and DPNR 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's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-035**
Prior Year Finding Number: **2023-036**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria - Per 2 CFR section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 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 2024.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of the Government's compliance with the specified requirements. Equipment purchased in 2024 totaled $ 2,633,484.

Recommendation – We recommend that the Government 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 Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-036**
Prior Year Finding Number: **2023-037**
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 the Procurement Manual, User Agencies are required to submit a written justification letter to the Government's 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, document, 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 14 out of 90 procurement transactions, we noted the following:

- The supporting documentation for 1 procurement transaction did not contain evidence that a quotation was obtained prior to selection of the vendor.

- In addition, we noted that 6 procurement transactions 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.

Cause – The Government does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential Effect – The Government 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.

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 amount of procurement and suspension and debarment transactions was $6,395,225. Total amount sampled was $4,137,592. The known amount of exceptions is $1,150,428.

Recommendation – We recommend that the Government 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. DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-037**
Prior Year Finding Number: **2023-038**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN: 15.875
Award #: Various
Award Period: Various

Criteria - Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 24 out of 224 financial and performance reports and noted the following:

- 2 performance reports were not available for review.
- For 12 financial reports, sufficient supporting documentation was not available to verify that the reported financial information agreed to the underlying records.
- 2 performance reports did not contain evidence of review or approval prior to submission.
- For 3 performance reports and 2 financial reports, there was no evidence of submission.

Additionally, the Government did not submit FFATA report where subawards were made for more than $30,000 for fiscal year 2024.

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.

Effect or Potential Effect – The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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.

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's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-038**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of the Interior

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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, document, 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 11 out of 23 drawdowns and noted that sufficient supporting invoices were not available for review for 3 drawdowns.

Cause – It appears sufficient documentation was not maintained or provided to support certain reimbursement requests, and review procedures over amounts requested were not functioning effectively.

Effect or Potential Effect – Without adequate supporting documentation, the entity may draw Federal funds in excess of allowable and supported expenditures, resulting in noncompliance with cash management requirements and unsupported questioned costs.

Questioned Costs – $142,939.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were $7,857,474. The amount sampled is $7,590,468. The total of drawdowns for which we were unable to obtain support is $142,939.

Recommendation – We recommend that DPNR reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures to ensure compliance with cash management provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all Federal drawdown requests and supporting documentation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-039**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Eligibility**

Program:
U.S. Department of the Interior

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Criteria - DPNR must have in place procedures for documenting and verifying eligibility in accordance with the Federal requirements, as well as the specific eligibility requirements in accordance with grant agreement.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DPNR did not provide supporting documentation to determine whether it implemented a formal process to ensure compliance with eligibility requirements during the year under audit.

Cause – It appears that policies and procedures, including review over the eligibility of transactions, were not designed and functioning as needed.

Effect or Potential 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 along with loss of funding.

Questioned Costs – $6,964,757.

Context - This is a condition identified per review of DPNR's compliance with the specified requirements and general compliance principles.

Recommendation – We recommend that DPNR strengthen its policies and procedures for documenting and retaining evidence that eligibility controls are performed and operating effectively to ensure compliance with eligibility requirements. DPNR should also maintain a complete and accurate listing of eligible participants, including all relevant information needed to support eligibility determinations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all eligibility requests and supporting documentation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-040**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Interior

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DPNR did not provide supporting documentation to determine whether it implemented a formal process to ensure compliance with procurement and suspension and debarment compliance during the year under audit.

Cause – It appears that policies and procedures, including review over procurement and suspension and debarment transactions, were not designed and functioning as intended.

Effect or Potential Effect – DPNR is not in compliance with the stated provisions. DPNR 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements and general compliance principles.

Recommendation – We recommend that DPNR strengthen its documentation and record-retention procedures to ensure evidence is maintained to support that internal controls over procurement and suspension and debarment requirements are designed and operating effectively to ensure compliance with procurement and suspension and debarment provisions. DPNR should also maintain a complete and accurate procurement population listing to support compliance monitoring.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all procurement requests and supporting documentation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-041**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Interior

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

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.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 4 out of 8 financial and progress reports, and noted that 2 financial reports were reviewed by an individual other than the authorized reviewer. Additionally, DPNR was unable to provide a listing of FFATA reports submitted during the year under audit.

Cause – It appears that policies and procedures, including review over reporting procedures, were not designed and/or not functioning as intended.

Effect or Potential Effect – DPNR is not in compliance with the stated provisions, and inaccurate information may have been reported to the Federal government.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that DPNR reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official to 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. DPNR will conduct an internal review to analyze internal controls and procedures for potential weaknesses and will implement additional measures as needed. In addition, DPNR, with the support of the federal agency's consultant, will implement a centralized electronic repository system to serve as the official recordkeeping location for all reporting supporting documentation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-042**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of the Interior

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Criteria – A pass-through entity (PTE) must:

- *Verify the Subrecipient* – Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
    2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
    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.

4. Resolve audit findings specifically related to the subaward.

- *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DPNR did not provide supporting documentation to determine whether it designed and implemented a formal process to ensure compliance with subrecipient monitoring requirements during the year under audit. Additionally, DPNR was not able to provide a listing of subrecipient payments made during the year under audit.

Cause – It appears that DPNR did not maintain or provide sufficient documentation to demonstrate the design and implementation of controls and compliance with subrecipient monitoring requirements.

Effect or Potential Effect – Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives along with loss of funding.

Questioned Costs – $6,964,757.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements and general compliance principles. The total subrecipient payments made during the year were $6,964,757.

Recommendation – We recommend that DPNR strengthen its policies and procedures for documenting and retaining the evidence to ensure that internal controls over subrecipient monitoring are designed and operating effectively. DPNR should also maintain a complete and accurate listing of subrecipients for the year to support monitoring activities.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR, with the support of federal agency's, consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all subrecipient supporting documentation. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-043**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Wage Rate Requirements**

Program:
U.S. Department of the Interior

Emergency Supplemental Historic Preservation Fund
ALN: 15.957
Award #: P19AP00016
Award Period: 03/01/2019 - 09/30/2026

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

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, document, 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 Contracts Covering 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 – DPNR did not provide supporting documentation to determine whether it had implemented a formal process to ensure compliance with wage rate requirements during the year under audit.

Cause – DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Effect or Potential Effect – DPNR is not in compliance with the stated provisions. There is the potential that the contractor or subcontractors could have paid their employees less than prevailing wage rates.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements and general compliance principles.

Recommendation – We recommend the DPNR 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. DPNR will develop and implement formal written policies and procedures to ensure compliance with applicable Wage Rate 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: **2024-044**
Prior Year Finding Number: **2023-040**
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 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, document, 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.

Cause – VIDOL does not appear to have adequate policies and procedures in place to adequately meet the requirements for expending and accounting for all funds.

Effect or Potential Effect – Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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 will develop and implement Standard Operating Policies and Procedure, a monthly reconciliation process, provide additional staff training and technical assistance, and strengthen oversight through ongoing monitoring and compliance 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: **2024-045**
Prior Year Finding Number: **2023-041**
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 Section 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.

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, document, 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 5,690 unemployment claim files and noted the following:

- 1 instance where an individual received benefits during the year, but VIDOL was not able to provide evidence that the claimant met the criteria for participating in the Unemployment Insurance program but had received benefits during the year. Benefits paid to the individual during fiscal year 2024 totaled $2,270.
- 1 instance where VIDOL was not able to provide evidence of eligibility to work (social security card and proof of U.S. citizenship) and also failed to provide the initial claim form. Benefits paid to the individual during fiscal year 2024 totaled $14,835.

Further, it does not appear that controls in place are operating at a level of precision to ensure that documentation is maintained for the proper time period to substantiate claims charged to the program.

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.

Effect or Potential Effect – Noncompliance with program requirements could result in disallowances of costs and participants could receive benefits that they are not entitled to receive.

Questioned Costs – Below reporting threshold.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. The total amount of unemployment claims charged to the program during fiscal year 2024 was $5,159,650. The total amount sampled is $62,844. The known amount of the instances of noncompliance is $17,105.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirm that benefits are provided only to participants who are eligible to receive them.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL is reviewing its record retention policy and procedures and will provide training to staff on proper maintenance and retention of complete program files. In addition, an electronic record-keeping system for claims files is expected to be launched before the end of fiscal year 2026, enhancing record retention. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-046**
Prior Year Finding Number: **2023-042**
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, performance, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying accounting or performance records and presented in accordance with the program requirements. (2 CFR Part 200 Subpart D).

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, document, 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 28 out of 109 financial, performance and special reports required to be submitted during fiscal year under audit. We noted the following reports did not have complete and adequate supporting documentation available for review:

- 5 ETA 9130, Financial Reports
- 2 ETA 191, Financial Status of UCFE/UCX reports
- 3 ETA 2112, UI Financial Transaction Summary reports
- 2 ETA 2208A, Quarterly UI Above-Base Reports
- 4 ETA 9050, Time Lapse of All First Payments except Workshare reports
- 4 ETA 9052, Nonmonetary Determination Time Lapse Detection reports
- 4 ETA 9055, Appeals Case Aging – Lower and Higher Authority Appeals reports

Further, it does not appear that controls in place are operating at level of precision to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

Cause – It appears that policies and procedures, including preparation and review over reporting procedures, were not designed or functioning as intended. Further, VIDOL does not appear to have adequate control over maintenance of the underlying documentation used in preparing various reports.

Effect or Potential Effect - VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported 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.

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 to ensure that information reported is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-047**
Prior Year Finding Number: **2023-043**
Compliance Requirement: **Special Tests and Provisions – UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (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 Unemployment Insurance (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. Unemployment Insurance Program Letter (UIPL) No. 41-94 provides guidance on WPRS requirements.

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 10-22 provides RESEA operating Guidance for fiscal year 2022.

Further, the Uniform Guidance 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 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.

Cause – VIDOL does not appear to have adequate control over preparation and submission of various reports.

Effect or Potential Effect – It appears that policies and procedures, including review over RESEA reporting procedures, were not functioning as intended.

Questioned Costs – None.

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

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure required reports are timely prepared and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDOL has reviewed its policies and procedures and is working to provide staff training to ensure supporting documentation is secure and readily accessible. VIDOL will update its policies and procedures to ensure that all supporting documentation is certified by the UI Director or designee before a report is submitted to the grantor. An electronic case management system for reporting is expected to be deployed before the end of fiscal year 2027. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-048**
Prior Year Finding Number: **2023-044**
Compliance Requirement: **Activities Allowed or Unallowed, Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment**

Program:

U.S. Department of the Treasury

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

Government Department/Agency:

Office of Management and Budget (OMB)

Criteria – Recipients may use CSLFRF payments for any eligible expenses subject to the restrictions set forth in sections 602 and 603 of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021 (codified as 42 USC 802 and 42 USC 803 respectively), Treasury's Interim Final Rule and Final Rule at 31 CFR sections 35.7 and 35.8.

The following activities are not permitted under CSLFRF:

- Offset a reduction in net tax revenue (applicable to states and territories)
- Deposits into pension funds (applicable to all recipients except Tribes)
- Debt service or replenishing financial reserves (e.g., "rainy day funds") (applicable to all recipients)
- Satisfaction of settlements and judgements (applicable to all recipients)
- Programs, services, or capital expenditures that include a term or condition that undermines efforts to stop the spread of COVID-19 (applicable to all recipients)

Recipients may use payments from CSLFRF to:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 government 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 2024, Mon Ethos Pro Support, LLC was paid $1,638,043 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.

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.

Effect or Potential 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.

Questioned Costs – $1,638,043.

Context – This is a condition identified per review of current events and specific transactions related to the vendor identified in the DOJ indictment.

Recommendation – We recommend that OMB should strengthen controls over vendor procurement and the review and submission of program costs to help ensure that transactions charged to federal programs are valid, properly supported, and allowable under applicable grant requirements. This should include clearer review procedures, adequate supporting documentation, supervisory approval, and periodic monitoring of procurement and cost submissions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. OMB will strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework and the hiring of key personnel. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-049**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

Program:

U.S. Department of the Treasury

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

Government Department/Agency:

Office of Management and Budget (OMB)

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 20,245 payroll disbursements, and noted 1 instance in which the fringe benefit calculation did not agree to the fringe benefits reported on the Detail Check History.

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.

Cause – OMB does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and to ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Effect or Potential 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 program.

Questioned Costs - Below reporting threshold.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 were $72,688,940. The amount sampled is $68,113,730. The known amount of instances of noncompliance is $7,155, which represents the fringe benefits charged to the program that did not agree with the calculation.

Recommendation – We recommend that OMB 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. OMB will coordinate with the Department of Finance to communicate the identified discrepancy and will work collaboratively to strengthen review procedures over payroll cost allocations charged to federal programs. In addition, OMB will reevaluate its existing oversight controls to ensure that payroll expenditures charged to federal awards are supported by appropriate documentation and reviewed for compliance with applicable federal requirements. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-050**
Prior Year Finding Number: **2023-046**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

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

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

Criteria – Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in sections 602I and 603I of the Act and Treasury's Interim Final Rule and Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. Specifically, a state must follow the same policies and procedures it uses for procurements from its non-federal funds and comply with 2 CFR sections 200.321, 200.322, and 200.323. States must also ensure that every contract includes the applicable contract clauses required by 2 CFR section 200.327.

Per the Procurement Manual, User Agencies are required to submit a written justification letter to the DPP, which was signed by the agency head, which explains the need for the services, the exception in title 31, Virgin Islands Code, chapter 23, section 239(a) being relied upon, the methodology for the selection process, and the rationale for selecting the prospective contractor. The letter must identify the funding source, and comply with all other requirements necessary for the acquisition of services under title 31, Virgin Islands Code, chapter 23, sections 239(a) (1), (2) or (3) whichever is applicable. The letter must contain an "approve/disapprove" block for the Commissioner of Property and Procurement.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We were unable to verify the completeness of the procurement population. As a result, we were unable to test compliance and internal controls over compliance related to the procurement and suspension and debarment compliance requirements.

Cause – It appears that policies and procedures, including review over procurement transactions, were not functioning as intended.

Effect or Potential Effect – OMB is not in compliance with the stated provisions. 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation – We recommend that OMB 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. OMB will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-051**
Prior Year Finding Number: **2023-047**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Treasury

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

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

Criteria - There are two types of reporting requirements for the CSLFRF program:

Project and Expenditure Report: Report on financial data, projects funded, expenditures, and contracts and subawards over $50,000, and other information. Project and Expenditure Reports are due on a regular, recurring basis after the Interim Reports. The reporting frequency and deadlines vary by type of recipient and total allocation amount.

Recovery Plan Performance Report: The Recovery Plan Performance Report (the "Recovery Plan") will provide information on the projects that large recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to Treasury.

In addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition **-** Of the 5 reports submitted during the fiscal year, we selected the following reports for review:

- Projects and Expenditures Report – Quarter Ended December 31, 2023
- Projects and Expenditures Report – Quarter Ended June 30, 2024
- Recovery Plan Performance Report – Year ended June 30, 2024

During our review, we noted that the reported amounts submitted under the award did not agree to the subrecipient's underlying accounting records and supporting documentation. The data was not accumulated and summarized accurately and/or completely in accordance with required reporting criteria.

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.

Cause **-** It appears that OMB does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Effect or Potential Effect – OMB is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs – None.

Context – This is a condition identified per review of the OMB's compliance with the specified requirements using a statistically valid sample.

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. OMB will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF 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: **2024-052**
Prior Year Finding Number: **2023-048**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of the Treasury

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

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

Criteria – A pass-through entity (PTE) must:

- *Verify the Subrecipient* – Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
    2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).

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.
4. Resolve audit findings specifically related to the subaward.

- *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, 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 19 subrecipients and found no evidence that the subrecipient monitoring workbook, which outlines all processes and procedures for ensuring compliance, had been reviewed by the American Rescue Plan Act (ARPA) Grants Administrator.

Cause – OMB does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Effect or Potential Effect **-** Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

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 2024 were $15,142,370. The total amount of our sample totaled $3,730,369.

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. To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with federal regulations, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory 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: **2024-053**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Non-Payroll Activities**

Program:

U.S. Environmental Protection Agency

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Public Works (DPW)
Department of Planning and Natural Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, per 2 CFR Section 200.403, Factors Affecting Allowability of Costs, "Except where otherwise authorized by statute, costs must meet the following general criteria 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."

Condition – Expenditures in excess of the award amount totaling $67,068 were reported on the 2024 SEFA.

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

Cause – The Government did not adhere to their internal policies and procedures to ensure the accuracy of the SEFA.

Effect or Potential Effect – The SEFA is not accurately stated. Lack of established internal control policies and procedures to ensure the SEFA is completely and accurately stated can lead to noncompliance with federal statutes, regulations, and provisions of grant agreements.

Questioned Costs – $67,078.

Context – This is a condition identified per review of the completeness of the non-payroll expenditures population for the program.

Recommendation – We recommend that DPNR develop policies and procedures and enhance existing reconciliation process to ensure completeness and accuracy of the SEFA and that amounts reported on the SEFA are not in excess of award amounts.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.
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Finding Number: **2024-054**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Environmental Protection Agency

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Public Works (DPW)
Department of Planning and Natural Resources (DPNR)

Criteria – CFR 200.403(g) states that for costs to be allowed under Federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.403(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

The Uniform Guidance in 2 CFR 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled 6 out of 55 payroll transactions, and noted 4 employee timesheets were not available for review.

Cause – DPNR 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.

Effect or Potential Effect – DPNR 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.

Questioned Costs – Below reportable threshold.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total amount of payroll expenditures charged to the program during fiscal year 2024 were $44,751 and the total amount of our sample was $5,086. The known amount of the exceptions totaled $3,029.

Recommendation – We recommend that DPNR strengthen 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 Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-055**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

Program:

U.S. Environmental Protection Agency

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Public Works (DPW)
Department of Planning and Natural Resources (DPNR)

Criteria – U.S. Department of the (Treasury) regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as (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 Assisting Lising 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 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 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We were unable to verify the completeness of the cash management population. As a result, we were unable to test compliance and internal controls over compliance related to the cash management compliance requirements.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential Effect – DPW and DPNR were 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DPW and DPNR's compliance with the specified requirements and general compliance principles.

Recommendation – We recommend that DPW and DPNR reevaluate its policies and procedures to ensure proper monitoring over cash management requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPW and DPNR will implement enhanced internal control procedures including monthly reconciliations, assigning oversight, and will conduct internal reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-056**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Environmental Protection Agency

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Public Works (DPW)
Department of Planning and Natural Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected all reports submitted and noted the following:

- 1 financial report did not contain evidence that it was reviewed by an authorized reviewer prior to submission, and the reported financial information did not agree with the underlying records.
- 1 programmatic report and 1 performance report 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 reporting compliance requirements.

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.

Effect or Potential Effect – DPW and DPNR are not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs – None.

Context – This is a condition identified per review of DPW and DPNR's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that DPW and DPNR 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. DPW and DPNR will implement enhanced internal control procedures including establishing review and approval procedures, maintaining supporting documentation and a central repository for 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: **2024-057**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Environmental Protection Agency

Construction Grants for Wastewater Treatment Works
ALN: 66.418
Award #: Various
Award Period: Various

Government Department/Agency:
Department of Public Works (DPW)
Department of Planning and Natural Resources (DPNR)

Criteria - A pass-through entity (PTE) must:

- *Verify the Subrecipient* – Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). 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 a 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(e) through (g)). 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 performance reports required by the PTE.
    2. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
    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.

4. Resolve audit findings specifically related to the subaward.

- *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – DPW did not provide supporting documentation to demonstrate whether they implemented a formal process during the year to ensure compliance with subrecipient monitoring requirements.

Cause – DPW does not have policies and procedures in place to ensure personnel adhere to the internal procedures to properly monitor subrecipients to ensure adherence to applicable federal regulations, including expending federal awards for allowable expenditures.

Effect or Potential Effect – DPW is not in compliance with the stated provisions. Failure to properly adhere to policies and procedures can result in noncompliance with laws and regulations and failure to meet the program's objectives.

Questioned Costs – $6,364,139.

Context – This is a condition identified per review of DPW's compliance with the specified requirements using a statistically valid sample. The total amount of expenditures passed through to subrecipients in fiscal year 2024 were $6,364,139.

Recommendation – We recommend that DPW 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. DPW will develop subrecipient monitoring policies and procedures: including subrecipient risk assessments, tracking and monitoring over reporting, and audit findings. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-058**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Fund
ALN: 66.468
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Management is responsible for establishing, documenting and maintaining a system of internal control that should include controls over its activities allowed or unallowed, and the 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 – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 10 of 91 payroll disbursements. For each of the 10 samples, the employee pay rate documented in the approved Notice of Personnel Action did not agree with the pay rate reflected in the payroll register.

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

Cause – DPNR does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review was completed prior to charging costs to a federal program.

Effect or Potential 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 program.

Questioned Costs – Below reportable threshold.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2024 was $132,646. The amount sampled is $18,936.

Recommendation – We recommend that DPNR reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll transactions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the Notices of Personnel Action provided during the audit. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-059**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

Program:

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Fund
ALN: 66.468
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

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 require 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 54-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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 4 out of 6 drawdowns and noted the following:

- No supporting documentation was available for 2 drawdowns.
- There were 2 instances in which funding was received in advance and vendor payment documentation was not available to verify DPNR minimized the time between receipt of funds and disbursement.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Effect or Potential Effect – DPNR is not in compliance with the cash management requirements.

Questioned Costs – $1,127,439.

Context – This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were $3,860,135. Total amount sampled is $3,151,128.

Recommendation – We recommend that the DPNR reevaluate its policies and procedures to ensure proper monitoring over cash management requirements including retention of supporting documentation for drawdowns and vendor payments.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DPNR will reevaluate and strengthen its cash management policies and procedures to ensure compliance with the Cash Management Improvement Act (CMIA), Treasury-State Agreement requirements, and federal cash management regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-060**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

Program:

U.S. Environmental Protection Agency

Capitalization Grants for Drinking Water State Revolving Fund
ALN: 66.468
Award #: Various
Award Period: Various

Government Department/Agency:

Department of Planning and Natural Resources (DPNR)

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 that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – During our period of performance testing, we sampled and selected 6 of 11 transactions. We identified 1 instance in which payment for the expenditure was made after the period of performance liquidation period.

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

Cause – DPNR does not appear to have adequate policies and procedures to ensure compliance with the required period of performance requirements.

Effect or Potential Effect – DPNR 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.

Questioned Costs – Below reportable threshold.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that DPNR enhance its review process to ensure adherence to federal regulations related to the fiscal administrative requirement relating to liquidation provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-061**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Non-Payroll Activities**

Program:	***Government Department/Agency:***
U.S. Department of Education	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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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.

Condition – In our review of 12 out of 119 non-payroll transactions, we noted 1 instance where the supporting documentation was not available for review.

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

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review was completed prior to charging costs to a federal program.

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total non-payroll expenditures charged to the program in fiscal year 2024 was $1,791,690. The amount sampled is $337,470.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to non-payroll expenditures by enhancing internal controls and procedures to ensure compliance with federal regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-062**
Prior Year Finding Number: **2023-049**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Furthermore, CFR 200.113 requires that an applicant, recipient, or subrecipient of a Federal award must promptly disclose, in writing, whenever it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code, or a violation of the civil False Claims Act, in connection with the Federal award (including any activities or subawards thereunder). The disclosure must be made to the Federal agency, the agency's Office of Inspector General, and the pass-through entity (if applicable).

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 40 of 3,392 payroll disbursements and noted the following:

- 6 instances where the approved timesheets for the selected pay periods were not available for review. In addition, in 1 of these instances the check detail payment was not available for review.
- 1 instance where there was inconsistency between the project code reflected on the check detail and on the NOPA for the selected pay period.
- 1 instance where the hours per the timesheet did not agree to the check history detail.

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

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review was completed prior to charging costs to a federal program.

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

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 2024 was $6,233,846. The amount sampled is $88,200.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll transactions.

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

Finding Number: **2024-063**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Indirect Cost**

Program:	***Government Department/Agency:***
U.S. Department of Education	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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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, indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition – During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 4 transactions out of 13 transactions and noted 4 instances where the check payment details and other related supporting documentation were not available for review.

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

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.

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

Questioned Costs - $94,264.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is $390,164. Total amount sampled is $94,264. The known amount of the instances of noncompliance is $94,264.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures to ensure compliance with federal regulations. VIDE is scheduling mandatory trainings for all relevant VIDE 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: **2024-064**
Prior Year Finding Number: **2023-050**
Compliance Requirement: **Equipment and Real Property Management**

Program:	***Government Department/Agency:***
U.S. Department of Education	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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – While VIDE maintains an equipment listing for fixed assets purchased with federal funding, VIDE was unable to provide a complete equipment listing 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.

Cause – VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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

Finding Number: **2024-065**
Prior Year Finding Number: **2023-051**
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, document, and maintain internal control designed to ensure compliance with Federal statutes, 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, a Local Education Agency (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:

- VIDE was unable to provide supporting documentation that shows the approval of the amounts in the Maintenance of Financial support at the State Education level.
- At the State level, VIDE did not meet the Maintenance of Effort requirement.

In addition, for Earmarking, we noted that the number of students in poverty for St. Thomas/St. John and the Total Students in Poverty for the Territory used in the calculation did not agree with the underlying support.

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.

Cause – VIDE did not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of the requirements.

Effect or Potential 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.

Questioned Costs – None.

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

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the level of effort and earmarking requirements at the SEA and LEA levels by deploying resources that are given the responsibility to ensure periodic monitoring and compliance of the level of effort and earmarking requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will establish and update internal control policies and procedures to meet federal standards over data collection and certification for level of effort and earmarking requirements. VIDE will establish a team for quarterly reviews of documentation and reporting issues and to recommend corrective actions. The IDEA State Office will set procedures for verifying accuracy of data reported by LEAs. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-066**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

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, document, 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 costs incurred throughout the year, we sampled and selected 8 disbursements and noted 6 instances in which supporting documentation evidencing payment was not available. In addition, in 1 of these instances, the reimbursement report for the indirect cost sample was not available for review.

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

Cause – VIDE does not appear to have adequate policies and procedures to ensure compliance with applicable liquidation provisions.

Effect or Potential Effect – VIDE is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs – $73,481.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total non-payroll expenditures charged to the program in fiscal year 2024 were $659,602 and indirect costs totaled $66,901. The amount sampled is $167,809. The known amount of instances of noncompliance is $73,481.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for adhering to liquidation provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE is strengthening its internal controls and record retention procedures to ensure strict adherence to federal period of performance and liquidation provisions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-067**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 84.027X)
Award #: Various
Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's 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, document, 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 7 out of 50 procurement transactions, we noted the following:

- 2 instances where the purchase order was over $25,000 for services, but no VIDE Standard Short Form Contract or Sole Source letter was provided for review.
- 1 instance where the Justification Letter(s) (including the additional letter to the Commissioner of DPP) and requisition/workflow approval were not available for review.
- 1 instance where no supporting documentation was made available for review.

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

Cause – VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential Effect – VIDE could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Questioned Costs – $563,674.

Context - This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $2,042,339. Total amount sampled was $737,526. The known amount of exceptions is $563,674.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the procurement of services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract 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 **2024-068**
Prior Year Finding Number: **2023-052**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 3,236 payroll disbursements and noted the following:

- 4 instances where the approved timesheet for the selected pay period was not available for review. In addition, in 1 of these instances, the NOPA/per diem support was also not available for review.
- 1 instance where the project code was not reflected in check detail and NOPA.
- 1 instance where the payment support (check detail) and the NOPA/per diem support were not available for review.
- 2 instances where recorded timesheet hours did not agree with payroll register.

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

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.

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

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 2024 was $6,052,527. The amount sampled is $128,721.

Recommendation – We recommend that VIDE reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE is addressing audit findings related to payroll activities by enhancing internal controls to ensure compliance with federal regulations and by providing mandatory training. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-069**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Indirect Cost**

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition – During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 4 transactions out of the 16 transactions and noted 4 instances where the check payment details and other related supporting documentation were not available for review.

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

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.

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

Questioned Costs – $229,560.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is $801,866. Total amount sampled is $229,560. The known amount of the instances of noncompliance is $229,560.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures to ensure compliance with federal regulations. VIDE is scheduling mandatory trainings for all relevant VIDE 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: **2024-070**
Prior Year Finding Number: **2023-053**
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.

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – While ***t***he VIDE maintains an equipment listing for fixed assets purchased with federal funding**,** VIDE was unable to provide a complete equipment listing 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.

Cause – VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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

Finding Number **2024-071**
Prior Year Finding Number: **2023-054**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: Various
Award Period: Various

Criteria - When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds (2 CFR section 200.317).

Per Procurement Manual, User Agencies are required to submit a written justification letter to the Government's 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - In our review of 40 out of 381 procurement transactions, we noted the following:

- 5 instances where evaluation reports or bid response documentation were not available.
- 1 instance where the justification letter did not correspond to the selected vendor.
- 1 instance where all supporting documentation was not available for review.

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

Cause – VIDE does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Effect or Potential Effect – VIDE could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Questioned Costs – $95,084.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $7,501,502. Total amount sampled was $514,529. The known amount of exceptions is $95,084.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the procurement of services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract 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 **2024-072**
Prior Year Finding Number: **2023-055**
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 – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

For Reporting, 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.

Per 2 CFR Section 200.329, *Submitting performance reports* - (1) The recipient or subrecipient must submit performance reports as required by the Federal award. Intervals must be no less frequent than annually nor more frequent than quarterly except if specific conditions are applied (See § 200.208). Reports submitted annually by the recipient or subrecipient must be due no later than 90 calendar days after the reporting period. Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the reporting period. Alternatively, the Federal agency or pass-through entity may require annual reports before the anniversary dates of multiple-year Federal awards. The final performance report submitted by the recipient must be due no later than 120 calendar days after the period of performance. A subrecipient must submit a final performance report to a pass-through entity no later than 90 calendar days after the conclusion of the period of performance. See also § 200.344. The Federal agency or pass-through entity may extend the due date for any performance report with justification from the recipient or subrecipient.

As applicable, performance reports should contain information on the following:

(i) A comparison of accomplishments to the objectives of the Federal award established for the reporting period (for example, comparing costs to units of accomplishment). Where performance trend data and analysis would be informative to the Federal agency program, the Federal agency should include this as a performance reporting requirement.
(ii) Explanations on why established goals or objectives were not met; and
(iii) Additional information, analysis, and explanation of cost overruns or higher-than-expected unit costs.

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).

Condition – We noted the following:

- For Performance Reporting, 1 annual report contained amounts that did not agree with the supporting documentation, and annual reports were not prepared and submitted as required for 4 grant awards.

- For FFATA Reporting, 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.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Effect or Potential Effect – VIDE is not in compliance with reporting requirements as it failed to provide evidence of identifying and reporting Transparency Act reporting requirements.

Questioned Costs – None.

Context – This is a condition noted per review of VIDE's compliance with reporting requirements. In fiscal year 2024, VIDE passed through approximately $472,820 to 4 subrecipients.

Recommendation – We recommend that VIDE implement policies, procedures and controls that will comply with all required laws, guidelines, and requirements 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 reporting by developing detailed reporting policies and procedures. These will include guidelines for identifying and tracking subawards, collecting required data, and setting submission timelines. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-073**
Prior Year Finding Number: **2023-056**
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 – 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records:
- Reasonable reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – For ALN 84.425 subprograms A and X, we sampled and selected 60 of 5,693 payroll expenditures and noted the following:

- 1 instance where the approved timesheet was not available for review.
- 1 instance where a duplicate payment of retirement costs was made to an employee.
- 2 instances where the hours recorded on the employees' timesheets did not agree with the hours recorded per the payroll register.
- 4 instances where there was inconsistency between the project code reflected on the check detail and the NOPA.

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.

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.

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

Questioned Costs – Below reporting threshold.

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 2024 is $7,941,259. Total amount sampled is $112,072. The known amount of the instances of noncompliance is $17,628.

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

Finding Number: **2024-074**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Indirect Cost**

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 indirect costs charged to the program must be supported by a valid negotiated indirect cost rate agreement or applied using the de minimis rate, and must be allowable, allocable, reasonable, and adequately supported.

Condition – During our testing of allowable costs for indirect cost expenditures incurred throughout the year, we sampled and selected 3 transactions out of 16 transactions and noted 3 instances where the detailed project expenditure report was not available for review.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the activities allowed or unallowed and allowable costs/cost principles compliance requirements.

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.

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

Questioned Costs - $637,951.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total indirect cost expenditures charged to program in fiscal year 2024 is $2,539,845. Total amount sampled is $637,951. The known amount of the instances of noncompliance is $637,951.

Recommendation - We recommend that VIDE improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for indirect costs.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VIDE will reinforce its procedures and controls over grant expenditures and indirect costs and will coordinate to facilitate trainings for all relevant VIDE 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: **2024-075**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Equipment and Real Property Management**

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) and Office of Management and Budget (OMB)

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – While the VIDE maintains an equipment listing for fixed assets purchased with federal funding, VIDE was unable to provide a complete equipment listing 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.

Cause – VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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

Finding Number: **2024-076**
Prior Year Finding Number: **2023-057**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Education

COVID-19 – Education Stabilization Fund
Governors (Outlying Areas) (ESF Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 – 09/30/2022
01/13/2021 – 09/30/2023

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

Criteria - 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).

Furthermore, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed VIDE and OMB's compliance with the reporting requirements and noted that OMB was unable to provide evidence of submission for the FFATA reports and the required quarterly reports for ALN 84.425, subprogram H.

Further, it does not appear that the controls in place are operating at a level of precision to ensure the timely filing of reports.

Cause – The internal controls established for the submission of reporting requirements did not fully operate as designed, resulting in noncompliance with the reporting requirements under the Transparency Act related to the program's subrecipients and the required quarterly reports.

Effect or Potential 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.

Questioned Costs **-** None.

Context – This is a condition identified per review of the OMB's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that VIDE and OMB reevaluate its policies and procedures to ensure submission of the required reports by an appropriate official after ensuring 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's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-077**
Prior Year Finding Number: **2023-060**
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 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, document, 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 – VIDE did not implement a formal process for the wage rate requirements compliance for fiscal year 2024. In addition, VIDE was unable to provide a complete listing of construction contracts which met the stated requirements.

Further, it does not appear that there are controls in place to ensure compliance with the special tests and provisions compliance requirements.

Cause – VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable wage rate requirements.

Effect or Potential Effect - VIDE is not in compliance with the stated provisions.

Questioned Costs - Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements not using a statistically valid sample.

Recommendation – We recommend that 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: **2024-078**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles – Payroll Activities**

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 #: 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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 with the payroll expense in the payroll register. As a result, we were not able to establish the completeness of the population and were unable to perform testing procedures.

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

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

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

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 Officials – The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-079**
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 #: Various
Award Period: Various

Criteria – Per 2 CFR Section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of 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, document, 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 DPP maintains the equipment register for the Government. DOH was unable to provide accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2024.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

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

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

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation – We recommend that DOH 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 responsible for handling and managing such assets.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-080**
Prior Year Finding Number: **2023-062**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 857 non-payroll transactions, we noted 8 instances in which the expenditures were not approved by the authorized personnel.

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

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

Questioned Costs – None.

Context – This is a condition identified per review of the DHS' compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program were $13,817,623. Total amount sampled is $7,953,867. The known amount of the instances of noncompliance is $1,963,765.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-081**
Prior Year Finding Number: **2023-064**
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 Period: Various

Criteria – Real property, equipment, and intangible property, that are acquired or improved with a federal award must be held in trust by the nonfederal entity as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The Department of Health and Human Services (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 Head Start Agency (HSA) may not dispose of, replace or encumber the property without prior the Administration for Children and Families (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)).

Per 2 CFR Section 200.313, *Equipment*, 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, document, 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 DPP maintains the equipment register for DHS. DHS 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.

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

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation – We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with DPP to ensure compliance with Federal regulations regarding equipment and its maintenance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-082**
Prior Year Finding Number: **2023-065**
Compliance Requirement: **Reporting**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, in accordance with the compliance supplement, the states and territories are required to submit to the Federal administering agency, the Administration for Children and Families (ACF), the SF-429 *Real Property Status Report and SF-429 A General Reporting* on an annual basis 90 days after the end of the reporting period and the SF-428, SF-428 B, and if needed, SF-428 S *Tangible Personal Property Report* at closeout 90 days after the grant closes.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 6 out of 14 special reports required to be submitted during the fiscal year and noted program personnel did not ensure these special 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.

Cause – It appears that policies and procedures, including oversight over submission of required reports, were not functioning as intended.

Effect or Potential Effect – DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements not using a statistically valid sample.

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. DHS will enhance internal control policies and processes by establishing a reporting tracking system, by assigning clear roles and responsibilities, by requiring proper documentation and record retention over reports and supporting documents, by increasing program staff training, and by developing an audit compliance unit. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-083**
Prior Year Finding Number: **2023-066**
Compliance Requirement: **Special Tests and Provisions – Protection of Federal Interest in Real Property and Facilities**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN: 93.356, 93.600
Award #: Various
Award Period: Various

Criteria – Head Start uses specific terms related to real property and facilities, which are defined at 45 CFR section 1305.2, including construction, facility, federal interest, major renovation, and modular unit.

Facilities activities (purchase, construction, major renovation, subordination of a federal interest, refinancing, and disposition) are initiated through the submission of Form SF429 (cover sheet) and applicable attachments B (Request to Acquire, Improve or Furnish) or C (Disposition or Encumbrance Request).

With written prior approval from Administration for Children and Families (ACF), a Head Start Agency (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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – Based on audit procedures performed, we identified 4 of 6 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.

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.

Effect or Potential Effect – There is a risk that lack of compliance with the stated requirements can result in a loss of funding.

Questioned Costs – None.

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

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. DHS has taken immediate corrective actions to record the required Notices of Federal Interest for the two facilities cited. DHS will enhance internal control policies and processes by ensuring a comprehensive facilities review, by designating roles and responsibility, by training and providing technical assistance to relevant program and fiscal staff, and by developing ongoing monitoring and internal reviews. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-084**
Prior Year Finding Number: **2023-067**
Compliance Requirement: **Special Tests and Provisions – Program Governance**

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 Period: Various

Criteria – A Head Start Agency (HSA) 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, document, and maintain internal control designed to 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. Instead, 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.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with program governance.

Effect or Potential 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.

Questioned Costs – None.

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

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 its legal, fiscal, and oversight responsibilities.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance by implementing monthly financial reporting, establishing a governance training program, and by strengthening audit oversight 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: **2024-085**
Prior Year Finding Number: **2023-068**
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
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The CCDF program appears to have policies and procedures in place for eligibility determinations and childcare provider voucher preparation and distribution. However, DHS was unable to provide a complete listing of childcare provider voucher distributions that includes relevant information in order 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.

Cause – It appears that policies and procedures, including review over eligibility transactions, were not functioning as intended.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context - This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles. Approximately $2.4 million was expended for child care vouchers.

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. DHS has updated the childcare database to more efficiently produce monthly vouchers. An independent audit will be conducted to verify processes, review files, and to make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-086**
Prior Year Finding Number: **2023-069**
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
Award #: Various
Award Period: Various

Criteria – In accordance with the Compliance Supplement, the State or Territory:

- May not spend on administrative costs more than five percent of total CCDF awards expended (i.e., the total of Assistance Listings 93.575, 93.596, and 93.489 with the exception of any ARP Act stabilization funds and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (42 USC 9858c(c)(3)(C); Pub. L. no. 116-20; CFR section 98.52).
- Quality Earmark – For fiscal year 2020 and succeeding fiscal years, states and territory Lead Agencies must spend on quality activities, as provided in the state/territorial plan, not less than nine percent of CCDF funds expended (i.e. the total of Assistance Listing 93.575, 93.596, and 93.489 with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds spent on construction and renovation) and any state expenditures for which Matching Funds (Assistance Listing 93.596) are claimed (45 CFR section 98.53). States and territory Lead Agencies must spend at least an additional three percent on quality improvement for infants and toddlers (45 CFR section 98.50(b)).
- Direct Spending Earmarks - (1) From the aggregate amount of Discretionary funds (Assistance Listing 93.575) and Disaster Relief funds (Assistance Listing 93.489) provided for a year (with the exception of any CARES Act, CRRSA Act, and ARP Act, and of any Disaster Relief funds used for construction or major renovation), state Lead Agencies, territory Lead Agencies, as well as those tribal Lead Agencies with allocations of at least $250,000 must reserve funds for administrative costs (described above) and the minimum amount required for quality activities (described above). (2) From the remainder, the Lead Agency must use not less than 70 percent to fund direct services. In addition, states and territories must spend not less than 70 percent of the Mandatory and federal and state share of Matching funds (Assistance Listing 93.596) to provide child care assistance to families who: (a) receive Temporary Assistance for Needy Families (TANF); (b) are attempting through work activities to transition of TANF; and (c) are at risk of becoming dependent on TANF (45 CFR section 98.50(e) and (f)).
- Direct spending requirements do not apply to supplemental funds provided by the CARES Act (Pub. L. No. 116-136), the CRRSA Act (Pub. L. No. 116-260) and the ARP Act (Pub. L. No. 11702).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition - For one project that ended during the fiscal year, management was unable to provide a final ACF-696 Financial Reporting Form for State and Territory CCDF Lead Agencies that reconciled to accounting records. As such, we are unable to determine if the Administrative, Quality and Direct Spending earmarks for this project have been met.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic monitoring of the requirements.

Effect or Potential Effect – DHS is not in compliance with the stated provisions.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

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

Recommendation - We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the requirements throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS has added new roles, one filed and one open to be filled, tasked with oversight of the reporting process to ensure compliance with earmarking. Internal controls have been enhanced, outlining roles and responsibility over supervisory review and approval. Additionally, an Audit and Compliance unit has been established. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-087**
Prior Year Finding Number: **2023-070**
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
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, document, 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 9 of the 32 reports required to be filed during the fiscal year. During our testing, we noted the following:

- 4 financial reports had not been submitted in a timely manner, ranging from 7 to 43 days late.
- 9 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.

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.

Effect or Potential Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs – None.

Context –This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample.

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. DHS has added new roles, one filed and one open to be filled, tasked with oversight of the reporting process. Internal controls have been enhanced, outlining roles and responsibility over supervisory review and approval. Additionally, an Audit and Compliance unit has been established. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-088**
Prior Year Finding Number: **2023-071**
Compliance Requirement: **Special Tests and Provisions – Health and Safety Requirements**

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

CCDF Cluster
ALN: 93.575
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, document, 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 9 of the 47 child care providers and noted that for 3 of the 9 providers selected for testing, there was no evidence of monitoring for compliance with applicable minimum health and safety requirements.

Further, internal controls were not operating at a level of precision to ensure compliance with the compliance requirement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

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 child care expenditures charged to the program were $2,446,801. Total amount sampled is $606,615. The known amount of inconsistencies is $329,116.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the health and safety requirements are documented throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS has onboarded additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-089**
Prior Year Finding Number: **2023-072**
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
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, document, and maintain internal control designed to 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.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

Questioned Costs – None.

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

Recommendation **-** We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance with fraud detection and repayment requirements throughout the fiscal year. DHS should also review its records retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will implement a centralized, secure tracking matrix for all fraud referrals to monitor and to track total funds identified for recovery and recovery status to date. Internal audits will be conducted quarterly, and quality staff will conduct unannounced visits of childcare facilities to monitor attendance. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-090**
Prior Year Finding Number: **2023-073**
Compliance Requirement: **Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds**

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

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

Criteria – To be qualified to receive ARP Act stabilization funds, a provider on the date of application for the award must either be: (1) open and available to provide child care services, or (2) closed due to public health, financial hardship, or other reasons relating to the COVID-19 public health emergency. In addition, the provider must either (1) be eligible to serve children who receive CCDF subsidies at the time of application for stabilization funds, or (2) be licensed, regulated, or registered in the state, territory, or tribe as of March 11, 2021 and meet applicable state and local health and safety requirements at the time of application for stabilization funds. In their application for stabilization funds, a child care provider must certify:

a. That the provider will, when open and providing services, implement policies in line with guidance and orders from corresponding state, territorial, tribal, and local authorities and, to the greatest extent possible, implement policies in line with guidance from the CDC.
b. For each employee, the provider must pay at least the same amount in weekly wages and maintain the same benefits for the duration of the stabilization funding.
c. The provider will provide relief from copayments and tuition payments for the families enrolled in the provider's program, to the extent possible, and prioritize such relief for families struggling to make either type of payment.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 11 of 48 child care providers that received ARP Act stabilization funds. During our testing, we were not provided evidence to substantiate that the child care providers selected for testing were eligible to receive ARP Act stabilization funds.

Further, internal controls were not operating effectively to ensure the maintenance of documentation evidencing compliance with the compliance requirement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of requirements.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DHS's compliance with the specified requirements using a statistically valid sample. The total amount of ARP Act stabilization expenditures charged to the program were $8,952,043. Total amount sampled is $3,448,197.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the ARP Act stabilization provider eligibility requirements throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program 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: **2024-091**
Prior Year Finding Number: **2023-074**
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)

Social Services Block Grant
ALN: 93.667
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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the 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.

Condition – We sampled 60 of the 362 non-payroll transactions and noted 1 instance where the benefit date and payment are outside of the period under audit.

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.

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

Questioned Costs – $29,985.

Context – This is a condition identified per review of compliance with the specified requirements using a statistically valid sample. Total amount of non-payroll expenditures charged to the program in fiscal year 2024 were $2,642,402. Total amount sampled is $918,181. The known amount of the exception is $29,985.

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. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles. DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal regulations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-092**
Prior Year Finding Number: **2023-075**
Compliance Requirement: **Period of Performance**

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

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria – A Non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Additionally, the Uniform Guidance in 2 CFR Section 200.344(b), states that unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 1 out of 10 transactions recorded at the beginning of a project's period of performance and noted 1 instance where fringe benefits were incorrectly charged to the program. Specifically, the employer share of fringe benefits was charged to the program without any associated time and effort by the employee. The employee had retired, yet the fringe benefit continued to be charged to the program after retirement.

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.

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

Effect or Potential 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.

Questioned Costs – Below reporting threshold.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of expenditures recorded during the grant's beginning period of performance are $1,310.

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. DHS has strengthened internal control policies and processes including reconciliations, retrospective reconciliations, and team engagement to better understand the underlying factors and nuances resulting in discrepancies. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-093**
Prior Year Finding Number: **2023-076**
Compliance Requirement: **Reporting**

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

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Period: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, in accordance with the compliance Supplement, the states and territories are required to submit to the Federal administering agency, the Office of Community Services (OCS), SF-425 'Federal Financial Report' and an annual 'Post Expenditure Report' (42 USC 1397e) no later than six months following the close of the fiscal year. Further, in accordance with OCS SSBG Supplemental Terms and Conditions, SSBG is required to submit an interim and final SF-425 report covering Year 1 and the entire 2-year of the project period, 90 days following Year 1 (FFY 1) and 90 days following the end of Year 2 (FFY 2), respectively.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 2 out of 4 financial (SF-425) and special (Post-Expenditure) reports and noted the following:

- For 1 financial report, we were unable to agree a line item of the report to the underlying supporting records.
- For 1 special report, there was no evidence indicating the date the report was prepared, reviewed, or submitted to the federal grantor. Additionally, we were unable to agree the key line item reported to the underlying supporting 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.

Cause – It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Effect or Potential Effect - DHS is not in compliance with the stated provisions.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

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. DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report in the Payment Management System financial reporting module and for formal notification of report submissions. In addition, a Federal Grants Financial Analyst has been onboarded and processes enhanced to allow for a match to all reports inclusive of Federal draws. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-094**
Prior Year Finding Number: **N/A**
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)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2022 – 09/30/2024

Criteria – Federal funds can be used only for Medicaid and CHIP benefit payments (as specified in the state plan, federal regulations, or an approved waiver/demonstration), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for the establishment and operation of state MFCUs (42 CFR 435.10, 440.210, 440.220, and 440.180). Payments may only be made to providers determined by the SMA to be eligible to participate in the Medicaid program.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, 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 of 971 payroll transactions and noted the following:

- 1 instance where the project code on an employee's Notice of Personnel Action (NOPA), used to record time and effort to the appropriate grant, had not been updated. However, during the fiscal year, program personnel made adjustments to ensure the employee's time and effort was recorded to the correct grant.
- 1 instance in which the hours noted per the employee's timesheet did not agree to the hours in the payroll register.

We have also noted that the expense population included expenditures for 3 grant awards with award periods beginning after September 30, 2024.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the allowable costs/cost principles compliance requirement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with stated provisions.

Effect or Potential Effect – DHS is not in compliance with the stated provisions. Failure to properly review and report expenditures can result in noncompliance with laws and regulations along with loss of funding.

Questioned Costs – $61,457.

Context – This is a condition identified per review of DHS' compliance with the specified requirements and general compliance principles.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure monitoring and compliance of stated requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. DHS will continue to strengthen its review and documentation procedures to ensure compliance with federal requirements and has adopted an electronic system for payroll, replacing manual processes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-095**
Prior Year Finding Number: **2023-078**
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: 10/01/2022 – 09/30/2024

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2022 – 09/30/2025

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, document, and maintain internal control designed to ensure compliance with Federal statutes, 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 of 2,207 participant case files, we noted the following:

- 33 instances where documentation supporting the eligibility determinations were not available.
- 4 instances where there was no evidence of completed application.
- 12 instances where there was no evidence that the eligibility determination had been reviewed and approved, or that the application was processed in a timely manner.

In addition, we were unable to determine the completeness of the population of eligible participants, as an ADP/Risk analysis was not performed on the VIBES system (which houses the eligibility database).

Cause – DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review and maintenance of the data in its participant case files.

Effect or Potential 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.

Questioned Costs – Not determinable. Given the nature of the finding (e.g. unavailability of supporting documentation), we determined that projecting estimated questioned costs to the entire population was inappropriate.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

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 has enhanced internal control policies and processes including implementing in-person/active renewal requirements, enhancing the treatment and steps for obtaining and maintaining required supporting documentation, updating system configurations, implementing a review tracker, outlining roles and responsibilities, and conducting targeted staff training. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-096**
Prior Year Finding Number: **2023-080**
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: 10/01/2022 – 09/30/2024

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2022 – 09/30/2025

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – For Medicaid Cluster, we reviewed 2 of 4 quarterly CMS-64 reports submitted during the fiscal year and noted the following:

- 1 report did not contain evidence of review or approval.
- 2 reports had not been submitted in a timely manner.

For Children's Health Insurance Program, we noted 1 of 2 reports tested that did not contain evidence of review or approval.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Effect or Potential Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

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. DHS has implemented a shared folder where copies of approval emails and any time extension requests are stored to enhance current internal control processes. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-097**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions – Medicaid Fraud Control Unit**

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

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2023 – 09/30/2024

Criteria – The Medicaid Fraud Control Unit (MFCU) is required to submit the SF-425, Federal Financial Report. As per the requirements, the:

- Quarterly expenditure reports are due 30 days after the end of each quarter.
- If the grantee will be unable to submit the financial expenditure report by the due date, the grantee must request an extension.

Condition – We reviewed 2 out of the 4 reports submitted during the fiscal year and noted the following:

- 1 report and its related documentation were not provided for review.
- 1 report was not submitted in a timely manner.
- For 1 report, supporting accounting detail was not provided to verify the data reported.

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

Cause - It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the DHS and DOJ do not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Effect or Potential Effect – DHS and DOJ are not in compliance with the stated provisions with respect to special reporting requirements.

Questioned Costs - None.

Context - This is a condition identified per review of DHS and DOJ's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that DHS and DOJ reevaluate their 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. DHS and DOJ have established internal controls and accountability measures to ensure the timely preparation, review, and submission of 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: **2024-098**
Prior Year Finding Number: **2023-082**
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: 10/01/2022 – 09/30/2024

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, document, and maintain internal control designed to 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 2024.

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

Cause – DHS does not appear to have adequate policies and procedures in place for the provision of audited cost reports of its participating providers.

Effect or Potential 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.

Questioned Costs - None.

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

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 has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-099**
Prior Year Finding Number: **2023-083**
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: 10/01/2022 – 09/30/2024

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, document, and maintain internal control designed to 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.

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.

Effect or Potential 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.

Questioned Costs - None.

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

Recommendation - We recommend that DHS 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 DHS. If DHS 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. To address this finding, DHS is actively pursuing Requests for Qualifications (RFQs) seeking to partner with a technology system vendor to perform a comprehensive security risk assessment of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-100**
Prior Year Finding Number: **2023-084**
Compliance Requirement: **Special Tests and Provisions – Provider Eligibility**

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Period: 10/01/2022 – 09/30/2024

Children's Health Insurance Program
ALN: 93.767
Award #: 2205VQ5021
Award Period: 10/01/2022 – 09/30/2025

Criteria – *Medicaid* – In order to receive Medicaid payments, providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program (42 CFR 431.107 and 447.10; and Section 1902(a)(9) of the Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR Part 455, Subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the Medicaid program (see 42 CFR 455.436).

CHIP – In order to receive CHIP payments, CHIP providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the CHIP program (42 CFR 457.900); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR 457.990(a), cross referencing 455.107). CHIP managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Guidance was provided to states in the Medicaid Provider Enrollment Compendium (MPEC) to enroll CHIP providers into their Medicaid programs to ensure that they meet federal requirements. Providers who have been barred from participation by the OIG exclusion list are not eligible to be enrolled in the CHIP program (42 CFR 457.990, 42 CFR 455 Subpart E).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled 60 of 834 providers that provided Medicaid and CHIP services during fiscal year 2024. We noted 26 total exceptions:

- 9 instances in which no supporting documentation was provided for review.
- 16 instances in which the Medicaid Provider Agreement was not provided for review.

- 11 instances in which evidence of exclusion screening from the Office of Inspector General (OIG) list was not provided for review.

In addition, we were unable to determine the completeness of the population of eligible providers, as an ADP/Risk analysis was not performed on the VIBES system (which houses the eligibility database).

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

Cause – DHS does not appear to have adequate policies and procedures in place to ensure documentation is maintained and available to be inspected.

Effect or Potential Effect – DHS is not in compliance with the stated provisions for provider eligibility, including maintaining appropriate evidence of compliance. Noncompliance with program requirements could result in future impacts to funding.

Questioned Costs – None.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Recommendation - We recommend that DHS implement policies and procedures to ensure provider enrollment documentation is maintained and available for inspection.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-101**
Prior Year Finding Number: **2023-081**
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 – 09/30/2024

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 – We noted that a Program Integrity Director was onboarded in 2024 and started implementing policies & procedure in a defined phased manner to establish the Program Integrity Unit for the compliance requirements detailed above. As such DHS was not able to provide evidence of meeting compliance requirements during Fiscal Year 2024. Specifically, we noted the following:

- The method of determining criteria for identifying suspected fraud cases was still being developed.
- The method for investigating these cases was still being developed.

- The procedures, developed in cooperation with legal authorities, for referring credible allegations of fraud cases to law enforcement officials was still being developed.

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 – As the Program Integrity Director was onboarded and started the groundwork, DHS should be involved and monitor the progress of Program Integrity Unit against the planned roll out of this Unit and take corrective action for any deviations, as necessary, in a timely manner to ensure compliance. The written procedures should reflect the actual actions to be taken.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-102**
Prior Year Finding Number: **2023-085**
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
FEMA-3603-EM, FEMA-3581-EM
Award Periods: 09/20/2017 – 09/07/2026
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Additionally, 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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We selected 60 projects with first-tier subawards greater than $30,000 and noted the following:

- There was no evidence of review of the FFTA reporting prior to submission.
- The timeliness of FFATA reporting could not be verified.

Additionally, we sampled and selected 8 out of 40 financial and progress reports and noted that 6 performance/progress reports were not available for review.

Cause – It appears that policies and procedures, including review over reporting procedures, were not functioning as intended.

Effect or Potential Effect – Lack of internal controls over compliance may lead to material noncompliance with the stated provision.

Questioned Costs – None.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Recommendation – We recommend that VITEMA reevaluate its policies and procedures to ensure proper review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2024-103**
Prior Year Finding Number: **2023-086**
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
FEMA-3603-EM, FEMA-3581-EM
Award Periods: 09/20/2017 – 09/07/2026
09/07975/2017 – 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:

- *Verify the Subrecipient* – Verify that the subrecipient is not excluded or disqualified in accordance with 2 CFR 180.300. Verification methods are provided in 2 CFR 180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds (2 CFR 200.322(a)).
- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.332(b).
- *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(c)). This evaluation of risk may include consideration of such factors as the following:
    5. The subrecipient's prior experience with the same or similar subawards;
    6. The results of previous audits including whether or not the subrecipient receives a 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;
    7. Whether the subrecipient has new personnel or new or substantially changed systems; and
    8. 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(e) through (g)). 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:
    5. Reviewing financial and performance reports required by the PTE.

6. Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward in accordance with 2 CFR 200.332(e)(2).
7. 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.
8. Resolve audit findings specifically related to the subaward.

- *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, to ensure compliance by for-profit subrecipients. The subaward with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits (2 CFR section 200.501(i)).

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, document, and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We have selected 8 of 32 subrecipients for testing and found the following:

- 8 instances where we were unable to obtain Quarterly Progress Reports.
- 8 instances where we were unable to obtain completion/inspection certificate.
- 8 subrecipients 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.

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.

Effect or Potential Effect - VITEMA is not in compliance with the stated provisions. Failure to properly identify and monitor subrecipients can result in noncompliance with laws and regulations and failure to meet the program's objectives.

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 2024 was $194,161,499. The total amount of our samples totaled $104,355,230.

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. VITEMA has implemented new policies and procedures by implementing a quarterly report deadline, a centralized location for supporting documentation and audit compliance, an inspection and certification of reports, and an annual notification to subrecipients of their audit responsibilities. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Management's Appendices

Summary Schedule of Prior Audit Findings

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DEPARTMENT OF FINANCE

Appendix A
Summary Schedule of Prior Audit Findings

Section I – Financial Statement Findings

Finding 2023-001, 2022-001, 2021-002, 2020-002, 2019-002, 2018-002, 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process and Financial Deficit

Timeliness and Methodology of Close Process

Current Status: Repeated. Finding 2024-001 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with D&A will be essential through setting expectations, establishing realistic goals, and providing support. The Government does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

Component Units Reporting

Current Status: Repeated. Finding 2024-001 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 will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report. The Government aims to see adjustments in fiscal year 2026 to see positive results in the fiscal year 2027.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2024-001 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise.

For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices.

Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year 2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads).

Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.

Government Insurance Fund

Current Status: Repeated. Finding 2024-001 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: Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses.

Journal Entries

Current Status: Repeated. Finding 2024-001 E.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.

Finding 2023-002, 2022-002, 2021-003, 2020-003, 2019-003, 2018-003, 2017-004, 2016-002, 2015-002 and 2014-003: Revenue and Receivables

Reconciliation of Subsidiary Registers

Current Status: Repeated. Finding 2024-002 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: - The Government will ensure that the general ledger accounts are reconciled to the detailed records on a quarterly basis.

Tax Return Processing Method

Current Status: Repeated. Finding 2024-002 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.

Real Property Tax

Current Status: Repeated. Finding 2024-002 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will review and identify the Government's and component units' properties in the tax roll listing to ensure that proper tax credits are applied. Management will also implement enhanced controls to ensure that tax billings are issued accurately only for taxable properties, that interest is calculated correctly, and that all tax credits are properly supported.

Finding 2023-003, 2022-003, 2021-004, 2020-004, 2019-004, 2018-004, 2017-005, 2016-003, 2015-003 and 2014-004: Grants Management

Control Systems Over the Schedule of Expenditures of Federal Awards

Current Status: Repeated. Finding 2024-003 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance.

Key improvements from the system to include:

- Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system.
- Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions.
- Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness.
- Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations.
- Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions.
- Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting.

Immediate corrective actions aligned with the audit's recommendations will include:

- Quarterly reviews of ALN, expenditures, and cash receipts postings to grants.
- Continuous reconciliations of SEFA with departments and agencies.

- Enhanced documentation, monitoring, and training for all grant management staff.
- Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.

Federal Grants and Contributions

Current Status: Repeated. Finding 2024-003 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that receivables are tracked by each individual Government agency by performing the following:

- Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred.

- Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government.

- Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.

Federal Grants Accounting

Current Status: Corrective action was taken. Finding not repeated in current year.

Report Submission

Current Status: Repeated. Finding 2024-003 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will:

- Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date).

- Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders.
- Government-wide Standard Operating Policies and Procedures will be developed to provide a uniform and consistent approach across all agencies in Grant Management, Fixed Assets, Fraud Waste and Abuse (FWA), Cash Management and with an automated training schedule requirement through a training platform.
- Supplemental detail for example cheat sheets, checklists, and training guides will be developed based on the Government-wide Standard operating policies and procedures (SOPP).
- All staff involved in the audit and reporting process will receive annual training on federal grant management and reporting requirements.

Finding 2023-004, 2022-004, 2021-005, 2020-005, 2019-005, 2018-005, 2017-002, 2017-006, 2016-004, 2015-004 and 2014-005: Capital Assets and Related Expenditures

Record Keeping

Current Status: Repeated. Finding 2024-004 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary.

Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.

Reconciliation and Review of Subsidiary Registers

Current Status: Repeated. Finding 2024-004 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.

Construction in Progress (CIP) Monitoring

Current Status: Repeated. Finding 2024-004 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.

Capital Assets Impairment Process

Current Status: Repeated. Finding 2024-004 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

Capital Assets – Business-Type Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-005, 2022-005, 2021-006, 2020-006, 2019-006, 2018-006, 2017-007, 2016-005, 2015-005 and 2014-006: Recording of Liabilities

Retroactive Pay Liability

Current Status: Repeated. Finding 2024-005 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA, and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.

Medical Malpractice Liability

Current Status: Repeated. Finding 2024-005 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.

Accounts Payable

Current Status: Repeated. Finding 2024-005 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices.
Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage.

The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.

Landfill Closure and Post Closure Costs Liability

Current Status: Corrective action was taken. Finding not repeated in current year.

Quality of Census Data

Current Status: Repeated. Finding 2024-005 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.

Income Tax Refunds Payable

Current Status: Repeated. Finding 2024-005 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 will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.

Plan Funding Considerations

Current Status: Repeated. Finding 2024-005 F.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

Appendix A
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Finding 2023-006, 2022-006, 2021-007, 2020-007, 2019-007, 2018-007, 2017-008, 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program

Cost Report Audits, System Security Review, and Approvals

Current Status: Repeated. Finding 2024-006.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Human Services (DHS) intends to shift the responsibility of Cost Reports internally to Fiscal Office, under the supervision of Director of Audit and Compliance. The first step towards this initiative will require a contract to be executed with a previous vendor, to implement a template for quick calculation. This method has proven to be effective in previous years. DHS consider this a high-priority initiative that will provide much-needed revenues to the coffers.

Finding 2023-007, 2022-007, 2021-008, 2020-008, 2019-008, 2018-008, 2017-009, 2016-007, 2015-007 and 2014-008: Unemployment Insurance Trust Fund

Account Reconciliation Process

Current Status: Repeated. Finding 2024-007.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.

Finding 2023-008, 2022-008, 2021-009, 2020-009, 2019-009, 2018-009, 2017-010, 2016-008, 2015-008 and 2014-011: Workers Compensation Program

Plan Valuation Methodology

Current Status: Repeated. Finding 2024-008 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

Finding 2023-009, 2022-009, 2021-011, 2020-011, 2019-011, 2018-011, 2017-002, 2017-011, 2016-011, 2015-011 and 2014-010: Payroll, Related Accruals, and Other Expenditures

Payroll Expenditures

Current Status: Repeated. Finding 2024-009 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Payroll Unit will monitor accrual liabilities bi-annually.

Transactions with Personnel

Current Status: Repeated. Finding 2024-009 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.

Reporting for Expenditures

Current Status: Repeated. Finding 2024-009 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Lack of monthly reconciliations at the D&A creates untimely adjustments in the system. Accordingly, the Government will:

- Require CFOs to generate Flexible Period Reports of all final balances by the 30th of the following month, which will allow D&As the opportunity to enter, release, and obtain approval for journal entries.
- Create a workflow in the ERP system for general journals to assign responsibility to CFOs for timely adjustments and to support the requirement to provide Flexible Period Reports.

- Have the DOF Accounting Operations Manager and Director of Accounting work with Tyler Technologies to evaluate options for tracking timeliness within the ERP system.

Formalize Emergency Payroll Procedures

Current Status: Repeated. Finding 2024-009 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.

Finding 2023-010, 2022-010, 2021-012, 2020-012, 2019-012, 2018-012, 2017-012, 2016-010, 2015-010 and 2014-002: Bank Accounts

Strengthen Controls Over Bank Reconciliations

Current Status: Repeated. Finding 2024-010 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.

Cash Pooling and Allocation(s)

Current Status: Repeated. Finding 2024-010 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.

Check Sequences

Current Status: Repeated. Finding 2024-010 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager.

Finding 2023-011, 2022-011, 2021-010, 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Actuarial Valuation

Current Status: Corrective action was taken. Finding not repeated in current year.

Administration and Recordkeeping

Current Status: Repeated. Finding 2024-011 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year.

Update of Mortality Tables

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-012, 2022-012: Accounting Standards Implementation

Current Status: Repeated. Finding 2024-012.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.

Finding 2023-013, 2022-013: Irregularities Related to Procurement Activities

Current Status: Repeated. Finding 2024-013.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.

Finding 2023-014, 2022-014, 2021-017, 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2024-014.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY.

Finding 2023-015, 2022-015, 2021-013, 2020-013, 2019-013, 2018-013, 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology (IT) Environment

User Access and Administration

Current Status: Repeated. Finding 2024-015.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies.

IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training by February 28, 2026.

Finding 2022-016, 2021-014, 2020-014 and 2019-014: *Collateral of Depository*

Current Status: Repeated. Finding 2024-016 A.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.

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Summary Schedule of Prior Audit Findings

Finding 2023-016, 2022-017, 2021-015, 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2024-016 B.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government should implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

Finding 2023-016, 2022-018, 2021-016, 2020-016, 2019-016, 2018-015, 2017-015, 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2024-016 C.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.

Finding 2023-016: Compliance with Legislative Appropriation

Current Status: Repeated. Finding 2024-016 D.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will establish separate Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.

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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 #: Various
Award Year: 10/01/21 – 09/30/22
10/01/22 – 09/30/23

Finding 2023-019, 2022-020 and 2021-019: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-018.

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 Human Services (DHS) adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes.

Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: Provisional Payroll Codes are requested (1) Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.(2) Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. (3) The sheets will be submitted to Fiscal for certification by the CFO. (4) NOPA's are updated with the provisional codes.

Lastly, once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.

The Federal Grants Financial Analyst, once onboarded, will also play a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. DHS has added an additional layer of monitoring with the onboarding of a Director of Federal Grants. The newly created unit of Audit and Compliance, once staffed will play a crucial role with periodic monitoring.

Finding 2023-020, 2022-021 and 2021-020: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-019.

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: While the ERP provides an overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.

Finding 2023-021. 2022-022, 2021-021, 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions – EBT Card Security

Current Status: Corrective action was taken. Finding not repeated in current year.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (DOE)

Child Nutrition Cluster
ALN: 10.555, 10.559, 10.582
Award #: 1VI300308, 4VI300308, 4VI308908
Award Period: 10/01/2021 – 09/30/2022
10/01/2022 – 09/30/2023
10/01/2022 – 09/30/2024

Finding 2023-022 and 2022-023: Allowable Costs/Cost Principles – Payroll Activities

Current Status: While the procedural improvements are underway, DOE are currently unable to produce the specific requested NOPA/Payroll Checklist and the timesheet logs/approvals for the periods cited, as the Government is focused on establishing a centralized documentation repository to capture these controls consistently going forward.

Finding 2023-023: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance

Current Status: The State Director of Special Nutrition Programs will address this finding utilizing a revised method. The Director and the Financial Control Officer will provide a reminder to the School Food Authorities (SFAs) on October 1 of each year that the liquidation period ends on December 31st.

The reminder will include the need to ensure that vendor payments are entered timely and must be tracked daily to ensure that invoices are moving through the approval workflow to confirm that all payments are completed by the end of the liquidation period. The State Director is on target to meet the notification timeframe indicated in our previous response.

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Summary Schedule of Prior Audit Findings

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 2023-024, 2022-024 and 2021-022: Cash Management

Current Status: Repeated. Finding 2024-017.

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: As of July 2024, DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.

Finding 2023-025: Procurement and Suspension and Debarment

Current Status: All requested procurement sample information that WIC has access to were submitted, which included invoices, quotes, proof of payment, drawdowns, and contract. It was explained to auditors that according to the Government's SOPs, Property and Procurement handles the securing of all government contracts (Janitorial, Exterminating, etc.) and therefore are the custodian for all documents pertaining to the contracting process, which are the supporting documentation that are being referred to in this finding. These documents for vendor selection are not available to the program and should be secured from the DPP. The Program reached out to DPP several times to get copies of the requested documents but was unsuccessful with this request. The Program followed all procedures for government contracting based upon the Government's SOPs and will continue to follow these procedures.

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

WIC Grants to States (WGS)
ALN: 10.578
Award #: IV1700748
Award Year: 07/01/2019 – 12/31/2023

Finding 2023-026: Cash Management

Current Status: Repeated. Finding 2024-021.

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: DOH has implemented no corrective action, as grant is closed.

Finding 2023-027: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-022.

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: DOH has implemented no corrective action, as grant is closed.

Finding 2023-028: Reporting

Current Status: Repeated. Finding 2024-023.

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 has implemented no corrective action, as grant is closed.

Program:
U.S. Department of Defense

National Guard Military Operations and Maintenance (O&M) Projects
ALN: 12.401
Award #: W9127P-23-2-1001, W9127P-22-2-1001
Award Year: 10/01/2021 – 09/30/2022
10/01/2022 - 09/30/2023

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

Finding 2023-029, 2022-026, 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-025.

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 reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance compliance.

Payroll expenditures charged to Master Cooperative Agreement Appendices will be subject to quarterly review to verify that timesheets, payroll registers, and supporting documentation are complete, accurate, and retained in accordance with the SF-270 submission requirements. Payroll charges will also be reviewed against periods of performance before posting to ensure costs are assigned to the correct award.

OTAG will revise its Standard Operating Policies and Procedures (SOPPs) to establish formal procedures for payroll certification, documentation retention, reconciliation of payroll records to timesheets, and review of Master Cooperative Agreement funded personnel costs. Training will be conducted for personnel on documentation standards and allowable cost requirements.

To prevent recurrence, monthly reconciliations between payroll records and supporting timesheets will be performed and documented. Quarterly compliance reviews will evaluate payroll charges and supporting documentation for accuracy and completeness.
Monitoring & Accountability: The Adjutant General and Executive Director will jointly oversee implementation. Results of monthly reconciliations and quarterly reviews will be reported to executive management.

Finding 2023-030, 2022-027, 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management and Reporting

Current Status: Repeated. Finding 2024-026.

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 recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Finding 2023-031, 2022-028, 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-027.

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 recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will develop a formal methodology for calculating, documenting, and monitoring matching requirements associated with each Cooperative Agreement. Matching calculations will be prepared monthly and reviewed quarterly by management with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system. Documentation supporting allowable matching expenditures will
be maintained in a centralized file.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

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Summary Schedule of Prior Audit Findings

Finding 2023-032, 2022-029, 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: Repeated. Finding 2024-028.

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 recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. Personnel will verify Master Cooperative Agreement Appendices periods prior to processing transactions. Expenditures charged to awards will undergo review to confirm alignment with the applicable award and performance period with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Finding 2023-030, 2022-027, 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: Repeated. Finding 2024-026.

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 recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures.

OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system.

Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures.

Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records.

Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.

Program:
U.S. Department of the Interior

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Fish and Wildlife Cluster
ALN: 15.605, 15.611
Award #: Various
Award Year: Various

Finding 2023-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-030.

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: DPNR will:

- Conduct a review of payroll transactions to identify any additional discrepancies between timesheets and payroll registers.
- Implement a requirement for supervisory review and certification of employee timesheets prior to payroll processing.

- Establish a reconciliation process requiring payroll staff to compare approved timesheets to payroll registers before final payroll approval.

Grant Charge Authorization
- Review personnel funding assignments to verify that salary charges are consistent with approved Notices of Personnel Action (NOPAs), grant budgets, and personnel authorizations.
- Correct the employee's funding allocation to reflect the authorized grant funding source.
- Establish a secondary review process to verify funding sources before payroll is posted to grant accounts.

Payroll Adjustments
- Review outstanding payroll adjustments and correction entries.
- Process the identified correction and updated procedures to ensure adjustments are completed promptly upon discovery.
- Establish tracking procedures to monitor payroll corrections through completion.

Finding 2023-034: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-031.

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) 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.

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 2023-035, 2022-030, 2021-025, 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2024-034.

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: The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including cash management. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-036, 2022-031, 2021-026, 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-035.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-037 and 2022-032: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-036.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention.

Finding 2023-038, 2022-033, 2021-027, 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2024-037.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework.
The Government Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-039: Subrecipient Monitoring

Current Status: On-going implementation. DPNR concurs with finding and is conducting a comprehensive review of its subrecipient monitoring procedures and has been identifying areas requiring strengthening to ensure full compliance with federal requirements.

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)

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

Finding 2023-040, 2022-034, 2021-028, 2020-028, 2019-033, 2018-038, 2017-071, 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2024-044.

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: VIDOL acknowledges the auditor's finding regarding the inability to provide fully reconciled accounting information for the Unemployment Insurance Trust Fund accounts and recognizes the importance of maintaining complete, accurate, and timely financial records in compliance with 2 CFR 200.302 and 2 CFR 200.303. VIDOL concurs with the recommendation and is committed to strengthening internal controls, improving financial management processes, and ensuring timely reconciliations and oversight of all Unemployment Insurance program funds. VIDOL will implement the following corrective actions:

1. Development and Implementation of Written Policies and Procedures: VIDOL will develop and formalize comprehensive accounting policies and procedures governing: •Monthly reconciliations of all Unemployment Insurance Trust Fund accounts; •Cash receipt and disbursement processing; •Accrual preparation and review; •Federal grant accounting and reporting requirements; •Documentation retention and support requirements; and •Review and approval protocols for financial transactions and reports. These procedures will be aligned with the requirements set forth in 2 CFR 200 and applicable federal guidance.

2. Monthly Reconciliation Process: VIDOL hired a new Financial Analyst in December 2025 due to vacancy created due to the departure by the former Financial Analyst in February 2025. VIDOL has completed monthly reconciliations of all UI accounts through March 2026. VIDOL has implemented a reconciliation process that reconciles all accounts monthly for all Unemployment Insurance Trust Fund accounts and ensure: •General ledger balances agree to subsidiary ledgers and bank records; •Differences are identified, researched, and documented timely; and •Reconciliations are reviewed and approved by supervisory personnel.

3. Strengthening Internal Controls and Oversight: VIDOL will enhance internal controls over financial reporting and grant management by:
•Assigning clear responsibilities for preparation and review of reconciliations; •Implementing supervisory review procedures for financial reports and reconciliations; •Conducting periodic management reviews of account activity and outstanding balances; and •Maintaining adequate supporting documentation for all financial transactions.

4. Staff Training and Technical Assistance: Fiscal staff responsible for grant accounting and financial reporting will receive additional training on: •Federal grant compliance requirements under Uniform Guidance; •Financial reconciliation procedures; •Documentation standards; and •Internal control responsibilities. VIDOL will also seek technical assistance, as necessary, to improve financial reporting and reconciliation practices.

5. Ongoing Monitoring and Compliance Review: VIDOL management will conduct periodic monitoring to ensure reconciliations are completed timely and corrective actions are operating effectively. Any identified discrepancies or instances of noncompliance will be addressed promptly.

Finding 2023-041, 2022-035 and 2021-029: Eligibility

Current Status: Repeated. Finding 2024-045.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDOL concurs with the auditor's findings and recommendations. VIDOL entered a one (1) year contract with Quantum Technology on July 15, 2025, to convert all VIDOL files from a paper based to an electronic recordkeeping system. Quantum Technology continues to digitize and transfer the files to a database where they are properly catalogued, retrievable and indexed in accordance with established naming conventions. Once Quantum Technology completes the contract deliverables, VIDOL will have a robust document management system to facilitate easy retrieval and secure storage.

Finding 2023-042, 2022-036 and 2021-030: Reporting

Current Status: Repeated. Finding 2024-046.

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: VIDOL acknowledges the auditor's finding regarding deficiencies in the retention, review, accuracy, and support of required financial, performance, and special reports submitted to the Federal government. VIDOL submitted all outstanding reports along with supporting documentation during the 30-day sprint to the Regional Office. VIDOL recognizes the importance of maintaining complete and accurate supporting documentation and ensuring that all required reports are properly reviewed, approved, and retained in compliance with 2 CFR 200.302, 2 CFR 200.303, and 2 CFR 200.403(g). VIDOL will implement the usage of the USVI Unemployment Benefit Manual which contains the principles and operating instructions for carrying out the agency's responsibilities under the various benefits programs. VIDOL concurs with the auditor's recommendation and is committed to strengthening internal controls and reporting procedures to ensure the accuracy, completeness, timeliness, and proper retention of all federally required reports. To address the deficiencies identified, VIDOL will implement the following corrective actions:

1. Revision and Formalization of Reporting Policies and Procedures: VIDOL will reevaluate and update its written policies and procedures governing the preparation, review, approval, submission, and retention of all required Federal reports, including ETA-9050, ETA-9052, ETA-9055, and other applicable reports. The revised procedures will establish: •Standardized reporting processes; •Documentation requirements supporting all reported data; •Required supervisory review and approval protocols; •Submission deadlines and tracking requirements; and •Record retention standards consistent with Federal regulations.

2. Implementation of Review and Approval Controls: VIDOL will implement enhanced supervisory review procedures to ensure all reports:
•Are supported by complete and accurate documentation; •Reconcile to source records and supporting schedules; •Are reviewed for accuracy and completeness prior to submission; and •Contain documented evidence of review and approval by designated management personnel.

3. Centralized Documentation Retention Process VIDOL will establish a centralized electronic and/or physical filing system for all required Federal reports and supporting documentation to ensure: •Records are retained for the required retention period; •Supporting documentation is readily accessible for audit and monitoring purposes; and •Submitted reports can be fully substantiated and traced to source documentation.

4. Periodic Internal Monitoring and Quality Assurance Reviews: Management will conduct periodic internal reviews of submitted reports and supporting documentation to verify compliance with Federal reporting requirements and internal procedures. Any discrepancies or missing documentation identified during these reviews will be corrected promptly and communicated to responsible staff.

5. Staff Training and Technical Assistance: Appropriate staff responsible for report preparation, review, and submission will receive additional training on: •Federal reporting and documentation requirements; •Record retention standards; •Internal control responsibilities; and •Procedures for reconciling reported information to supporting documentation. VIDOL will also seek technical assistance, as necessary, to improve reporting accuracy and compliance processes.

Finding 2023-043, 2022-038, 2021-033 and 2020-029: Special Tests and Provisions - UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)

Current Status: Repeated. Finding 2024-047.

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: VIDOL acknowledges the auditor's finding regarding the failure to submit the required ETA 9129 RESEA Quarterly Reports in a timely manner under the UI-Reemployment Services and Eligibility Assessment (RESEA) program. VIDOL recognizes the importance of maintaining effective internal controls to ensure all required Federal reports are accurate, complete, properly reviewed, and submitted within established deadlines in compliance with 2 CFR 200.303. VIDOL concurs with the auditor's recommendation and is committed to strengthening

reporting controls and implementing system improvements to ensure ongoing compliance with Federal reporting requirements. To address the deficiencies identified, VIDOL will implement the following corrective actions:

1. Implementation of RESEA Case Management System: VIDOL is currently in the implementation stage of the core portion of the RESEA case management system that will serve as the official system of record for all RESEA claimant services and reporting activities. The system is expected to go out to production/testing by June 2026 with an identified vendor. The new system will: •Centralize claimant and program data; •Improve tracking of RESEA activities and outcomes; •Generate data necessary for required Federal reporting; •Enhance data accuracy and consistency; and •Support timely submission of ETA 9129 Quarterly Reports.

2. Development of Reporting Policies and Procedures: VIDOL will develop and formalize written policies and procedures governing the preparation, review, approval, and submission of RESEA quarterly reports. These procedures will include: •Clearly defined staff responsibilities; •Reporting timelines and submission deadlines; •Required supervisory review and approval processes; and •Documentation retention requirements supporting reported data.

3. Strengthening Internal Controls Over Reporting: VIDOL will enhance internal controls to ensure: •Required reports are monitored through a reporting calendar and tracking system; •Reports are reviewed for completeness and accuracy prior to submission; •Supporting documentation is maintained and readily accessible; and •Management oversight is performed to ensure compliance with Federal reporting requirements.

4. Periodic Monitoring and Compliance Reviews: Management will conduct periodic reviews of reporting activities to verify reports are submitted timely and supported by accurate documentation. Any reporting deficiencies identified will be addressed promptly through corrective action and additional oversight.

5. Staff Training and Technical Assistance: Staff responsible for RESEA program administration and reporting will receive training on: •Federal reporting requirements for ETA 9129 reports; •Internal control and documentation standards; •Use of the RESEA case management system; and •Procedures for timely report preparation and submission. VIDOL will also seek technical assistance, as needed, to support implementation of the new reporting system and improve compliance processes.

Program:
U.S. Department of the Treasury

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

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

Finding 2023-044, 2022-042: Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Non-Payroll Activities and Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-048.

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: A comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government's Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-045: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2026-046, 2022-043 and 2021-038: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-050.

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: The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY. DPP will liaise more frequently with DOF IT team to rectify any potential system issues that can affect data accuracy.

In collaboration with DPP and DOF, OMB will do the following:

Formalize Policies and Procedures (SOP Updates): OMB will update its internal Standard Operating Procedures (SOPs) to clearly define:

- Roles and responsibilities for procurement oversight
- Required documentation standards - to ensure all procurement actions related to federal awards are captured, documented, and readily accessible for audit purposes.
- Review and approval workflows

Training and Capacity Building: OMB will conduct training sessions for all staff involved in procurement and grant management to reinforce compliance with:

- Uniform Guidance (2 CFR 200.318–200.327)
- Local procurement requirements (Title 31 VIC)

Finding 2023-047, 2022-044, 2021-039: Reporting

Current Status: Repeated. Finding 2024-051.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: OMB agrees with the finding and will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF reports. OMB implemented corrective measures to ensure that all Quarterly reporting consistently utilizes ERP Post Dates to ensure that all applicable activity is fully captured. OMB will also establish a centralized process for maintaining reporting support, including reconciliations, review checklists, and evidence of supervisory approval, to ensure adequate documentation is retained for monitoring and audit purposes.

Finding 2023-048 and 2022-045: Subrecipient Monitoring

Current Status: Repeated. Finding 2024-052.

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: To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with 2 CFR 200.303 and 2 CFR 200.332, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory review. OMB will also conduct periodic internal quality control reviews of subrecipient files to confirm that monitoring documentation is complete, timely, and consistent with federal requirements.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster
ALN: 84.027 (84.027A and 84.027X)
Award #: Various
Award Periods: Various

Finding 2023-049: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-062.

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 will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-050, 2022-046 and 2021-041: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-064.

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: As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.

Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. We acknowledge the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.

To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFA and Munis.

Finding 2023-051, 2022-047, 2021-042 and 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-065.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE recognizes that the inability to verify underlying student and poverty data due to a lack of certified documentation is a critical internal control deficiency. Accordingly, VIDE will establish a formal data collection and certification process. VIDE will update its specific Standard Operating Procedure (SOP) for the collection of MFS and Earmarking data to mandate a process wherein LEAs will be required to submit a Student Count and Poverty Data Certification Form. This form must be signed by the District Superintendent and the District Data Manager to certify the student numbers and poverty counts as of the specific federal reporting date. Supporting source documentation, such as PowerSchool reports, must be attached to this certification. At the SEA level, the State Office of Special Education will be responsible for reviewing these submissions and issuing a formal Verification of Data Accuracy memo prior to the data being used for financial calculations.
To address the recommendation for deployed resources and to correct the MOE deficiency, VIDE will formalize the organizational chart within the Federal Grants Office to clearly designate the team responsible for compliance reviews. This team will be tasked with conducting quarterly reviews of the certified data packets to ensure the documentation required for audit verification is securely archived and readily available.

Additionally, the Budget Office and Federal Grants Office will implement a standard MFS Calculation Worksheet that requires the attachment of the certified source data and the specific approval and signature of the Deputy Commissioner of Fiscal and Administrative Services before the allocation is finalized. Finally, the Deputy Commissioner of Curriculum and Instruction will maintain a Compliance Review Log tracking the receipt of annual data certifications from the LEAs, and the Deputy Commissioner of Fiscal and Administrative Services will review this log alongside the MOE Calculation Worksheets prior to the submission of the Annual Performance Report.

Program:
U.S. Department of Education

Consolidated Grant to the Outlying Areas
ALN: 84.403A
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 2023-052: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-068.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-053, 2022-049 and 2021-044: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-070.

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: VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs.

Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen VIDE's oversight of the TPFA's processes and prevent future documentation gaps

As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets.

Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. We acknowledge the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support.

To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request, until the system reporting error is permanently resolved by the TPFA and Munis.

Finding 2023-054: Procurement and Suspension and Debarment

Current Status: Repeated. Finding 2024-071.

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: VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files.

To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement

Finding 2023-055, 2022-050, 2021-045 and 2020-038: Reporting

Current Status: Repeated. Finding 2024-072.

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: VIDE is currently working towards developing formal procedures to establish controls operating at a level of precision that ensures timely and accurate reporting compliance. As part of this ongoing development, VIDE will govern these new procedures through the Integrated Fiscal Control Model within the Office of Federal Grants. To correct the discrepancies between the Annual Report and underlying data, VIDE will implement a mandatory multi-level reconciliation process.
Prior to the submission of any Annual Report, Program Directors and the fiscal team must cross-reference and validate all reported programmatic and financial data against the ERP system of record and official source documents. A final sign-off will be required to certify data accuracy.

Furthermore, to address the Transparency Act requirements, VIDE will institute a strict compliance workflow. The Office of Federal Grants will be required to identify, register, and report all applicable first-tier subawards of $30,000 or more into the FSRS portal within the federally mandated timeframe. To ensure FFATA submissions are consistently completed, a secondary review step will be implemented to verify the FSRS submission confirmation before any initial reimbursement drawdowns are approved for the respective subrecipient.

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2022
01/13/2021 - 09/30/2023

COVID-19 – American Rescue Plan - Outlying Areas
State Educational Agency (ARP-OA SEA)
ALN: 84.425X
Award #: S425X210004
Award Period: 04/08/2021 – 09/30/2024

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

Finding 2023-056, 2022-052 and 2021-046: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-073.

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: VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries.

Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action.

Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.

Finding 2023-057, 2022-053 and 2021-049: Reporting

Current Status: Repeated. Finding 2024-076.

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: The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.

Finding 2023-058: Subrecipient Monitoring

Current Status: The Government acknowledges the lack of supporting documentation to verify subrecipients' audit requirements under 2 CFR part 200, subpart F, and the absence of evidence for award monitoring. The Government is working towards the development of formal Standard Operating Procedures (SOPs) to establish precise controls over the subrecipient monitoring process, including mandatory pre-award verification and ongoing monitoring documentation.

We are currently unable to provide the specific requested documentation, including the SOPPs related to Subrecipient Monitoring and Training logs and acknowledgments. Finalization of the formal subrecipient monitoring controls is a top priority.

Appendix A
Government of the United States Virgin Islands

Summary Schedule of Prior Audit Findings

Finding 2023-59, 2022-054 and 2021-051: Special Tests and Provisions – Participation of Private School Children

Current Status: The Government acknowledges the need to formalize the entire process for the participation of private school children. This includes addressing the lack of a formal process, untimely consultation, and the failure to document that services were provided, and that allocations were calculated on an equal per-pupil basis. The Government is actively working towards developing a Standard Operating Procedure (SOPP) to govern this process and ensure all documentation (consultation affirmations, approved computations, and service provision records) is maintained and verifiable.

We are currently unable to provide the specific requested documentation, including the SOPP and documentation logs/proof of timely consultation and service provision. Finalization of these joint controls is a top priority.

Finding 2023-060 and 2022-055: Special Tests and Provisions - Wage Rate Requirements

Current Status: Repeated. Finding 2024-077.

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: To immediately address the condition regarding the missing documentation, VIDE has compiled and provided the complete listing of applicable construction contracts to satisfy this specific documentation requirement.

To address the root cause of the wage rate deficiencies for the COVID-19 Education Stabilization Fund, the Procurement Director has successfully implemented updated contract templates. These templates contain language that explicitly addresses all required wage rate provisions, directly resolving the contract language deficiency noted in the audit.

Furthermore, VIDE is actively finalizing a comprehensive Standard Operating Procedure (SOPP) for wage rate requirements to ensure long-term compliance. This SOPP will mandate the consistent use of the approved contract templates and establish strict internal controls for project management personnel to obtain, review, and retain certified weekly payrolls from all contractors. Once the SOPP is finalized, mandatory training will be provided to all relevant staff involved in contract oversight, report preparation, and submission.

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

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Summary Schedule of Prior Audit Findings

Finding 2023-062: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Repeated. Finding 2024-080.

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: The Government concurs with the auditor's findings and recommendations. Management will review current internal control procedures to determine if enhancements are needed. DHS is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary.

DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.

Finding 2023-063: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-064, 2022-058, 2021-053, 2020-041, 2019-052, 2018-049, 2017-041, 2016-021, 2015-030 and 2014-028: Equipment and Real Property Management

Current Status: Repeated. Finding 2024-081.

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: DHS maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.

Finding 2023-065 and 2022-059: Reporting

Current Status: Repeated. Finding 2024-082.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS will:

1. Establish a Reporting Calendar and Tracking System: A comprehensive reporting calendar will be developed that clearly outlines all required federal reports (e.g., SF-429, SF-429A, SF-428 series), including submission deadlines. This calendar will be centrally maintained and shared with all relevant staff. Automated reminders will be implemented to ensure deadlines are met.

2. Assign Clear Roles and Responsibilities: Fiscal Analyst has been formally assigned responsibility for the preparation of each required report. Review and submission of the SF429 and 428 will be completed by the Program Administrator/designee.

3. Training and Capacity Building: Program staff will receive refresher training on federal reporting requirements, including timelines, documentation standards, and compliance expectations under 2 CFR §200.303 (Internal Controls). This will ensure a clear understanding of the importance of timely and accurate reporting.

4. Ongoing Monitoring and Compliance Review: The development of an audit unit will conduct periodic internal reviews (quarterly spot checks) to verify that reports are prepared and submitted timely. Any delays or issues identified will be addressed promptly to prevent recurrence.

5. Documentation and Record Retention: All submitted reports and supporting documentation will be retained in an organized, centralized filing system (electronically) to ensure accessibility for audit and monitoring purposes.

Finding 2023-066, 2022-060: Special Tests and Provisions - Protection of Federal Interest in Real Property and Facilities

Current Status: Repeated. Finding 2024-083.

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: To address the non-compliance related to the failure to document and record the required Notices of Federal Interest (NFI) for facilities with major renovations, program management will implement the following corrective measures:

1. Immediate Remediation of Identified Facilities: The Program Administrator conducted a review of the two facilities cited in the audit and took immediate steps to prepare and record the required Notices of Federal Interest in accordance with 45 CFR §§1303.46–1303.47. Documentation of recording in the appropriate jurisdiction was obtained and maintained in the official grant files.
2. Comprehensive Facilities Compliance Review: A full inventory and review of all facilities that have undergone purchase, construction, or major renovation using Head Start funds was conducted to ensure that all required NFIs are properly recorded.

3. Designation of Roles and Oversight Responsibility: Program Administrator will be assigned responsibility for ensuring compliance with all federal property requirements, including preparation, submission, and recordation of the NFI. A secondary level of review by senior management will be required to ensure accountability.

4. Training and Technical Assistance: Relevant program and fiscal staff will receive targeted training on Head Start facilities regulations (45 CFR Part 1303) and Uniform Guidance requirements, with emphasis on:
   - When an NFI is required
   - Proper preparation and recording procedures
   - Documentation and record retention requirements
5. Ongoing Monitoring and Internal Review: The development of an audit unit will perform periodic internal compliance reviews (at least annually) of facilities files to ensure adherence to federal requirements. Any issues identified will be addressed immediately to prevent recurrence.

Finding 2023-067, 2022-061 and 2021-054: Special Tests and Provisions – Program Governance

Current Status: Repeated. Finding 2024-084.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: To address the non-compliance related to the failure DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance.

Specifically, DHS will:
1. Implement Monthly Financial Reporting
   - Develop and implement a standardized process requiring monthly financial statements, including credit card expenditures, to be prepared and presented to both the Governing Board and Policy Council
   - Establish a recurring meeting schedule to ensure timely review
   - Maintain meeting minutes documenting review and approval

2. Establish Governance Training Program
   - Develop and implement an annual training plan for the governing body and Policy Council covering:
   - Financial statements and reporting
   - Roles and responsibilities under Head Start regulations
   - Oversight of Federal funds and internal controls
   - Maintain sign-in sheets, agendas, and training materials as documentation

3. Strengthen Audit Oversight Procedures
   - Require documented discussion in governing body meeting minutes demonstrating active monitoring and oversight to include:
   - Audit findings
   - Status of corrective actions

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

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN: 93.575
Award #: Various
Award Year: Various

Finding 2023-68, 2022-064, 2020-046 and 2019-047: Eligibility

Current Status: Repeated. Finding 2024-085.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS, has upgraded the child care database to more efficiently produce monthly vouchers without the historical connectivity disruptions that prevented an uninterrupted listing of provider vouchers and the associated subsidy payments.

An independent audit will be conducted to verify processes, review files and make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. Staffing will include a program compliance monitor to work with the Child Care program to ensure compliance to Federal mandates.

Finding 2023-069 and 2022-065: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2024-086.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports to ensure compliance with earmarking. Additionally, a Director of Federal Grants has been added to oversee the reporting and earmarking process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.

Finding 2023-070 and 2022-067: Reporting

Current Status: Repeated. Finding 2024-087.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Additionally, a Director of Federal Grants has been added to oversee the reporting process.
Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions

Finding 2023-071 and 2022-068: Special Tests and Provisions – Health and Safety Requirements

Current Status: Repeated. Finding 2024-088.

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 additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. A visual tracker of provider visits will be utilized to ensure visits are conducted across all providers

Finding 2023-072 and 2022-069: Special Tests and Provisions – Fraud Detection and Repayment

Current Status: Repeated. Finding 2024-089.

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: Internal audits will be conducted quarterly by having OCCRS subsidy staff and Administrators review files for accuracy of eligibility and subsidy determinations. Quality staff will conduct at least 2 unannounced visits per child care facility to monitor attendance. DHS will implement a centralized, secure tracking matrix. This log will track all fraud referrals, audit start/end dates, findings, total funds identified for recovery, amounts recovered to date, and case closure signatures

Finding 2023-073: Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds

Current Status: Repeated. Finding 2024-090.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Management will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program requirements. An internal programmatic audit process is actively utilized. Subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.

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

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN: 93.667
Award #: Various
Award Year: Various

Finding 2023-074, 2022-071, 2021-056 and 2020-051: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Current Status: Repeated. Finding 2024-091.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. Management will conduct a comprehensive review of existing internal controls related to non-payroll expenditures. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles.

DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal regulations. DHS will conduct a thorough review of current internal controls and procedures related to non-payroll expenditures to identify gaps and areas for improvement. Policies will be updated to ensure all costs are properly documented and comply with federal allowable cost principles. Staff responsible for processing and approving expenditures will receive targeted training on documentation and compliance requirements. DHS will implement periodic internal audits to monitor adherence to updated procedures and promptly address any exceptions.

Finding 2023-075, 2022-072, 2021-057 and 2020-053: Period of Performance

Current Status: Repeated. Finding 2024-092.

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: Once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system.

However, staffing has identified that deficiencies can occur in DOF's postings, sometimes arising in periods subsequent to the actual payday. To address this, the Department of Human Services (DHS) has incorporated an internal control requiring retrospective reconciliation of accounts against the Flex Earnings Report to verify accuracy.

Additionally, DHS plans to engage with DOF to better understand the underlying factors and nuances that result in discrepancies between DOF postings and the account coding reflected in the Flex Earnings Report.

The Federal Grants Financial Analyst also plays a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. In this particular instance, no federal funds were drawn.

Finding 2023-076, 2022-073 and 2021-058: Reporting

Current Status: Repeated. Finding 2024-093.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report for both ACL and ACF in the Payment Management System financial reporting module. All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants.

Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.

A Federal Grants Financial Analyst has been onboarded dedicated to the SSBG. Monthly and quarterly reports are prepared to allow for a match to all reports inclusive of Federal draws.

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 #: 2205VQ5021
Award Year: 10/01/2021 – 09/30/2023

Finding 2023-077: Allowable Costs/Cost Principles

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-078: Eligibility

Current Status: Repeated. Finding 2024-095.

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: Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file.

DHS will:

1. Implement of Annual In Person/Active Renewal for Extended Cases
2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines.

3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun.
4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record.
5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff must proceed with denial/closure and document the action in case notes.
6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows.
7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker.
8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.

Finding 2023-079: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2023-080: Reporting

Current Status: Repeated. Finding 2024-096.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.

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Finding 2023-084, 2021-060 and 2020-055: Special Tests and Provisions – Provider Eligibility

Current Status: Repeated. Finding 2024-100.

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 address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system.
The portal supports retention of Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository.

The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews.

DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection.

DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: 75X0512
Award Year: 10/01/2015 – 09/30/2023

Finding 2023-077: Allowable Costs/Cost Principles

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2023-078, 2022-075, 2021-062, 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2024-095.

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: Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file.

DHS will:

1. Implementation of Annual In Person/Active Renewal for Extended Cases
2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines.
3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun.
4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record.
5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff must proceed with denial/closure and document the action in case notes.
6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows.
7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker.
8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.

Finding 2023-079: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2023-080, 2022-076, 2021-063, 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2024-096.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.

Finding 2023-081, 2022-077, 2021-064, 2020-061, 2019-061, 2018-065, 2017-055, 2016-028, 2015-040, 2014-033, 2013-018 and 2012-15: Special Tests and Provisions - Utilization Control and Program Integrity

Current Status: Repeated. Finding 2024-101.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government concurs with the auditor's findings and recommendations. The Program Integrity Unit has established SOPPs with identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.

Finding 2023-082, 2022-078, 2021-065, 2020-062, 2019-062, 2018-066, 2017-052, 2016-025, 2015-036, 2014-035, 2013-019 and 2012-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2024-098.

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 has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. The Director of Audits will work collaboratively with the Medicaid Program, Fiscal Office, and other applicable stakeholders to monitor compliance with federal reporting requirements and ensure that adequate supporting documentation is maintained for Medicaid cost reporting activities.

Finding 2023-083, 2022-079, 2021-066, 2020-063, 2019-063, 2018-067 and 2017-054: Special Tests and Provisions – ADP Risk Analysis and System Security Review

Current Status: Repeated. Finding 2024-099.

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: During the audit period, the Department did not complete the required ADP Risk Analysis and System Security Review for systems supporting the Medicaid Program, and certain monitoring controls were not operating at a sufficient level of precision to ensure compliance with federal requirements.

To address this finding, the Department recently issued Requests for Qualifications (RFQs) to seven qualified vendors to perform comprehensive security risk assessments of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. Vendor responses are due within three weeks, after which the Department will evaluate submissions and proceed with the procurement process. The selected vendor will conduct the required risk assessments, identify control deficiencies and security vulnerabilities, and provide recommendations to strengthen the Department's security posture and compliance framework.

The Department will work collaboratively with its technology partners, system vendors, and oversight entities to implement corrective actions identified through the assessments and enhance monitoring controls to ensure ongoing compliance with applicable federal requirements.

Finding 2023-084: Special Tests and Provisions – Provider Eligibility

Current Status: Repeated. Finding 2024-100.

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 address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system. The portal supports retention of

Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository.

The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews.

DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection.

DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.

Program:
U.S. Department of Homeland Security

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN: 97.036
Award #: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Year: 09/20/2017 – 09/07/2026
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Finding 2023-085, 2022-081, 2021-072, 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2024-102.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Program agrees and has established internal controls to ensure that all Federal Funding Accountability and Transparency Act (FFATA) subaward reports exceeding 30,000 are submitted timely and reviewed by the Territorial Public Assistance Officer. Although the SAM.GOV system implemented in fiscal year 2024 does not track individual FFATA filing dates.

VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed.

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Summary Schedule of Prior Audit Findings

Finding 2023-086 and 2022-082: Subrecipient Monitoring

Current Status: Repeated. Finding 2024-103.

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: Concur:

- 8 instances where the Government was unable to obtain Quarterly Progress Reports. As a result of the audit finding and in accordance with grant requirement, a Governor's Authorized Representative (GAR) Memo is being implemented, requiring Subrecipients to submit Quarterly Progress Reports within 10 days of quarter end. All reports are reviewed and retained in a centralized location for documentation and audit compliance.
- 8 instances where the Government was unable to obtain completion/inspection certificate. Project inspection/certification report(s) are now required for all payment request federal fund drawdowns. The reports must now be uploaded to the Enterprise Resource Planning System (ERP) and retained in centralized location for documentation and record keeping purposes.
- 8 subrecipients with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR part 200, subpart F. The Program will annually notify subrecipients of their audit responsibilities, monitor compliance, obtain required audit reports, and maintain documentation in a centralized location for audit and recordkeeping purposes.

Program:
U.S. Department of Homeland Security

Homeland Security Grant Program
ALN: 97.067
Award #: Various
Award Periods: Various

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Finding 2023-087: Matching, Level of Effort, Earmarking

Current Status: VITEMA concurs with this finding. This information is documented in BSIR as part of the submittal process and does not allow for the submittal of reporting if not verified to meet this requirement. VITEMA will also document this information when preparing the SF 425 report by including this information in the notes section of this report. This will be conducted on a quarterly basis.

Finding 2023-088: Reporting

Current Status: VITEMA concurs with this finding. VITEMA uses the sub-recipient agreement as the source of documentation for enrollment into FFATA. This agreement is signed by the Director of VITEMA and Sub Recipient. VITEMA's Grant Management staff will upload this information into the FRS/SAMS.GOV system.

VITEMA's Deputy Director of Grants Management will review the FFTA information and validate that the information is true and correct based on the amount approved by DHS and sub-recipient agreement. This FFTA document will be signed and dated by the Deputy Director of Grants Management within the 30 days of required enrollment.

Program:
U.S. Department of the Treasury

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

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Year: 03/02/2020 – 12/31/2021

Finding 2022-039: Period of Performance

Current Status: OMB has strengthened its expenditure review and approval procedures to ensure that all costs are incurred within the authorized period of performance. A detailed review is required including expenditure date against the grant period prior to approval and payment. Additionally, entries require a multilevel review for compliance before it reached the Department of Finance for payment. These enhanced controls are designed to ensure expenditures are properly reviewed and authorized in compliance with Federal grant regulations.

Finding 2022-040, 2021-035 and 2020-031: Reporting

Current Status: OMB has implemented enhanced reporting safeguards to ensure the accuracy, timeliness, and proper documentation of all required reports. These measures include the establishment of a formal reporting calendar to track due dates and deliverables, the designation of a primary staff member responsible for preparing and submitting reports, and granting multiple team members access for review and verification prior to submission. These controls are designed to strengthen accountability, improve timeliness, and ensure that supporting documentation is properly maintained to substantiate all reports submitted to the Federal Government.

Finding 2022-041, 2021-036 and 2020-032: Subrecipient Monitoring

Current Status: OMB acknowledges the finding and has since implemented formal subrecipient monitoring documents and procedures applicable to all grants received. These measures ensure that subrecipient risk assessments are conducted prior to award, and ongoing monitoring is performed throughout the grant period. The new procedures establish clear responsibilities, documentation requirements, and review protocols to ensure compliance with all subrecipient monitoring requirements.

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Summary Schedule of Prior Audit Findings

Program:
U.S. Department of Commerce

Bipartisan Budget Act of 2018
ALN: 11.022
Award #: NA19NOS0220008, NA19NOS0220001, NA19NMF0220004
Award Year: 10/01/2018 – 09/30/2023
04/01/2019 – 03/31/2021
08/01/2019 – 07/31/2024

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2021-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities

Current Status: On-going implementation. The Department of Planning & Natural Resources is continuing its efforts to ensure that all necessary payroll adjustments are completed accurately and in time.

Program:
U.S. Environmental Protection Agency

Drinking Water State Revolving Fund Cluster
ALN: 66.468
Award #: Various
Award Year: Various

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2021-040, 2020-036 and 2019-036: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2024-059.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DPNR recognizes the discrepancies identified between the employee pay rates reflected in the payroll registers and the Notices of Personnel Action (NOPAs) that were provided during the audit. Preliminary review indicates that the payroll system calculates employee compensation based on approved personnel actions maintained within the payroll system; however, it is possible that the NOPAs provided for audit testing did not reflect the most current approved personnel actions or subsequent amendments affecting employee compensation.

Additionally, DPNR's procedures for maintaining and readily retrieving complete personnel and payroll support documentation were not sufficiently centralized to ensure that the most current supporting records were consistently available for audit review.

DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the NOPAs provided during the audit. The review will include:

- Verification of the official personnel actions maintained in the payroll system;
- Review of any amended or revised NOPAs affecting employee compensation;
- Reconciliation of payroll registers to approved personnel actions;
- Verification that salaries and wages charged to Federal awards are properly supported and accurately reflected in official records; and
- Identification and correction of any deficiencies in document retention or record management procedures.

Program:
U.S. Department of Homeland Security

Government Department/Agency:
Department of Labor (VIDOL)

COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs
ALN: 97.050
Award #: 4513DRVISPLW
Award Period: 08/1/2020 – 12/27/2021

Finding 2021-075: Activities Allowed or Unallowed – Non-Payroll Activities

Current Status: On-going implementation. VIDOL concurs with finding and is constantly monitoring lost wage transactions and is focused on making improvements to eliminate finding.

Finding 2021-076: Cash Management

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-077: Eligibility

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is committed to training UI staff on self-certifications and benefit payment calculation to ensure compliance with program requirements.

Finding 2021-078: Period of Performance

Current Status: On-going implementation. VIDOL concurs with finding, VIDOL is actively working on improving record keeping and record retention which will translate to elimination of finding.

Finding 2021-079: Reporting

Current Status: On-going implementation. VIDOL concurs with this finding and have since assigned the Director of IT to help facilitate the accuracy and timeliness of reports.

Corrective Action Plan

OFFICE OF
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DEPARTMENT OF FINANCE

Appendix B
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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-001: Year-End Close Process and Financial Deficit			
A. Timeliness and Methodology of Close Process	DOF-Commissioner's Office; Executive Assistant Commissioner, Audit Lead (under the Commissioner of Finance); Executive Assistant Commissioner (Lead for CFO Executive Order no. 480-2017 under the Commissioner of Finance), DOF Directors; Benham and Hodge, CPA (Extended Accounting Team). OMB-Director's Office; OMB Compliance Unit Lead; and Federal Manager. DPP-Commissioner's Office; Fixed Asset Team; and	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	Under Executive Order No. 480-2017, beginning in Fiscal Year 2024, all Chief Financial Officers (CFOs) and Fiscal Leads will have increased accountability under the Department of Finance (DOF) as the lead agency. The DOF, in collaboration with the Office of Management and Budget (OMB) and the Department of Property and Procurement (DPP), will provide proper oversight and monitoring of key fiscal responsibilities. While staffing may continue to be a challenge, collaboration with D&A will be essential through setting expectations, establishing realistic goals, and providing support. The Government does not expect this finding to be resolved immediately; however, by addressing fiscal management challenges on a monthly basis, developing effective reporting mechanisms to identify issues, implementing adequate internal controls, updating policies and procedures, and providing training.

Finding	Contact	Estimated Completion Date	Corrective Action
	Procurement Team. D&As - all CFOs, lead fiscal personnel, Commissioners, Directors, Managers, and Supervisors		
B. Components Units Reporting	Department of Finance Management, specifically, the Executive Assistant Commissioner	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will take immediate steps to ensure that all component units complete their annual audits in a timely manner and provide audited financial statements for inclusion in the Government's consolidated financial report.
C. Deficits in Unrestricted Net Position	OMB Director and DOF Commissioner	On-going	The OMB Director, in collaboration with the DOF Commissioner and with the Governor's approval, will continue to submit budgets with conservative projections, coordinate federal drawdowns to replenish Government funding, and pursue austerity measures and other mechanisms to remain within the annual budget constraints. In addition, the Government will develop a five-year financial projection that can be updated as conditions change and unforeseen needs arise. For factors largely outside the Government's control, such as federal actions that may affect funding, the Government will document impacts as they arise, including those that could potentially undermine the plan, to demonstrate sound financial management practices. Additionally, laws enacted by the Senate with limited collaboration from the Executive Branch, such as increases to the minimum wage, are expected to impact the Government's bottom line in Fiscal Year

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			2026. Such legislation, particularly if enacted without timely coordination, may also undermine the efforts of the Financial Team (OMB and DOF leadership, the Governor, and agency heads). Finally, collaborating with the Senate to develop new revenue streams, working with revenue-generating offices to boost collections, and exploring opportunities to share costs across the departments and agencies may result in cost savings and improve the bottom line.
D. Government Insurance Fund	The management team of Department of Labor (DOL) and DOF, specifically, the Executive Assistant Commissioner of Finance	On-going	Management will evaluate claims adjudication and related processes to identify cost-reduction opportunities, as an alternative to increasing potentially mandated employer contribution formulas. Management will also consider engaging an advisor to evaluate alternatives that could minimize the severity of losses.
E. Journal Entries	Management Information System (MIS) Director and Accounting and Financial Reporting Director	On-going	Management will implement enhanced access controls to ensure segregation of duties in the journal entry process. In addition, a formal review and approval procedure will be established, requiring documented evidence of oversight by the Department of Finance to ensure the integrity and accuracy of financial records.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-002: Revenue and Receivables			
A. Reconciliation of Subsidiary Registers	Management Team of Bureau of Internal Revenue (IRB)	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the general ledger accounts be reconciled to the detailed records on a quarterly basis.
B. Tax Return Processing Method	Management Team of the Bureau; specifically, the Computer Operations and Processing Branches	The Government expects to implement adjustments in Fiscal Year 2026, with the goal of achieving improved results in Fiscal Year 2027.	The Government will ensure that the Bureau consider an evaluation of its current review procedures over the tax return processing method to minimize associated risks and strengthen its review procedures and internal controls over the recording of receivables.
C. Real Property Tax	Management Team of the Office of the Lieutenant Governor (LGO)	On-going	Management will review and identify the Government's and component units' properties in the tax roll listing to ensure that proper tax credits are applied. Management will also implement enhanced controls to ensure that tax billings are issued accurately only for taxable properties, that interest is calculated correctly, and that all tax credits are properly supported.

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Finding	Contact	Estimated Completion Date	Corrective Action
D. Allowance for Doubtful Debts	DOF Executive Leadership, specifically the Director of Accounting and Financial Reporting	On-going	Management will re-evaluate the methodology used to estimate the allowance for doubtful accounts and incorporate current accounts receivable aging, recent collection and write-off trends, and other relevant receivable performance measures. Management will also establish a formal year-end review process to assess whether the assumptions and percentages used remain appropriate.
E. Hotel Development Program	Management Team of the Bureau of Internal Revenue	Ongoing	The Government will establish and implement formal review controls to verify that amounts reported on hotel tax filings and related remittances are calculated in accordance with the applicable Hotel Development Agreements, including the use of the correct pledged percentages.
Finding 2024-003: Grants Management			
A. Control Systems Over the Schedule of Expenditures of Federal Awards	Amplifund implementation – OMB's Federal Grant Management and Compliance Unit and Executive Order Enforcement, DOF Executive team members	Immediate, Amplifund 1st phase scheduled to be implemented by Fiscal Year 2026	The Government is in the implementation stage of a new enterprise-wide grant management system, AmpliFund by Euna Solutions. This system directly addresses the auditor's recommendations and strengthens internal controls over the SEFA and overall grant compliance. Key improvements from the system to include: • Centralized grant management: AmpliFund provides a single platform for managing the full grant lifecycle, including pre-award, post-award, subrecipient management, and closeout. This will ensure that all grant activities are tracked, documented, and reconciled in one system. • Automated internal controls: The system enforces workflow-based approvals, budget controls, and real-time reconciliation with the ERP

Finding	Contact	Estimated Completion Date	Corrective Action
			and agency records. This prevents expenses from being charged to grants without available funding and ensures accurate classification of transactions. • Enhanced documentation and audit trails: AmpliFund will require supporting documentation for all grant transactions and maintains a complete audit trail, improving transparency and supporting audit readiness. • Automated SEFA reporting: The system can generate SEFA reports directly from transactional data, reducing the risk of misclassification and errors, and will support quarterly and annual reconciliations. • Subrecipient monitoring: AmpliFund includes a subrecipient portal and risk-based monitoring tools, ensuring compliance with federal requirements and timely corrective actions. • Compliance and timeliness: The system provides dashboards and alerts for key deadlines, including FAC submissions, and supports continuous monitoring and timely reporting. Immediate corrective actions to aligned with the audit's recommendations will include: • Quarterly reviews of ALN, expenditures, and cash receipts postings to grants. • Continuous reconciliations of SEFA with departments and agencies. • Enhanced documentation, monitoring, and training for all grant management staff. • Consistent application of accountability measures supported and enforced through Executive Order No. 480-2017, which restructured

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Finding	Contact	Estimated Completion Date	Corrective Action
			financial oversight and reporting across government agencies by designating the DOF as the lead executive agency for enforcing financial laws and establishing the Commissioner of Finance as the central authority for financial management and reporting.
B. Federal Grants and Contributions	The management team of OMB Compliance Unit and DOF Treasury team	On-going	The Government will ensure that receivables are tracked by each individual Government agency by performing the following: • Maintain a drawdown schedule that notes the expenses comprising each drawdown for each federal program, as well as the period in which the expenses were incurred. • Attach a copy of each drawdown, including evidence of proper approvals, in the ERP system, along with the corresponding bank statement showing the receipt of funds from the federal government. • Include a listing of expenses supporting the amount drawn down in the ERP system. This detail should include the invoice date, payroll period, and check date, as applicable.
C. Accounting for Subrecipient Reimbursement	OMB Leadership, specifically the Compliance Unit.	On-going	Management will strengthen subrecipient monitoring procedures to ensure that expenditures do not exceed authorized federal award amounts. Management will also implement controls to identify overpayments timely, properly account for reimbursements, and ensure that recoveries of prior-year overpayments are recorded in the appropriate accounts.
D. Report Submission	The OMB Management team	Fiscal Year 2027	The Government will: • Establish a centralized annual reporting calendar, to be created and maintained by the Department of Finance's Executive Order Accountability Team. This calendar will track all key audit milestones, including reconciliations showing evidence of review and approvals and submission deadlines (including the FAC due date).

Finding	Contact	Estimated Completion Date	Corrective Action
			• Leverage the new grant management system, Amplifund by Euna Solutions, capabilities for reporting compliance and automated reminders. • Develop government-wide standard operating policies and procedures to provide a uniform and consistent approach across all agencies for grant management, fixed assets, fraud, waste, and abuse (FWA), and cash management, along with an automated training schedule requirement through a training platform. • Develop supplemental materials, such as cheat sheets, checklists, and training guides, based on the government-wide standard operating policies and procedures (SOPP). • Train all staff involved in the audit and reporting process on federal grant management and reporting requirements.
Finding 2024-004: Capital Assets and Related Expenditures			
A. Record Keeping	Capital Asset Coordinators, in collaboration with the Treasury Director and/or designee	Immediately	The DOF has rerouted the specific payment through the regular Accounts Payable invoice processing workflow, which is captured in the spool. This change took effect in fiscal year 2025. Additionally, as part of the Capital Asset scrub and true-up, future processes will involve coordinating with the Treasury unit on all wires to be performed, in case a wire transfer becomes necessary. Effective immediately, updated Policy and Procedures (SOPP 130) establishes a timeline for department and agency invoice submissions. While each agency has its own response to the timeliness of entering

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Finding	Contact	Estimated Completion Date	Corrective Action
			invoices, a comprehensive review of the reasons and ways to mitigate issues will be conducted in fiscal year 2026.
B. Reconciliation and Review of Subsidiary Registers	Management team of DOF Accounting and Financial Reporting Division	On-going	The Government will reconcile general ledger accounts to detailed records on a quarterly basis to avoid major year-end adjustments. This process should include a review of acquisition dates, depreciation calculations, and asset descriptions. Unique asset numbers and sufficient tagging information should be assigned to all separately identifiable assets. Routine physical counts should be performed and reconciled with asset registers.
C. Construction in Progress (CIP) Monitoring	Capital Asset Coordinator, Director of Accounting, DPW Fiscal Director, and DPW Assistant Commissioner	Second quarter of Fiscal Year 2026	Accounting Director and Capital Asset Coordinators will meet with the Department of Public Works (DPW) Assistant Commissioner of Finance and Fiscal Director to develop an internal procedures to ensure that appropriate supporting documentation is available at the time of invoice entry and, at a minimum, can be provided to Capital Asset Coordinators upon request.
D. Capital Assets Impairment Process	Management team of DPP and DOF	On-going	The Government will implement a standardized, formal process for conducting annual impairment assessments, independent of the external audit. Furthermore, the results of periodic physical counts will be readily available for analysis by external parties and will be compared to the detailed capital asset subsidiary ledger. These results will be communicated to the Department of Finance so that necessary adjustments can be recorded. This will improve the tracking of assets for disposal and impairment purposes. It will also be stated that, as a recipient of federal grant funds, the Government is required to have an inventory management system in place to track items purchased with federal funds.

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Finding	Contact	Estimated Completion Date	Corrective Action
Finding 2024-005: Recording of Liabilities			
A. Retroactive Pay Liability	DOF and Office of Collective Bargaining (OCB).	On-going	Management will conduct a comprehensive review and reconciliation of all retroactive pay liabilities to ensure that amounts recorded in the books and records are fully supported by detailed schedules and analyses. Management will evaluate, implement, ratify (as applicable), and accrue for all outstanding CBAs to ensure that employee pay rates and related liabilities are accurately reflected. In addition, management will establish and maintain a centralized master file summarizing pay rates and relevant factors from each CBA and periodically review this file against authorized rates in personnel records to confirm the appropriateness and accuracy of rates in use. These actions will improve the accuracy of financial reporting, support compliance with contractual obligations, and enhance budget planning.
B. Medical Malpractice Liability	The Commissioner, Department of Health	On-going	The Department of Health is in the process of submitting a Request for Proposal to solicit an actuary to perform the evaluation.
C. Accounts Payable	Director of Accounting, Accounting Operation Manager, Chief Accounts Payable, and Financial Accounting Analyst	On-going	The DOF and OMB management team are working on reducing prior year and carry-forward spending in fiscal year 2026. Collaboratively, both offices and their management teams are developing a process for carry-forward invoices. Before the Government can determine the solution, D&A must conduct a comprehensive analysis starting with funding and budget needs at the beginning of the year, ensuring timely encumbrance through allotments and available funding, and confirming that the agencies have the necessary human resources to enter invoices promptly. Additionally, DOF and OMB need to identify the systems or

Finding	Contact	Estimated Completion Date	Corrective Action
			technology required to monitor all invoices at the agency level, such as creating emails for each agency with the DOF Chief Accounts Payable and Director of Accounting to review all incoming invoices, along with proper aging reports for monthly reconciliations. Note that addressing the timeliness of invoice capture in the ERP involves multiple interconnected areas that must be handled collectively. Finally, regarding accountability, per the updated SOPP 130, D&A will be responsible for monthly tracking and reporting, which will be better managed moving forward. Hiring someone specific to work with vendors and D&A may be considered, but that is premature at this stage. The Government do not expect to see the impact of this immediately, but over time through monitoring and accountability measures.
D. Completeness and Accuracy of Census Data	DOF management, specifically, the Executive Assistant Commissioner	On-going	The Government has contracted a consultant to implement an electronic system that will ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis.
E. Income Tax Refunds Payable	DOF management team	On-going	The Government will implement a formal procedure for calculating its year-end liability for income tax refunds. This can be achieved by using subsequent payments made after the year-end or by developing reliable estimation methods.
F. Plan Funding Considerations	The Government Financial Team	On-going	The Government will develop and implement a comprehensive funding strategy. This strategy should include increasing annual contributions to meet or exceed actuarially determined requirements, exploring additional revenue sources, and prioritizing pension and OPEB funding within the budget process. The Government will also conduct regular actuarial valuations to monitor funding status and adjust contribution levels as necessary. Furthermore, consideration should be given to establishing an OPEB Trust Fund to accumulate assets and meet future obligations.

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-006: Management of the Medicaid Program			
Cost Report Audits, System Security Review, and Approvals	Chief Financial Officer, DHS and Program Administrator, DHS	On-going	DHS is requesting federal authorization for sole sourcing to allow the process to move forward with the previous vendor of record. Once approval is obtained and the contract is executed, DHS intends to issue a Notice to Proceed so the implementation of the audit recommendation can continue.
Finding 2024-007: Unemployment Insurance Trust Fund			
Account Reconciliation Process	DOL management team	On-going	The Government will ensure that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. Additionally, the Government will consider allocating adequate resources to properly evaluate and maintain the necessary information to accurately reflect the Fund's activity at each fiscal year-end.
Finding 2024-008: Workers Compensation Program			
A. Actuarial Valuation	DOF management, specifically the Executive Assistant Commissioner	On-going	The Government will ensure the workers' compensation liability is supported by an appropriate actuarial valuation or equivalent documentation to substantiate the assumptions and methodology used in estimating liabilities.

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Finding	Contact	Estimated Completion Date	Corrective Action
B. Claims Expenditure	DOF Director of Accounting and Reporting and DOL Leadership, specifically the Director of the Government Insurance Fund.	On-going	Management will enhance internal controls over the calculation, review, and recording of workers' compensation claims expenditures. Specifically, management will implement a formal supervisory review process to verify the accuracy of underlying reports, supporting calculations, and related journal entries before amounts are recorded in the financial statements.
Finding 2024-009: Payroll, Related Accruals, and Other Expenditures			
A. Payroll Expenditures	Director of Payroll	September 2026	The Payroll Unit will monitor accrual liabilities bi-annually.
B. Transactions with Personnel	Executive Assistant Commissioner and Director of Accounting and Financial Reporting	Fiscal Year 2026	The Government will institute a stricter monitoring process to ensure compliance with stated policies and the implementation of an independent review process.
C. Reporting for Expenditures	DOF Directors, Managers, and Supervisors	Fiscal Year 2026	Lack of monthly reconciliations at the D&As results in untimely adjustments in the system. Accordingly, the Government will require Chief Financial Officers (CFO) to generate Flexible Period Reports reflecting all final balances by the 30th of the following month, allowing D&As sufficient time to enter, release, and obtain approval for journal entries.
D. Formalize Emergency	Director of Payroll	Fiscal Year 2026	The Government will develop and implement a formal, written emergency payroll procedures manual to be utilized in the event of

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Finding	Contact	Estimated Completion Date	Corrective Action
Payroll Procedures			major operational disruptions, such as those experienced during the 2017 hurricanes. This manual should outline the necessary processes, identify key contacts and personnel, and specify required reconciliations to ensure the integrity of payroll operations during emergencies.
Finding 2024-010: Bank Accounts			
A. Strengthen Controls Over Bank Reconciliations	DOF Treasury Division, Accounting Division, and Commissioner’s Office	Fiscal Year 2026	The DOF Treasury Division, Accounting Division, and the Commissioner's office will review the process and implement best practices to strengthen internal controls over bank reconciliations and account administration. This includes a comprehensive review and cleanup of outstanding checks, maintaining a centralized bank account master listing, reconciling all accounts, establishing formal procedures for account management, correcting closed accounts, enhancing oversight and monitoring, and providing training. These actions aim to enhance control over cash management, improve transparency, and reduce the risk of financial misstatements.
B. Cash Pooling and Allocation(s)	DOF Treasury Division, Accounting Division, and Commissioner’s Office	On-going	DOF acknowledges the need to strengthen documentation and oversight of pooled cash management and fund allocations. The Department will review and update its existing cash pooling and allocation processes to ensure that transactions are properly supported and reconcilable to the general ledger and financial statements. Efforts will include developing standardized documentation procedures to clearly reflect the allocation methodology for pooled cash balances, improving tracking between pooled bank accounts and fund-level cash positions, and implementing periodic reviews to confirm that allocations are properly recorded. Additionally, enhanced reconciliation and reporting procedures will be established to improve transparency and auditability of pooled cash activity.

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Finding	Contact	Estimated Completion Date	Corrective Action
C. Check Sequences	MIS Check Run Processor, Chief Accounts Payable, Accounting Manager, and Director of Accounting	Fiscal Year 2026	The Director of MIS and the Director of Accounting will collaborate with the check run team to address challenges and explore ways to utilize Tyler Munis to reduce errors. Currently, the ERP system allows individuals to enter check numbers manually, and human error can result in checks being issued and processed out of sequence. If Tyler Munis cannot assist in resolving this deficiency, it may be necessary to implement additional review procedures at the MIS unit and ensure follow-through by the Chief Accounts Payable – Check Run Manager.
Finding 2024-011: Other Post Employment Benefit (OPEB) Valuation			
A. Plan Auditor's Report	Executive Assistant Commissioner, DOF	On-going	The Government will coordinate with the OPEB plan administrator, actuary, and plan auditor to ensure that an audited plan auditor's report and audited schedules of OPEB amounts are prepared and made available on a timely basis each fiscal year. Management will also establish procedures to obtain, review, and retain this documentation to support the accuracy and completeness of the Government's proportionate share of the reported OPEB liability and related balances and disclosures.
B. Administration and Recordkeeping	Management team of DOP and DOF	On-going	The Government will formalize the current practice or ensure that benefit payments by the component units and organizations referenced above also include retirees, in accordance with the V.I. Code. Additionally, the Government and/or Division of Personnel (DOP) will consider hiring or contracting an individual with specialized knowledge in accounting and plan administration, even on a part-time basis, to consistently provide higher-level accounting support throughout the year.

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Finding	Contact	Estimated Completion Date	Corrective Action
C. Accuracy of Census Data	DOF Executive Assistant Commissioner	Immediately	The Government will develop and implement internal controls to ensure the accuracy of active employees and retiree census data prior to submission for future valuations, calculations, or analysis.
Finding 2024-012: Accounting Standards Implementation	DPP Fixed Asset Unit, Capital Asset Coordinators, Vendor, and Contract Manager (payments)	Fiscal Year 2026	It is necessary for the Government to solicit the services of an experienced vendor to perform the required work. A vendor has been selected and will begin in fiscal year 2026.
Finding 2024-013: Irregularities Related to Procurement Activities	DPP management team	Fiscal Year 2026	The Government will evaluate its policies and procedures to ensure all necessary supporting documentation such as purchase orders, contracts, and vendor profiles is retained to support adherence to internal policies and regulatory requirements. Management will implement and enforce procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations.
Finding 2024-014: Procurement Regulations	DPP Management Team	Fiscal Year 2026	The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included in GVIBUY. DPP will coordinate more frequently with DOF IT team to address any potential system issues that can affect data accuracy.
Finding 2024-015: Information Technology (IT) Environment			

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Finding	Contact	Estimated Completion Date	Corrective Action
User Access and Administration	IT DOL, DOF, DHS, IRB (Chief of Computer Operations), and LGO	On-going	The Government will evaluate its documentation process to mitigate the risk of changes being implemented without appropriate approvals. Additionally, the Government will assess its user access and administration controls, including user addition, modification, and removal, to ensure that appropriate access is granted and that there is strict adherence to record retention policies. IRB has created a Recertification of User Access Security Rights Policy and Change Management Policy. Both policies are currently in draft form but will be finalized in time for the Agency's next annual Disclosure and Computer Usage training.
Finding 2024-016: Noncompliance with Laws and Regulations			
A. Collateral of Depository	Treasury management under the direction of the DOF's executive leadership	Fiscal Year 2026	DOF acknowledges the need to strengthen its oversight of collateralized deposits and ensure compliance with applicable requirements. The Department will review current practices and develop formal procedures to enhance monitoring and reporting of collateral levels across all government accounts. Efforts will be made to improve coordination with financial institutions, establish clearer internal controls, and ensure that collateral levels remain sufficient to protect government deposits. Staff training and periodic reviews will also be incorporated to maintain ongoing compliance.
B. Landfill Consent Decrees	The Government's Financial Team	On-going	The Government will allocate budgetary funds to pay any penalties that have already accrued. Additionally, the Government will implement necessary measures to promptly address current noncompliance with the consent decree timetables in order to avoid incurring future penalties.

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Finding	Contact	Estimated Completion Date	Corrective Action
C. Establishment of a Medical Malpractice Trust Fund	Department of Health Management Team	Fiscal Year 2026	The Government will establish a separate Medical Malpractice Trust Fund in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all statutory provisions related to the Fund.
D. Compliance with Legislative Appropriation	Treasury Director and Executive Assistant Commissioner	Fiscal Year 2026	The Government will establish the Southern Trust Company Settlement Fund, the Survivors and Mental Health Healing Trust, Opioid Abatement Fund and an Opioid Abatement Fund Committee in accordance with applicable legal and regulatory requirements. Management will develop and implement policies and procedures to ensure proper administration, oversight, and compliance with all legislative provisions related to the Fund and Committee and provide documentation to support the establishment and use of these funds.
2024-017: Cash Management	Administrative Staff	July 2024	As of July 2024, DOH revised drawdown Standard Operating Procedures (SOPs) to mandate that all supporting documents include a signature or initial to certify that a proper review was conducted at certification level of certification. DOH have also incorporated this updated procedure into Federal Grants update trainings and made it accessible to all staff on Business Process Improvement SharePoint site.
2024-018: Allowable Costs/Cost Principles – Payroll Activities/ Period of Performance	Chief Financial Officer and Deputy Commissioner of Human Resources	STATs implementation completed. NOPA updates effective 10/01/2024. Director of Federal Grants – completed, and Federal Financial	DHS adopted the electronic Timeforce (STATS) system for payroll, replacing manual processes. Time and attendance are approved through management levels, with payroll based on Notice of Personnel Action (NOPA) cost centers. Financial Analysts reconcile payroll, and a workflow ensures accurate NOPA listings for payroll purposes. Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process:

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Finding	Contact	Estimated Completion Date	Corrective Action
		Analyst – September 2026	Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process. Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. The sheets will be submitted to Fiscal for certification by the CFO.NOPA's are updated with the provisional codes. Lastly, once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system. The Federal Grants Financial Analyst, once onboarded, will also play a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. DHS has added an additional layer of monitoring with the onboarding of a Director of Federal Grants. The newly created unit of Audit and Compliance, once staffed will play a crucial role with periodic monitoring.
2024-019: Matching, Level of Effort, Earmarking	Chief Financial Officer	Liquidation report – completed. Compliance – August 2026	While the ERP provides a overall expense report, a specific liquidation report has been developed to ensure that matching is completed with each report submission. Additionally, a program specific Federal Grants Financial Analyst with the sole focus on the Supplemental Nutrition Program. DHS has also onboarded a Director of Federal Grants to oversee the financial management of the program. Lastly, a Director of Audit and Compliance has been onboarded. Once the audit team is developed, support and compliance monitoring will be provided to ensure compliance.

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-020: Period of Performance	Chief Financial Officer	Completed. Analyst – September 2026	As part of the close-out process, all open purchase orders are now submitted to the Department of Finance for closure. The grant close-out process has been shifted to the OMB to ensure the grant is no longer available for transaction entries or liquidations. Additionally, a dedicated Federal Grants Financial Analyst is being integrated into the workflow to ensure compliance. Additionally, a Director of Federal Grants has been onboarded to add an additional level of oversight.
2024-021: Cash Management	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-022: Procurement and Suspension and Debarment	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-023: Reporting	Administrative Staff	July 2024	The Government concurs with the auditor's findings and recommendations. DOH has implemented no corrective action, as grant is closed.
2024-024: Not used			
2024-025: Allowable Costs/Cost Principles – Payroll Activities	Executive Director Reimbursement Specialist Employee Relations Coordinator	September 2026	OTAG has reviewed the payroll transactions identified during the audit and has initiated corrective measures to strengthen controls over payroll documentation, appendix charging, and period-of-performance compliance. Payroll expenditures charged to Master Cooperative Agreement Appendices will be subject to quarterly review to verify that timesheets, payroll registers, and supporting documentation are

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Finding	Contact	Estimated Completion Date	Corrective Action
			complete, accurate, and retained in accordance with the SF-270 submission requirements. Payroll charges will also be reviewed against periods of performance before posting to ensure costs are assigned to the correct award. OTAG will revise its SOPPs to establish formal procedures for payroll certification, documentation retention, reconciliation of payroll records to timesheets, and review of Master Cooperative Agreement funded personnel costs. Training will be conducted for personnel on documentation standards and allowable cost requirements. To prevent recurrence, monthly reconciliations between payroll records and supporting timesheets will be performed and documented. Quarterly compliance reviews will evaluate payroll charges and supporting documentation for accuracy and completeness. Monitoring & Accountability: The Adjutant General and Executive Director will jointly oversee implementation. Results of monthly reconciliations and quarterly reviews will be reported to executive management.
2024-026: Cash Management and Reporting	Executive Director Reimbursement Specialist Resource Specialist	September 2026	OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures. OTAG will establish procedures requiring reconciliation of all SF-270 reimbursement requests to supporting accounting records before submission. A centralized tracking log will be maintained to ensure completeness and retention of all reimbursement requests and supporting documentation. Supervisory review and approval will be

Finding	Contact	Estimated Completion Date	Corrective Action
			documented for each submission with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise system. Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures. Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records. Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.
2024-027: Matching, Level of Effort, Earmarking	Executive Director Reimbursement Specialist Resource Specialist	September 2026	OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures. OTAG will develop a formal methodology for calculating, documenting, and monitoring matching requirements associated with each Cooperative Agreement. Matching calculations will be prepared monthly and reviewed quarterly by management with cross reconciliation of the Government of the Virgin Islands procurement methods, and the Government of the Virgin Islands fiscal enterprise

Finding	Contact	Estimated Completion Date	Corrective Action
			system. Documentation supporting allowable matching expenditures will be maintained in a centralized file. Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures. Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records. Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.
2024-028: Period of Performance	Executive Director Reimbursement Specialist Resource Specialist	September 2026	OTAG recognizes the need to strengthen internal controls related to cash management reporting, matching requirement monitoring, and grant period-of-performance compliance. A comprehensive review of existing Master Cooperative Agreement Appendices management processes has been initiated to identify control weaknesses and implement corrective measures. OTAG will implement tracking tools to monitor award periods, liquidation deadlines, and expenditure charging. Personnel will verify Master Cooperative Agreement Appendices periods prior to processing transactions. Expenditures charged to awards will undergo review to confirm alignment with the applicable award and performance period with cross reconciliation of the Government of the Virgin Islands

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Finding	Contact	Estimated Completion Date	Corrective Action
			procurement methods, and the Government of the Virgin Islands fiscal enterprise system. Policy and Procedure Enhancements: OTAG will update SOPPs to address cash management, reporting requirements, matching calculations, expenditure monitoring, and period-of-performance reviews. Training will be provided to personnel upon implementation of the revised procedures. Preventive Measures: •Monthly grant reconciliation reviews. •Quarterly compliance monitoring. •Management review of reimbursement requests and matching calculations. •Annual internal compliance assessment. •Centralized documentation repository for grant records. Monitoring & Accountability: The Adjutant General and Executive Director will monitor implementation and effectiveness. Quarterly compliance reports will be provided to agency leadership, and corrective actions will be tracked through completion.
2024-029: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	Director of Business Administration	Immediately	The Government concurs with the auditor's findings and recommendations. Management acknowledges the recommendation and will review current internal control procedures to determine if enhancements are needed. DPNR is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary. DPNR will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-030: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Director of Business Administration	On-going	DPNR will: • Conduct a review of payroll transactions to identify any additional discrepancies between timesheets and payroll registers. • Implement a requirement for supervisory review and certification of employee timesheets prior to payroll processing. • Establish a reconciliation process requiring payroll staff to compare approved timesheets to payroll registers before final payroll approval. <u>Grant Charge Authorization</u> • Review personnel funding assignments to verify that salary charges are consistent with approved Notices of Personnel Action (NOPAs), grant budgets, and personnel authorizations. • Correct the employee's funding allocation to reflect the authorized grant funding source. • Establish a secondary review process to verify funding sources before payroll is posted to grant accounts. <u>Payroll Adjustments</u> • Review outstanding payroll adjustments and correction entries. • Process the identified correction and updated procedures to ensure adjustments are completed promptly upon discovery. • Establish tracking procedures to monitor payroll corrections through completion.
2024-031: Equipment and Real Property Management	Director of Business Administration	On-going	DPNR concurs with the auditor's findings and recommendations. The Asset Management Division (AMD) adheres to Federal equipment guidelines. Assets are tagged, and records are created using the Tyler Munis Resource Planning system (ERP). In 2022, AMD inventoried four agencies, ensuring compliance with Federal regulations. The completed Standard Operation Policies and Procedures (SOPP) are pending approval, crucial for enhancing internal controls. Training sessions for fixed assets employees are planned, and additional staff will be needed to support the initiative effectively.

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Finding	Contact	Estimated Completion Date	Corrective Action
2024-032: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer (CFO) of the various agencies DOF - Director of Finance / Accounting and Payroll Manager OMB Federal Grants Manager/ OMB Compliance Unit (oversight and monitoring)	December 2026	The Government will implement enhanced internal control procedures to ensure that payroll expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are complete, accurate, and fully supported by transaction-level detail in accordance with 2 CFR 200.303, 2 CFR 200.403(g), and 2 CFR 200.430(i). Corrective actions will include the following: 1. Implementation of Monthly Payroll Reconciliations: The Government will establish a formal reconciliation process requiring monthly reconciliation of payroll expenditures recorded in the accounting system to detailed payroll records generated from the payroll system. o All variances will be identified, investigated, resolved, and documented. o Supporting documentation (e.g., payroll registers, timesheets, and cost allocation reports) will be retained and readily available for audit review. This aligns with enterprise expectations that reconciliation exceptions must be logged, investigated, and resolved with supporting evidence retained. [GVI-102 -...03.06.2026 | Word] 2. Development and Formalization of Standard Operating Procedures (SOPs): The Government will develop and/or enhance SOPs governing: o Payroll cost charging to federal awards o Documentation standards required to support payroll expenditures o Reconciliation procedures between payroll system and general ledger o SEFA preparation and validation procedures These SOPs will ensure consistency, completeness, and compliance with Uniform Guidance requirements. 3. Strengthening Documentation Controls: Payroll costs charged to federal awards will be supported by documentation that: o Accurately reflects the work performed o Reconciles to total compensation (100% effort)

Finding	Contact	Estimated Completion Date	Corrective Action
			o Is incorporated into official records and retained in accordance with record retention policies Documentation reviews will be incorporated into routine processing and supervisory review controls. 4. Independent Review and Oversight: Reconciliations and payroll allocations to federal programs will be subject to supervisory or independent review to verify: o Accuracy and completeness o Proper allocation across funding sources o Consistency with grant terms and conditions Evidence of review and approval will be maintained. 5. SEFA Validation and Pre-Submission Review: Prior to finalizing the SEFA, the Government will implement a mandatory validation step requiring: o Reconciliation of SEFA totals to the general ledger o Verification that all amounts reported are supported by transaction-level payroll detail o Confirmation that all adjustments are documented and approved This aligns with established CAP practices requiring documented reconciliation outputs that demonstrate control effectiveness. 6. Training and Capacity Building: Relevant personnel will receive training on: o Federal cost principles under 2 CFR 200 o Payroll documentation and certification requirements o SEFA preparation and reconciliation expectations Training will ensure consistent application of policies and improve compliance. 7. Ongoing Monitoring and Compliance Reviews: The Government will implement periodic (quarterly) compliance reviews to: o Assess the effectiveness of payroll reconciliation controls

Finding	Contact	Estimated Completion Date	Corrective Action
			o Ensure documentation requirements are consistently met o Identify and remediate any recurring issues timely These monitoring activities are consistent with prior CAP approaches that require periodic review of payroll documentation and reconciliation practices.
2024-033: Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Procurement and Suspension and Debarment	Department of Property and Procurement, Audit Committee, OMB Grant Management and Compliance Units	Immediately for Procurement Suspension and Debarment vetting; December 2026 for overarching Financial and Compliance Policy	A comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government's Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-034: Cash Management	DPNR Director Business Administration, VIDE Chief Financial Officer, VIDE and DPNR Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This

Finding	Contact	Estimated Completion Date	Corrective Action
			framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including cash management. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-035: Equipment and Real Property Management	Property and Procurement Capital Assets Division, Agencies' Chief Financial Officers and Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.

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2024-036: Procurement and Suspension and Debarment	DPP Procurement Personnel	June 1, 2026	DPP has transitioned the Government of the Virgin Islands to a centralized eProcurement system, GVIBuy. Vendor profiles are centralized with all corporate documents attached. Additionally, DPP has published written guidelines that dictate adherence to federal regulations relate to the procurement of goods and services including records retention.
2024-037: Reporting	Government Agencies' Grants Management staff, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-038: Cash Management	DPNR Director of Business Administration	On-going	The Government concurs with the auditor's findings and recommendations. The Department did not maintain a centralized repository for drawdown documentation. Supporting invoices and related source documents were maintained in various locations and formats, resulting in instances where complete documentation was not readily available during the audit review.

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Finding	Contact	Estimated Completion Date	Corrective Action
			The Department of Planning and Natural Resources (DPNR) with the support of the federal agency's consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all Federal drawdown requests and supporting documentation. This repository will house all documents necessary to substantiate drawdowns, including but not limited to: • Approved drawdown requests; • Supporting invoices; • Payment vouchers and proof of payment; • Purchase orders, contracts, and agreements, where applicable; • Grant expenditure reports. • Reconciliations and any additional supporting documentation required by Federal regulations and grant terms. A standardized checklist will be developed and incorporated into the drawdown process to ensure that all required supporting documents are uploaded and reviewed prior to the submission of each drawdown request. Drawdowns will not be processed until the checklist has been completed and the supporting documentation verified.
2024-039: Eligibility	DPNR Director of Business Administration	On-going	The Government concurs with the auditor's findings and recommendations. The Department did not maintain a centralized repository for eligibility documentation. Supporting documentation and related source documents were maintained in various locations and formats, resulting in instances where complete documentation was not readily available during the audit review. The Department of Planning and Natural Resources (DPNR) with the support of the federal agency's consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all eligibility requests and supporting documentation. This repository will house all documents necessary to substantiate eligibility, including but not limited to:

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			• Participant eligibility applications and supporting documentation; • Eligibility determination forms and approval records; • Documentation of eligibility reviews and supervisory approvals; • Complete participant listings containing all relevant information necessary to support eligibility determinations; • Periodic recertification or re-evaluation documents, where applicable; • Correspondence and any additional supporting records required by the grant agreement or Federal regulations.
2024-040: Procurement and Suspension and Debarment	DPNR Director of Business Administration	On-going	DPNR with the support of the federal agency's consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all procurement requests and supporting documentation. This repository will house all documents necessary to substantiate is a vendor is valid or debarred, including but not limited to: • A complete procurement listing for each fiscal year, including all procurements funded by Federal awards; • Documentation of suspension and debarment verification; • Vendor certifications and required Federal assurances; and • Any additional supporting documentation required under Federal regulations and DPNR procurement policies.
2024-041: Reporting	DPNR Director of Business Administration	On-going	DPNR will conduct an internal review of the circumstances surrounding the approval of financial reports by an unauthorized individual. The purpose of the review will be to determine: 1. How the unauthorized approval occurred; 2. Whether there were deficiencies in the existing review and approval process; 3. Whether system access, delegated authority, or procedural gaps contributed to the control failure; and 4. Whether similar instances have occurred in other reporting periods.

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			Based on the results of the internal review, DPNR will implement any additional corrective measures necessary to strengthen internal controls and prevent future occurrences. Such measures may include revising authorization matrices, restricting system access to designated reviewers, updating written policies and procedures, and providing additional training to personnel involved in the reporting process. DPNR acknowledges that, during the audit period, supporting records related to FFATA submissions were not readily accessible to the Department due to limitations in system access and the absence of a centralized retention process for FFATA reporting documentation. As a result, DPNR was unable to provide a complete listing of FFATA reports submitted during the year. The Department of Planning and Natural Resources (DPNR) with the support of the federal agency's consultant will implement a centralized electronic repository system to serve as the official recordkeeping location to ensure the following supporting documents are available including but not limited to: • A complete annual listing of all FFATA reports submitted; • Copies or screenshots of each FFATA submission; • Submission confirmations and reporting dates; • Subrecipient information and award amounts subject to FFATA reporting requirements; and • Any correspondence or supporting documentation associated with the submission.
2024-042: Subrecipient Monitoring	DPNR Director of Business Administration	On-going	The Government concurs with the auditor's findings and recommendations. DPNR's subrecipient monitoring records and supporting documentation were maintained in multiple locations and were not consistently centralized in a manner that readily demonstrated compliance with Federal subrecipient monitoring requirements. In addition, DPNR did not maintain a comprehensive

Finding	Contact	Estimated Completion Date	Corrective Action
			master listing of subrecipients that incorporated all information necessary to support risk assessments, monitoring activities, and audit requests. DPNR with the support of the federal agency's consultant will implement a centralized electronic repository system to serve as the official recordkeeping location for all sub recipient supporting documentation. This repository will house all documents necessary to determine if a vendor is at high risk, if they are required to be audited and monitoring, including but not limited to: • A master listing of all subrecipients for each fiscal year; • Subaward agreements and any modifications; • Required subaward information pursuant to 2 CFR §200.331(a); • Subrecipient risk assessments and supporting documentation; • Financial and programmatic reports submitted by subrecipients; • Monitoring plans and monitoring reports; • Documentation of desk reviews and on-site monitoring, where applicable; • Audit reports, Single Audit reports, and management decisions; • Documentation of corrective actions and follow-up activities; and • Correspondence and any additional records necessary to demonstrate compliance with Federal requirements.
2024-043: Special Tests and Provisions – Wage Rate Requirements	DPNR Director of Business Administration	On-going	DPNR did not have formally documented policies and procedures governing compliance with Wage Rate Requirements applicable to federally funded construction contracts. In addition, supporting documentation demonstrating compliance, including certified payrolls and monitoring activities, was not consistently maintained in a centralized location to facilitate monitoring and audit review. DPNR will develop and implement formal written policies and procedures to ensure compliance with applicable Wage Rate

Finding	Contact	Estimated Completion Date	Corrective Action
			Requirements, including the requirements of the Davis-Bacon Act and the Department of Labor regulations contained in 29 CFR Part 5. The procedures will require that all federally funded construction contracts subject to Wage Rate Requirements include the appropriate labor standards provisions and contract clauses. Additionally, contractors and subcontractors will be required to submit certified payrolls and statements of compliance on a weekly basis for each week in which contract work is performed.
2024-044: Activities Allowed or Unallowed	Unemployment Director Business Administration Director	September 2026	VIDOL acknowledges the auditor's finding regarding the inability to provide fully reconciled accounting information for the Unemployment Insurance Trust Fund accounts and recognizes the importance of maintaining complete, accurate, and timely financial records in compliance with 2 CFR 200.302 and 2 CFR 200.303. VIDOL concurs with the recommendation and is committed to strengthening internal controls, improving financial management processes, and ensuring timely reconciliations and oversight of all Unemployment Insurance program funds. VIDOL will implement the following corrective actions: 1. <u>Development and Implementation of Written Policies and Procedures:</u> VIDOL will develop and formalize comprehensive accounting policies and procedures governing: •Monthly reconciliations of all Unemployment Insurance Trust Fund accounts; •Cash receipt and disbursement processing; •Accrual preparation and review; •Federal grant accounting and reporting requirements; •Documentation retention and support requirements; and •Review and approval protocols for financial transactions and reports. These procedures will be aligned with the requirements set forth in 2 CFR 200 and applicable federal guidance. 2. <u>Monthly Reconciliation Process:</u> VIDOL hired a new Financial Analyst in December 2025 due to vacancy created due to the departure by the

Finding	Contact	Estimated Completion Date	Corrective Action
			former Financial Analyst in February 2025. VIDOL has completed monthly reconciliations of all UI accounts through March 2026. VIDOL has implemented a reconciliation process that reconciles all accounts monthly for all Unemployment Insurance Trust Fund accounts and ensure: •General ledger balances agree to subsidiary ledgers and bank records; •Differences are identified, researched, and documented timely; and •Reconciliations are reviewed and approved by supervisory personnel. 3. Strengthening Internal Controls and Oversight: VIDOL will enhance internal controls over financial reporting and grant management by: •Assigning clear responsibilities for preparation and review of reconciliations; •Implementing supervisory review procedures for financial reports and reconciliations; •Conducting periodic management reviews of account activity and outstanding balances; and •Maintaining adequate supporting documentation for all financial transactions. 4. Staff Training and Technical Assistance: Fiscal staff responsible for grant accounting and financial reporting will receive additional training on: •Federal grant compliance requirements under Uniform Guidance; •Financial reconciliation procedures; •Documentation standards; and •Internal control responsibilities. VIDOL will also seek technical assistance, as necessary, to improve financial reporting and reconciliation practices. 5. Ongoing Monitoring and Compliance Review: VIDOL management will conduct periodic monitoring to ensure reconciliations are completed timely and corrective actions are operating effectively. Any identified discrepancies or instances of noncompliance will be addressed promptly.

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2024-045: Eligibility	Unemployment Director Director of Information Technology	July 2026	VIDOL concurs with the auditor's findings and recommendations. VIDOL entered a one (1) year contract with Quantum Technology on July 15, 2025, to convert all VIDOL files from a paper based to an electronic recordkeeping system. Quantum Technology continues to digitize and transfer the files to a database where they are properly catalogued, retrievable and indexed in accordance with established naming conventions. Once Quantum Technology completes the contract deliverables, VIDOL will have a robust document management system to facilitate easy retrieval and secure storage.
2024-046: Reporting	Unemployment Director	September 2026	VIDOL acknowledges the auditor's finding regarding deficiencies in the retention, review, accuracy, and support of required financial, performance, and special reports submitted to the Federal government. VIDOL submitted all outstanding reports along with supporting documentation during the 30-day sprint to the Regional Office. VIDOL recognizes the importance of maintaining complete and accurate supporting documentation and ensuring that all required reports are properly reviewed, approved, and retained in compliance with 2 CFR 200.302, 2 CFR 200.303, and 2 CFR 200.403(g). VIDOL will implement the usage of the USVI Unemployment Benefit Manual which contains the principles and operating instructions for carrying out the agency's responsibilities under the various benefits programs. VIDOL concurs with the auditor's recommendation and is committed to strengthening internal controls and reporting procedures to ensure the accuracy, completeness, timeliness, and proper retention of all federally required reports. To address the deficiencies identified, VIDOL will implement the following corrective actions: 1. <u>Revision and Formalization of Reporting Policies and Procedures:</u> VIDOL will reevaluate and update its written policies and procedures governing the preparation, review, approval, submission, and retention of all required Federal reports, including ETA-9050, ETA-9052, ETA-9055, and other applicable reports. The revised procedures will

Finding	Contact	Estimated Completion Date	Corrective Action
			establish: •Standardized reporting processes; •Documentation requirements supporting all reported data; •Required supervisory review and approval protocols; •Submission deadlines and tracking requirements; and •Record retention standards consistent with Federal regulations. 2. Implementation of Review and Approval Controls: VIDOL will implement enhanced supervisory review procedures to ensure all reports: •Are supported by complete and accurate documentation; •Reconcile to source records and supporting schedules; •Are reviewed for accuracy and completeness prior to submission; and •Contain documented evidence of review and approval by designated management personnel. 3. Centralized Documentation Retention Process VIDOL will establish a centralized electronic and/or physical filing system for all required Federal reports and supporting documentation to ensure: •Records are retained for the required retention period; •Supporting documentation is readily accessible for audit and monitoring purposes; and •Submitted reports can be fully substantiated and traced to source documentation. 4. Periodic Internal Monitoring and Quality Assurance Reviews: Management will conduct periodic internal reviews of submitted reports and supporting documentation to verify compliance with Federal reporting requirements and internal procedures. Any discrepancies or missing documentation identified during these reviews will be corrected promptly and communicated to responsible staff. 5. Staff Training and Technical Assistance: Appropriate staff responsible for report preparation, review, and submission will receive additional training on: •Federal reporting and documentation requirements; •Record retention standards; •Internal control responsibilities; and •Procedures for reconciling reported information to supporting

Finding	Contact	Estimated Completion Date	Corrective Action
			documentation. VIDOL will also seek technical assistance, as necessary, to improve reporting accuracy and compliance processes.
2024-047: Special Tests and Provisions – UI Reemployment Programs: Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)	Unemployment Director Director of Information Technology	2nd Quarter of 2027	VIDOL acknowledges the auditor's finding regarding the failure to submit the required ETA 9129 RESEA Quarterly Reports in a timely manner under the UI-Reemployment Services and Eligibility Assessment (RESEA) program. VIDOL recognizes the importance of maintaining effective internal controls to ensure all required Federal reports are accurate, complete, properly reviewed, and submitted within established deadlines in compliance with 2 CFR 200.303. VIDOL concurs with the auditor's recommendation and is committed to strengthening reporting controls and implementing system improvements to ensure ongoing compliance with Federal reporting requirements. To address the deficiencies identified, VIDOL will implement the following corrective actions: 1. Implementation of RESEA Case Management System: VIDOL is currently in the implementation stage of the core portion of the RESEA case management system that will serve as the official system of record for all RESEA claimant services and reporting activities. The system is expected to go out to production/testing by June 2026 with an identified vendor. The new system will: •Centralize claimant and program data; •Improve tracking of RESEA activities and outcomes; •Generate data necessary for required Federal reporting; •Enhance data accuracy and consistency; and •Support timely submission of ETA 9129 Quarterly Reports. 2. Development of Reporting Policies and Procedures: VIDOL will develop and formalize written policies and procedures governing the preparation, review, approval, and submission of RESEA quarterly reports. These procedures will include: •Clearly defined staff responsibilities; •Reporting timelines and submission deadlines;

Finding	Contact	Estimated Completion Date	Corrective Action
			•Required supervisory review and approval processes; and •Documentation retention requirements supporting reported data. 3. Strengthening Internal Controls Over Reporting: VIDOL will enhance internal controls to ensure: •Required reports are monitored through a reporting calendar and tracking system; •Reports are reviewed for completeness and accuracy prior to submission; •Supporting documentation is maintained and readily accessible; and •Management oversight is performed to ensure compliance with Federal reporting requirements. 4. Periodic Monitoring and Compliance Reviews: Management will conduct periodic reviews of reporting activities to verify reports are submitted timely and supported by accurate documentation. Any reporting deficiencies identified will be addressed promptly through corrective action and additional oversight. 5. Staff Training and Technical Assistance: Staff responsible for RESEA program administration and reporting will receive training on: •Federal reporting requirements for ETA 9129 reports; •Internal control and documentation standards; •Use of the RESEA case management system; and •Procedures for timely report preparation and submission. VIDOL will also seek technical assistance, as needed, to support implementation of the new reporting system and improve compliance processes.
2024-048: Activities Allowed or Unallowed, Allowable Costs/Cost Principles – Non-Payroll Activities	Department of Property and Procurement, Audit Committee, OMB Grant Management and Compliance Units	Immediately for Procurement Suspension and Debarment vetting; December 2026 for overarching	A comprehensive corrective action plan includes hiring key personnel to provide oversight and expertise in grant management. The Government's Audit Committee is also leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote

Finding	Contact	Estimated Completion Date	Corrective Action
and Procurement and Suspension and Debarment		Financial and Compliance Policy	cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including internal controls for procurement vetting in corporation with the Department of Property and Procurement with primary responsibility over procurement. Regular training sessions are provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-049: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Federal Grants Management Unit in coordination with the Department of Finance	September 2026	OMB acknowledges the findings and notes that OMB does not calculate or determine fringe benefit amounts charged to payroll expenditures. However, OMB will coordinate with the Department of Finance to communicate the identified discrepancy and will work collaboratively to strengthen review procedures over payroll cost allocations charged to federal programs. In addition, OMB will reevaluate its existing oversight controls to ensure that payroll expenditures charged to federal awards are supported by appropriate documentation and reviewed for compliance with applicable federal requirements.
2024-050: Procurement and Suspension and Debarment	Department of Property and Procurement, Federal Grants Management Unit with support from relevant ARPA grant management staff and the Director/Director Designee of the Office of Management and Budget	September 2026	The Government will retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure adherence to internal policies and regulatory requirements. Management will implement procedures to regularly review and verify that all procurement activities are properly documented and compliant with applicable regulations. Management will implement a formal process to ensure all executed contracts are timely included on GVIBUY. DPP will liaise more frequently with DOF IT team to rectify any potential system issues that can affect data accuracy. In collaboration with DPP and DOF, OMB will do the following:

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			Formalize Policies and Procedures (SOP Updates): OMB will update its internal Standard Operating Procedures (SOPs) to clearly define: ▫ Roles and responsibilities for procurement oversight ▫ Required documentation standards - to ensure all procurement actions related to federal awards are captured, documented, and readily accessible for audit purposes. ▫ Review and approval workflows Training and Capacity Building: OMB will conduct training sessions for all staff involved in procurement and grant management to reinforce compliance with: ▫ Uniform Guidance (2 CFR 200.318–200.327) ▫ Local procurement requirements (Title 31 VIC)
2024-051: Reporting	Federal Grants Management Unit in coordination with programmatic and financial staff responsible for CSLFRF reporting	Immediately	OMB agrees with the finding and will strengthen its internal controls over the preparation, review, reconciliation, and retention of documentation supporting CSLFRF reports. OMB implemented corrective measures to ensure that all Quarterly reporting consistently utilizes ERP Post Dates to ensure that all applicable activity is fully captured. OMB will also establish a centralized process for maintaining reporting support, including reconciliations, review checklists, and evidence of supervisory approval, to ensure adequate documentation is retained for monitoring and audit purposes.
2024-052: Subrecipient Monitoring	Federal Grants Management Unit with support from relevant ARPA grant management staff and the Director/Director Designee of the Office of Management and Budget	September 2026	To address this finding, OMB will strengthen its subrecipient monitoring controls and formalize procedures to ensure compliance with 2 CFR 200.303 and 2 CFR 200.332, including requirements related to identifying subawards, assessing subrecipient risk, documenting monitoring activities, following up on deficiencies, and maintaining evidence of supervisory review. OMB will also conduct periodic internal quality control reviews of subrecipient files to confirm that monitoring documentation is complete, timely, and consistent with federal requirements.

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2024-053: Allowable Costs/Cost Principles – Non-Payroll Activities	DPNR Director Business Administration, DPW and DPNR Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including allowable cost and cost principles. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-054: Allowable Costs/Cost Principles – Payroll Activities	DPNR Director Business Administration, DPW and DPNR Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including fiscal and administrative requirements for expending and accounting for payroll expenditures. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit

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			supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-055: Cash Management	CFO Director of Administration Fiscal and Budget Manager	Immediate	The Government concurs with the auditor's findings and recommendations. Strengthening procedures is necessary. Corrective Action Plan: - Reconcile drawdowns monthly - Assign oversight for draw requests - Conduct internal reviews
2024-056: Reporting	CFO Director of Administration	60-120 days	The Government concurs with the auditor's findings and recommendations. Corrective action plan as follows: - Establish review and approval procedures - Maintain supporting documentation - Central repository for reports - Conduct periodic audits - Train staff
2024-057: Subrecipient Monitoring	CFO Director of Administration Grants Manager	60-120 days	The Government concurs with the auditor's findings and recommendations. Corrective action plan as follows: - Develop subrecipient monitoring policies (2 CFR 200.331–200.332) - Conduct risk assessments - Monitor financial and performance reports - Establish tracking system - Require follow-up on audit findings
2024-058: Allowable Costs/Cost Principles – Payroll Activities	DPNR Director of Business Administration	On-going	DPNR recognizes the discrepancies identified between the employee pay rates reflected in the payroll registers and the Notices of Personnel Action (NOPAs) that were provided during the audit. Preliminary review indicates that the payroll system calculates employee compensation based on approved personnel actions maintained within the payroll system; however, it is possible that the NOPAs provided for audit testing

Finding	Contact	Estimated Completion Date	Corrective Action
			did not reflect the most current approved personnel actions or subsequent amendments affecting employee compensation. Additionally, DPNR's procedures for maintaining and readily retrieving complete personnel and payroll support documentation were not sufficiently centralized to ensure that the most current supporting records were consistently available for audit review. DPNR will conduct a comprehensive internal review of the payroll transactions identified in the audit sample to determine the cause of the discrepancies between the payroll registers and the NOPAs provided during the audit. The review will include: • Verification of the official personnel actions maintained in the payroll system; • Review of any amended or revised NOPAs affecting employee compensation; • Reconciliation of payroll registers to approved personnel actions; • Verification that salaries and wages charged to Federal awards are properly supported and accurately reflected in official records; and • Identification and correction of any deficiencies in document retention or record management procedures.
2024-059: Cash Management	DPNR Director of Business Administration	On-going	DPNR will reevaluate and strengthen its cash management policies and procedures to ensure compliance with the Cash Management Improvement Act (CMIA), Treasury-State Agreement requirements, and Federal cash management regulations. To support these requirements, DPNR alongside RMA will establish a repository that will serve as the official source of record for all drawdown activities and related supporting documentation.
2024-060: Period of Performance	DPNR Director Business Administration, Audit	December 2026 for overarching	The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the

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	Committee, and OMB Compliance Unit	Financial and Compliance Policy	Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including period of performance. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-061: Allowable Costs/Cost Principles – Non-Payroll Activities	Business Office Director Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE is strengthening its policies and procedures to ensure all non-payroll expenditures are fully supported by underlying documentation prior to charging federal programs. To address the documentation gap identified, the department is enforcing a strict back-end system control within the accounts payable process. Moving forward, all required supporting documentation—such as vendor invoices, receipts, and programmatic approvals—must be attached directly to the transaction entry within the ERP system. Furthermore, the Office of Fiscal and Administrative Services will implement a mandatory final review step to verify the presence and accuracy of this documentation in the system before any disbursement is authorized or charged to the Special Education Cluster.
2024-062: Allowable Costs/Cost Principles – Payroll Activities	Director of Payroll Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile approved hours against both the payroll processing register and the final reimbursement invoice.

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			Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries. Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action. Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.
2024-063: Allowable Costs/Cost Principles – Indirect Cost	Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs. Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen VIDE's oversight of the TPFA's processes and prevent future documentation gaps.

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2024-064: Equipment and Real Property Management	Fixed Assets Director	September 2026	As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets. Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support. To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFA and Munis.
2024-065: Matching, Level of Effort, Earmarking	Deputy Commissioner, Curriculum and Instruction Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE recognizes that the inability to verify underlying student and poverty data due to a lack of certified documentation is a critical internal control deficiency. Accordingly, VIDE will establish a formal data collection and certification process. VIDE will update its specific Standard Operating Procedure (SOP) for the collection of MFS and Earmarking data to mandate a process wherein LEAs will be required to submit a Student Count and Poverty Data Certification Form. This form must be signed by the District Superintendent and the District Data Manager to certify the student numbers and poverty counts as of the

Finding	Contact	Estimated Completion Date	Corrective Action
			specific federal reporting date. Supporting source documentation, such as PowerSchool reports, must be attached to this certification. At the SEA level, the State Office of Special Education will be responsible for reviewing these submissions and issuing a formal Verification of Data Accuracy memo prior to the data being used for financial calculations. To address the recommendation for deployed resources and to correct the MOE deficiency, VIDE will formalize the organizational chart within the Federal Grants Office to clearly designate the team responsible for compliance reviews. This team will be tasked with conducting quarterly reviews of the certified data packets to ensure the documentation required for audit verification is securely archived and readily available. Additionally, the Budget Office and Federal Grants Office will implement a standard MFS Calculation Worksheet that requires the attachment of the certified source data and the specific approval and signature of the Deputy Commissioner of Fiscal and Administrative Services before the allocation is finalized. Finally, the Deputy Commissioner of Curriculum and Instruction will maintain a Compliance Review Log tracking the receipt of annual data certifications from the LEAs, and the Deputy Commissioner of Fiscal and Administrative Services will review this log alongside the MOE Calculation Worksheets prior to the submission of the Annual Performance Report.
2024-066: Period of Performance	Business Office Director Director of Federal Grants Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE is strengthening its internal controls and record retention procedures to ensure strict adherence to federal period of performance and liquidation provisions. To address the missing payment support, the department is enforcing a strict back-end system control. All required supporting documentation evidencing payment must be attached directly to the transaction entry within the ERP system prior to final disbursement.

Finding	Contact	Estimated Completion Date	Corrective Action
			To address the specific instance regarding the missing indirect cost reimbursement report, VIDE will leverage its newly finalized Indirect Cost Standard Operating Procedure (SOP). VIDE will coordinate with the Third-Party Fiduciary Agent (TPFA) to ensure that all detailed reimbursement reports are actively verified and securely stored in a centralized repository before indirect costs are drawn down and liquidated. Furthermore, the Office of Fiscal and Administrative Services will implement a mandatory final review step during the grant closeout and liquidation phase. This review will systematically verify the presence and accuracy of all payment and indirect cost documentation within the ERP and SharePoint repositories, ensuring that all expenditures are properly supported, allowable, and completely liquidated within the mandated period of performance timeframe.
2024-067: Procurement and Suspension and Debarment	Director of Procurement Deputy Commissioner, Fiscal and Administrative Services	Immediately	VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files. To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement.
2024-068: Allowable Costs/Cost	Director of Payroll Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile

Finding	Contact	Estimated Completion Date	Corrective Action
Principles – Payroll Activities			approved hours against both the payroll processing register and the final reimbursement invoice. Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries. Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action. Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.
2024-069: Allowable Costs/Cost Principles – Indirect Cost	Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs. Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen

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			VIDE's oversight of the TPFA's processes and prevent future documentation gaps.
2024-070: Equipment and Real Property Management	Fixed Assets Director	September 2026	As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets. Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support. To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request, until the system reporting error is permanently resolved by the TPFA and Munis.
2024-071: Procurement and Suspension and Debarment	Director of Procurement Deputy Commissioner, Fiscal and Administrative Services	Immediately	VIDE has implemented additional system controls to ensure all procurements meet federal documentation standards and to adequately maintain completed contract files. To address documentation gaps and ensure compliance with suspension and debarment requirements, the department has transitioned to a

Finding	Contact	Estimated Completion Date	Corrective Action
			model where the required contract, along with all necessary supporting documentation (specifically including bids, quotations, justification letters, and evaluation reports), must be attached directly to each invoice entry within the ERP system. This requirement ensures that a complete, centralized procurement file is retained and reviewed for compliance prior to any final disbursement.
2024-072: Reporting	Director of Federal Grants Deputy Commissioner, Fiscal and Administrative Services	September 2026	VIDE is currently working towards developing formal procedures to establish controls operating at a level of precision that ensures timely and accurate reporting compliance. As part of this ongoing development, VIDE will govern these new procedures through the Integrated Fiscal Control Model within the Office of Federal Grants. To correct the discrepancies between the Annual Report and underlying data, VIDE will implement a mandatory multi-level reconciliation process. Prior to the submission of any Annual Report, Program Directors and the fiscal team must cross-reference and validate all reported programmatic and financial data against the ERP system of record and official source documents. A final sign-off will be required to certify data accuracy. Furthermore, to address the Transparency Act requirements, VIDE will institute a strict compliance workflow. The Office of Federal Grants will be required to identify, register, and report all applicable first-tier subawards of $30,000 or more into the FSRS portal within the federally mandated timeframe. To ensure FFATA submissions are consistently completed, a secondary review step will be implemented to verify the FSRS submission confirmation before any initial reimbursement drawdowns are approved for the respective subrecipient.
2024-073: Allowable Costs/Cost	Director of Payroll Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will strengthen payroll and personnel action controls by requiring the Budget Team and Deputy Commissioner to review and approve all personnel actions before NOPA execution to validate pay rates. Furthermore, Payroll will establish a final review step to reconcile

Finding	Contact	Estimated Completion Date	Corrective Action
Principles – Payroll Activities			approved hours against both the payroll processing register and the final reimbursement invoice. Approved timesheets, Notices of Per Diem, and related payroll support will be centrally retained in SharePoint by pay period and attached to applicable invoices or general ledger journal entries. Program staff and supervisors will receive mandatory training on updated timesheet procedures and federal time and effort requirements. The Office of Fiscal and Administrative Services will also conduct monthly spot checks of SharePoint repositories and ERP logs to document compliance, identify control gaps, and ensure timely corrective action. Finalization of the formal SOPs and supporting controls is a top priority to achieve the necessary level of control precision and prevent repeat findings.
2024-074: Allowable Costs/Cost Principles – Indirect Cost	Deputy Commissioner, Fiscal and Administrative Services	August 2026	VIDE will reinforce its procedures for tracking, compiling, and storing documentation related to grant expenditures. To achieve the necessary level of control precision, VIDE has successfully finalized the Standard Operating Procedure (SOP) governing the calculation, tracking, and record retention of indirect costs. Currently, the Third-Party Fiduciary Agent (TPFA) controls and executes this specific process on behalf of the Department. To ensure the newly finalized procedures are fully operationalized, VIDE is scheduling mandatory training. VIDE will coordinate directly with the TPFA to facilitate this training for all relevant VIDE staff. This will ensure that internal personnel are fully equipped to actively verify, compile, and securely store the required check payment details and detailed project expenditure reports. Building this internal capacity will strengthen

Finding	Contact	Estimated Completion Date	Corrective Action
			VIDE's oversight of the TPFA's processes and prevent future documentation gaps.
2024-075: Equipment and Real Property Management	Fixed Asset Director	September 2026	As part of our ongoing commitment to strengthen internal controls, VIDE is finalizing its comprehensive Standard Operating Procedures (SOPs) for Equipment and Real Property Management. To directly address the recommendation for improved monitoring and communication, the Fixed Asset Director is implementing a formal process to perform and document quarterly inventory reconciliations, ensuring timely coordination across all divisions handling federal assets. Munis serves as our official system of record. Current controls dictate that all required data fields (as outlined in 2 CFR 200.313) must be inputted before an asset record can be created in the system. The Government acknowledges the current limitation where a system reporting error prevents certain populated information from exporting onto standard reports. The Third-Party Fiduciary Agent (TPFA) is actively escalating this issue with Munis technical support. To ensure compliance to date, no permanent system solution has been found; therefore, the Fixed Asset Director will implement an interim workaround. This will involve utilizing alternative data queries or manual consolidation from the Munis asset profiles to ensure that complete, fully compliant equipment listings can be successfully generated and provided upon request until the system reporting error is permanently resolved by the TPFA and Munis.
2024-076: Reporting	OMB Grants Manager, Audit Committee, and OMB Compliance Unit	December 2026 for overarching Financial and Compliance Policy	The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed step-by-

Finding	Contact	Estimated Completion Date	Corrective Action
			step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including reporting. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-077: Special Tests and Provisions – Wage Rate Requirements	Director of Procurement Deputy Commissioner, Fiscal and Administrative Services	September 2026	To immediately address the condition regarding the missing documentation, VIDE has compiled and provided the complete listing of applicable construction contracts to satisfy this specific documentation requirement. To address the root cause of the wage rate deficiencies for the COVID-19 Education Stabilization Fund, the Procurement Director has successfully implemented updated contract templates. These templates contain language that explicitly addresses all required wage rate provisions, directly resolving the contract language deficiency noted in the audit. Furthermore, VIDE is actively finalizing a comprehensive Standard Operating Procedure (SOPP) for wage rate requirements to ensure long-term compliance. This SOPP will mandate the consistent use of the approved contract templates and establish strict internal controls for project management personnel to obtain, review, and retain certified weekly payrolls from all contractors. Once the SOPP is finalized, mandatory training will be provided to all relevant staff involved in contract oversight, report preparation, and submission.
2024-078: Allowable Costs/Cost	DOH Grant Management Staff and Chief Financial	Ongoing and December 2026 for overarching	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public

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Principles – Payroll Activities	Officer, Audit Committee, and OMB Compliance Unit	Financial and Compliance Policy	Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including fiscal and administrative requirements for expending and accounting for payroll expenditures. Regular training sessions will be provided to staff involved in grant management to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-079: Equipment and Real Property Management	Property and Procurement Capital Assets Division, DOH Chief Financial Officer and Program Managers, Audit Committee, and OMB Compliance Unit	Ongoing and December 2026 for overarching Financial and Compliance Policy	The Government concurs with the auditor's findings and recommendations and finalizing a comprehensive corrective action plan to strengthen grant management and compliance through the Public Finance Management initiative including the development of a three-tier overarching Financial and Compliance policy and procedures framework. The Government's Audit Committee is leading the development of a structured, three-tier policy and procedures framework under the Public Finance Management project. This framework includes Tier 1, which establishes the overarching Financial and Compliance Policy; Tier 2, which defines Standard Operating Procedures (SOPs) to promote cross-agency consistency; and Tier 3, which outlines detailed, step-by-step procedures that clearly define roles and responsibilities and accountability measures to ensure compliance with all federal regulations including equipment and real property management. Additional staff will be needed to effectively

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			support the initiative and regular training sessions will be provided to staff to ensure they understand and adhere to compliance requirements with monitoring and evaluation occurring by the OMB Compliance Unit supported by the Government's Audit Committee, to assess and improve the effectiveness of controls.
2024-080: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	Chief Financial Officer	Immediately	The Government concurs with the auditor's findings and recommendations. Management will review current internal control procedures to determine if enhancements are needed. DHS is committed to ensuring compliance with Federal regulations and will take appropriate action as necessary. DHS will review and update its policies and procedures to ensure all non-payroll expenditures are approved by authorized personnel, provide staff training on proper approval processes and internal control requirements, and conduct periodic checks to monitor compliance and promptly address any exceptions.
2024-081: Equipment and Real Property Management	Commissioner, Department of Property and Procurement	December 2026	DHS maintains an internal asset listing. Additionally, DHS will be onboarding dedicated staff for Head Start inventory. DHS will continue to collaborate with the Department of Property and Procurement to ensure compliance with Federal regulations regarding equipment and its maintenance.
2024-082: Reporting	Program Administrator	September 2026	DHS will: 1. Establish a Reporting Calendar and Tracking System: A comprehensive reporting calendar will be developed that clearly outlines all required federal reports (e.g., SF-429, SF-429A, SF-428 series), including submission deadlines. This calendar will be centrally maintained and shared with all relevant staff. Automated reminders will be implemented to ensure deadlines are met. 2. Assign Clear Roles and Responsibilities: Fiscal Analyst has been

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			formally assigned responsibility for the preparation of each required report. Review and submission of the SF429 and 428 will be completed by the Program Administrator/designee. 3. Training and Capacity Building: Program staff will receive refresher training on federal reporting requirements, including timelines, documentation standards, and compliance expectations under 2 CFR §200.303 (Internal Controls). This will ensure a clear understanding of the importance of timely and accurate reporting. 4. Ongoing Monitoring and Compliance Review: The development of an audit unit will conduct periodic internal reviews (quarterly spot checks) to verify that reports are prepared and submitted timely. Any delays or issues identified will be addressed promptly to prevent recurrence. 5. Documentation and Record Retention: All submitted reports and supporting documentation will be retained in an organized, centralized filing system (electronically) to ensure accessibility for audit and monitoring purposes.
2024-083: Special Test and Provision – Protection of Federal Interest in Real Property and Facilities	Program Administrator	September 2026	To address the non-compliance related to the failure to document and record the required Notices of Federal Interest (NFI) for facilities with major renovations, program management will implement the following corrective measures: 1. Immediate Remediation of Identified Facilities: The Program Administrator conducted a review of the two facilities cited in the audit and took immediate steps to prepare and record the required Notices of Federal Interest in accordance with 45 CFR §§1303.46–1303.47. Documentation of recording in the appropriate jurisdiction was obtained and maintained in the official grant files.

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			2. Comprehensive Facilities Compliance Review: A full inventory and review of all facilities that have undergone purchase, construction, or major renovation using Head Start funds was conducted to ensure that all required NFIs are properly recorded. 3. Designation of Roles and Oversight Responsibility: Program Administrator will be assigned responsibility for ensuring compliance with all federal property requirements, including preparation, submission, and recordation of the NFI. A secondary level of review by senior management will be required to ensure accountability. 4. Training and Technical Assistance: Relevant program and fiscal staff will receive targeted training on Head Start facilities regulations (45 CFR Part 1303) and Uniform Guidance requirements, with emphasis on: o When an NFI is required o Proper preparation and recording procedures o Documentation and record retention requirements 5. Ongoing Monitoring and Internal Review: The development of an audit unit will perform periodic internal compliance reviews (at least annually) of facilities files to ensure adherence to federal requirements. Any issues identified will be addressed immediately to prevent recurrence.
2024-084: Special Tests and Provisions – Program Governance	Program Administrator	Ongoing	To address the non-compliance related to the failure DHS will strengthen internal controls and governance oversight processes to ensure full compliance with Head Start Act requirements and Uniform Guidance. Specifically, DHS will: 1. Implement Monthly Financial Reporting

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			• Develop and implement a standardized process requiring monthly financial statements, including credit card expenditures, to be prepared and presented to both the Governing Board and Policy Council • Establish a recurring meeting schedule to ensure timely review • Maintain meeting minutes documenting review and approval 2. <u>Establish Governance Training Program</u> • Develop and implement an annual training plan for the governing body and Policy Council covering: • Financial statements and reporting • Roles and responsibilities under Head Start regulations • Oversight of Federal funds and internal controls • Maintain sign-in sheets, agendas, and training materials as documentation 3. <u>Strengthen Audit Oversight Procedures</u> • Require documented discussion in governing body meeting minutes demonstrating active monitoring and oversight to include: • Audit findings • Status of corrective actions
2024-085: Eligibility	OCCRS Administrator Director of Audit and Compliance	December 2026 and March 2027	DHS, has upgraded the child care database to more efficiently produce monthly vouchers without the historical connectivity disruptions that prevented an uninterrupted listing of provider vouchers and the associated subsidy payments. An independent audit will be conducted to verify processes, review files and make recommendations. Additionally, An Audit and Compliance Unit has been established within the Fiscal Division. Staffing will include a program compliance monitor to work with the Child Care program to ensure compliance to Federal mandates.

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2024-086: Matching, Level of Effort, Earmarking	Chief Financial Officer	Analyst Hired 10/01/2024. Audit unit staffing hiring 03/31/2027	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports to ensure compliance with earmarking. Additionally, a Director of Federal Grants has been added to oversee the reporting and earmarking process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.
2024-087: Reporting	Chief Financial Officer	Analyst Hired 10/01/2024. Audit unit staffing hiring 03/31/2027	A Federal Grants Financial Analyst for CCDF program has been hired and is tasked with ensuring the accuracy and submission of financial reports. Additionally, a Director of Federal Grants has been added to oversee the reporting process. Internal controls have been established, requiring final review and approval by the supervisor with final approval by the CFO or designee. Additionally, an Audit and Compliance unit has been established. Once staffed, regular monitoring will occur within the various divisions.
2024-088: Special Tests and Provisions – Health and Safety Requirements	Licensing Unit	October 2026	DHS has onboarded additional licensing staff which has built increased capacity to conduct provider visits for the purpose of assessing compliance with health and safety requirements. Efforts to recruit additional staff continue. A visual tracker of provider visits will be utilized to ensure visits are conducted across all providers.
2024-089: Special Tests and Provisions – Fraud Detection and Repayment	OCCRS Administrator, Quality Unit and Subsidy Unit	December 2026	Internal audits will be conducted quarterly by having OCCRS subsidy staff and Administrators review files for accuracy of eligibility and subsidy determinations. Quality staff will conduct at least 2 unannounced visits per child care facility to monitor attendance. DHS will implement a centralized, secure tracking matrix. This log will track all fraud referrals, audit start/end dates, findings, total funds

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			identified for recovery, amounts recovered to date, and case closure signatures.
2024-090: Special Tests and Provisions – Child Care Provider Eligibility for ARP Act Stabilization Funds	Assistant Commissioner, CCDF Administrator, Director of Quality	September 2024	The Government concurs with the auditor's findings and recommendations. Management will review current procedures to strengthen monitoring and documentation of provider eligibility for ARP Act stabilization funds. DHS is committed to improving internal controls and ensuring compliance with all program requirements. An internal programmatic audit process is actively utilized. Subsidy determinations are cross-checked by different workers according to federally and locally established policies. Additionally, DHS is in the process of developing an internal audit and compliance unit. With the requisite staffing, internal audits will be conducted to ensure alignment with the Federal mandates in addition to ensuring overall compliance.
2024-091: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Non-Payroll Activities	Chief Financial Officer	On-going.	The Government concurs with the auditor's findings and recommendations. Management will conduct a comprehensive review of existing internal controls related to non-payroll expenditures. DHS will update policies and procedures to ensure all costs are properly documented and comply with federal allowable cost principles. DHS is committed to addressing the identified issues and maintaining ongoing compliance with federal regulations. DHS will conduct a thorough review of current internal controls and procedures related to non-payroll expenditures to identify gaps and areas for improvement. Policies will be updated to ensure all costs are properly documented and comply with federal allowable cost principles. Staff responsible for processing and approving expenditures will receive targeted training on documentation and compliance requirements. DHS will implement periodic internal audits to monitor adherence to updated procedures and promptly address any exceptions.

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2024-092: Period of Performance	Chief Financial Officer	October 2026	Once payroll is processed by the Department of Finance (DOF), a Flex Earnings Report is generated by the Analyst on each payday. A reconciliation is then performed to ensure that all employees, along with their respective fringe benefits, are accurately captured and drawn. Following this process, DOF posts the payroll to the accounting system. However, staffing has identified that deficiencies can occur in DOF's postings, sometimes arising in periods subsequent to the actual payday. To address this, the Department of Human Services (DHS) has incorporated an internal control requiring retrospective reconciliation of accounts against the Flex Earnings Report to verify accuracy. Additionally, DHS plans to engage with DOF to better understand the underlying factors and nuances that result in discrepancies between DOF postings and the account coding reflected in the Flex Earnings Report. The Federal Grants Financial Analyst also plays a key role in ensuring that transactions are recorded in the appropriate accounting period and that costs are properly allocated. In this particular instance, no federal funds were drawn.
2024-093: Reporting	Chief Financial Officer	December 2026	DHS remains in collaboration with Federal Partners relative to the required change to reflect a consolidated report for both ACL and ACF in the Payment Management System financial reporting module. All parties are in agreement that one report is required representing the financial expenditure reporting mirroring the core concept of the consolidation of the various grants. Relative to the pre and post expenditures, reports are submitted through the portal, represented by a submission log. There are no provisions for approval or acceptance by the Federal partners apparent in said portal. While email notices are received acknowledging receipt, a formal acceptance is not received. Conversations are ongoing with the Federal partners relative to receiving a formal notification.

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			A Federal Grants Financial Analyst has been onboarded dedicated to the SSBG. Monthly and quarterly reports are prepared to allow for a match to all reports inclusive of Federal draws.
2024-094: Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Medicaid Director, Chief Financial Officer and Deputy Commissioner of Human Resources	Completed	The exceptions identified were limited in nature and did not result in questioned costs. In the instance where the project code on the employee's Notice of Personnel Action (NOPA) had not been updated, program personnel made the necessary adjustments to ensure payroll costs were charged to the appropriate grant. To strengthen internal controls, the Department transitioned from manual timekeeping to a biometric finger-punch time and attendance system utilizing TimeForce in the fall of 2024. This system provides enhanced tracking, reporting, and record retention capabilities and reduces the risk of discrepancies associated with manual timekeeping processes. The Department will continue to strengthen its review and documentation procedures to ensure compliance with federal requirements. 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 now assigned to the grant reconciles the payroll. Additionally, in order to ensure that Notices of Personnel Actions are updated on a timely basis, ensuring that salaries are charged to the respective account, DHS has implemented the following process: - Provisional Payroll Codes are requested prior to the close of the Fiscal Year by the Department of Finance through the Office of Management and Budget through the established process.

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			- Once the codes are received, the Division of Human Resources will update the most current Personnel Distribution Sheets to reflect active employees. - The sheets will be submitted to Fiscal for certification by the CFO. - NOPA's are updated with the provisional codes.
2024-095: Eligibility	Medicaid Director	July 2025, March 2026, September 30, 2026 and ongoing	Conversion from VIMS to VIBES allowed system generated ex parte extensions beyond 12 months without requiring updated member contact or documentation. No process was in place to proactively require updated documentation when extensions exceeded one year, resulting in eligibility continuing without current proof in file. DHS will: 1. Implementation of Annual In Person/Active Renewal for Extended Cases 2. If members fail to provide required documentation or complete the renewal process, the case is closed for failure to verify eligibility. Appropriate adverse action notices are issued in accordance with policy and timelines. 3. Staff have been instructed that eligibility determinations must not be maintained solely on a system generated extension; supporting documentation must be present in the electronic case record and/or document management system. A brief standard note template is used in VIBES to reference what documents were received, and the date eligibility was rerun. 4. System Configuration Changes with Vendor (RedMane). Worked with RedMane to adjust system logic so that eligibility cannot be approved or extended if no completed application (or renewal) is on record. 5. Updated written procedure includes, staff must confirm that a completed application (paper, phone, online, or converted electronic record) is present and imaged/recorded before approving eligibility. If the individual fails to submit required information by the due date, staff

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			must proceed with denial/closure and document the action in case notes. 6. Conducted targeted staff training on, requirement for a completed application before approval/extension; proper use of pending status and timeframes; correct closure/denial procedures. Provided written job aids illustrating compliant workflows. 7. Implementation of Review Tracking in SharePoint, as of July 2025, an Excel tracking file housed on SharePoint is used to document: case worker name; member name and address; case number; type of case (new application, renewal, newborn, etc.). Each case is entered when assigned to the worker. 8. The supervisor reviews the case directly in VIBES, confirms eligibility determinations, and applies any needed updates. VIBES records the supervisor's actions with date, time stamp, and staff ID to show who reviewed and approved the case. The supervisor also applies changes and documents a brief note in the VIBES notes section (e.g., "Supervisor [Name/ID] reviewed and approved eligibility determination; OK to issue Notice of Decision."). After review, the supervisor updates the SharePoint tracker to reflect that review is complete.
2024-096: Reporting	MAP Director and the Chief Financial Officer	March 2027	Currently, reports are submitted for review via email. The CMS-64 as well as the CMS-37 is prepared by a consulting firm who submits the copy of the reports for review and approval. Once the Medicaid Director is satisfied, an email is sent approving the report, for further entering into the MBES (CMS system of record) and certification. To ensure access for audit purposes, the Department has implemented a shared folder where copies of approval emails and any time extension requests are stored, since the submission portal does not allow for attachments. Additionally, a Director of Federal Grants has been on-boarded who will assume the role of preparing the reports.
2024-097: Special Tests and	Medicaid Fraud Control Unit (MFCU) Director	On going	The purpose of this Action Plan is to establish internal controls and accountability measures to ensure the timely preparation, review, and

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Provisions – Medicaid Fraud Control Unit	Chief Financial Officer		submission of all Federal Financial Reports (FFRs) required under the Medicaid Fraud Control Unit (MFCU) grant awarded by the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). This plan is intended to prevent future reporting delays, strengthen financial oversight, and protect continued federal funding. I. Background: The MFCU experienced delays in the completion and submission of several Federal Financial Reports due primarily to delayed financial reconciliations, untimely receipt of expenditure information, staffing limitations, and insufficient coordination between programmatic and financial personnel. To address these issues, the MFCU is implementing the following corrective actions and internal controls. II. Responsibilities: MFCU Director: The Director shall: •Maintain overall responsibility for grant compliance and FFR submission. •Conduct monthly financial status meetings. •Review all grant expenditures for consistency with approved budgets. •Monitor progress toward reporting deadlines. •Escalate unresolved issues to executive leadership. •Maintain communication with HHS-OIG regarding reporting requirements. Chief Financial Officer: The CFO shall: •Ensure grant expenditures are entered and reconciled timely. •Provide monthly expenditure reports to the MFCU. •Certify expenditure data used in FFR preparation. •Respond to requests for financial information within five business days. •Participate in monthly grant reconciliation meetings. MFCU Auditor/Analyst: The Auditor/Analyst shall: •Maintain monthly grant expenditure tracking. •Reconcile expenditures against accounting records. •Verify supporting documentation. •Maintain electronic FFR support files. •Prepare draft FFRs for management review.

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			Program Assistant: The Program Assistant shall: •Maintain the grant compliance calendar. •Track reporting deadlines. •Schedule reconciliation meetings. •Maintain submission records and correspondence. III. Monthly Internal Control Process: No later than the 5th Business Day of Each Month: The CFO shall provide: •General ledger reports. •Detailed grant expenditure reports. •Payroll allocation reports. •Outstanding obligation reports. • Budget-to-actual expenditure summaries. No later than the 10th Business Day of Each Month: The Auditor/Analyst shall: •Reconcile all expenditures. •Identify discrepancies. •Prepare a written reconciliation memorandum. No later than the 15th Business Day of Each Month: The MFCU Director and CFO shall conduct a reconciliation meeting to: •Review expenditures. •Resolve discrepancies. •Review grant spending levels. •Identify budget concerns. •Document corrective actions. Meeting minutes shall be maintained in the grant file. IV. Quarterly FFR Preparation Schedule: Forty-Five (45) Days Before FFR Due Date: •Open FFR preparation file. •Confirm reporting period expenditures. •Review approved budget categories. •Identify outstanding obligations. •Verify personnel allocations. Thirty (30) Days Before Due Date: •Draft FFR completed. •CFO receives draft for review. •Supporting documentation assembled. Twenty-One (21) Days Before Due Date: •Director conducts management review. •All questioned expenditures resolved. Fourteen (14) Days Before Due Date: •CFO provides final expenditure certification.

Finding	Contact	Estimated Completion Date	Corrective Action
			Ten (10) Days Before Due Date: •Final FFR completed. •Submission package reviewed. Five (5) Days Before Due Date: •FFR submitted to HHS-OIG. •Confirmation of submission retained. V. Escalation Procedures: If Required Financial Information Is Not Received: 15 Days Before Deadline: Written reminder from MFCU Director to CFO. 10 Days Before Deadline Written escalation to the Attorney General and Chief Deputy Attorney General. 45 Days Before Deadline: Executive-level meeting convened to resolve outstanding issues and document corrective actions. All escalation memoranda shall be retained in the grant compliance file. VI. Performance Measures: The following performance measures shall be monitored quarterly: •100% on-time submission rate for all FFRs. •Monthly reconciliations completed by the 15th business day. •Zero unresolved expenditure discrepancies at submission. •Complete supporting documentation maintained for all reported expenditures. •Quarterly compliance review completed and documented. VII. Quarterly Management Review: The Director shall conduct a quarterly review of: •Timeliness of financial reporting. •Accuracy of submitted FFRs. •Compliance with grant requirements. •Outstanding corrective actions. Findings and recommendations shall be documented and maintained in the grant compliance file. VIII. Corrective Action Status Reporting: Beginning immediately, the MFCU shall maintain a quarterly Corrective Action Tracking Log documenting: •Action item. •Responsible party. •Due date.

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			•Completion date. •Status. •Supporting documentation. The log shall be reviewed during monthly financial meetings and made available to HHS-OIG upon request.
2024-098: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits	Director of Audit and Compliance and Medicaid Director	September 2026	The Department has strengthened its oversight of Medicaid financial reporting through the establishment of a Director of Audits position in September 2025. The Director of Audits will work collaboratively with the Medicaid Program, Fiscal Office, and other applicable stakeholders to monitor compliance with federal reporting requirements and ensure that adequate supporting documentation is maintained for Medicaid cost reporting activities.
2024-099: Special Tests and Provisions – ADP Risk Analysis and System Security Review	Medicaid Director and DHS MIS Manager	January 2027 and ongoing	During the audit period, the Department did not complete the required ADP Risk Analysis and System Security Review for systems supporting the Medicaid Program, and certain monitoring controls were not operating at a sufficient level of precision to ensure compliance with federal requirements. To address this finding, the Department recently issued Requests for Qualifications (RFQs) to seven qualified vendors to perform comprehensive security risk assessments of the Medicaid Enterprise Systems (MES), including the VIBES Eligibility and Enrollment System, Provider Enrollment Application (PEA), Pharmacy Benefit Management (PBM) solution, and related supporting systems. Vendor responses are due within three weeks, after which the Department will evaluate submissions and proceed with the procurement process. The selected vendor will conduct the required risk assessments, identify control deficiencies and security vulnerabilities, and provide recommendations to strengthen the Department's security posture and compliance framework. The Department will work collaboratively with its technology partners, system vendors, and oversight entities to implement corrective actions

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			identified through the assessments and enhance monitoring controls to ensure ongoing compliance with applicable federal requirements.
2024-100: Special Tests and Provisions - Provider Eligibility	Claims Supervisor, Medicaid Director	March 2026	To address these challenges and strengthen program integrity, DHS implemented the Provider Enrollment Application (PEA) Portal on March 2, 2026. The PEA Portal modernizes provider enrollment and revalidation by electronically collecting, storing, and maintaining required documentation in a centralized system. The portal supports retention of Medicaid Provider Agreements, screening documentation, ownership disclosures, licensure information, and other enrollment records within a single electronic repository. The PEA Portal improves document retention and accessibility, creates an electronic audit trail, and enables staff to retrieve enrollment and screening records more efficiently. It also strengthens oversight by standardizing enrollment workflows, reducing reliance on paper files, and improving documentation consistency. These enhancements better position DHS to demonstrate compliance during future audits and monitoring reviews. DHS recognizes the importance of maintaining complete, accurate, and accessible provider enrollment records. In addition to implementing the PEA Portal, DHS is strengthening policies and procedures related to provider file maintenance, document retention, and quality assurance reviews. Staff training and periodic monitoring will help ensure required enrollment documents and exclusion screening records are consistently maintained and available for inspection. DHS is committed to maintaining compliance with federal Medicaid and CHIP provider enrollment requirements and believes the corrective actions implemented, including deployment of the PEA Portal, will improve documentation controls, strengthen program integrity, and reduce the risk of similar findings in the future.

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2024-101: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	Current and On-going	The Program Integrity Unit has established SOPPs which identifies the method for identifying fraud cases, investigating cases, and developed procedures in collaborating and cooperating with legal authorities, for referring credible allegations of fraud cases to law enforcement officials.
2024-102: Reporting	Territorial Public Assistance Officer and Financial Specialist	Current and On-going	The Program agrees and has established internal controls to ensure that all Federal Funding Accountability and Transparency Act (FFATA) subaward reports exceeding 30,000 are submitted timely and reviewed by the Territorial Public Assistance Officer. Although the SAM.GOV system implemented in FY 2024 does not track individual FFATA filing dates, VITEMA remains committed to submitting all required reports by the last day of the month following each award. A certification process has also been implemented to verify the date reports are filed and reviewed.
2024-103: Subrecipient Monitoring	Territorial Public Assistance Officer and Financial Specialist	FY2026 3rd Quarter and Ongoing	Concur: · 8 instances where the Government was unable to obtain Quarterly Progress Reports. As a result of the audit finding and in accordance with grant requirement, a Governor's Authorized Representative (GAR) Memo is being implemented, requiring Subrecipients to submit Quarterly Progress Reports within 10 days of quarter end. All reports are reviewed and retained in a centralized location for documentation and audit compliance. · 8 instances where the Government was unable to obtain completion/inspection certificate. Project inspection/certification report(s) are now required for all payment request federal fund drawdowns. The reports must now be uploaded to the Enterprise Resource Planning System (ERP) and retained in centralized location for documentation and record keeping purposes. · 8 subrecipients with no supporting documentation that VITEMA verified that subrecipients expected to be audited as required by 2 CFR

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			part 200, subpart F. The Program will annually notify subrecipients of their audit responsibilities, monitor compliance, obtain required audit reports, and maintain documentation in a centralized location for audit and recordkeeping purposes.