Government of the United States Virgin Islands

Management's Discussion and Analysis, Financial Statements (with Independent Auditor's Report Thereon) and Required Supplementary Information
Year Ended September 30, 2021

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

Government of the United States Virgin Islands

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Financial Statements (with Independent
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Required Supplementary Information
Year Ended September 30, 2021

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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

Disclaimer, Qualified, and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2021, 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	Qualified
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects 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	Disclaimer

Disclaimer of Opinions

Based on our audit and the reports of other auditors, because of the significance of the matters discussed in the Basis for Disclaimer Opinion paragraphs below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities, the Aggregate Remaining Fund Information, Unemployment Insurance-Enterprise Fund, and the Aggregate Discretely Presented Component Units of the Government of the United States Virgin Islands. Accordingly, we do not express an opinion on these financial statements.

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Qualified Opinions

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs below, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, General Fund, and Federal Grants Fund of the Government of the United States Virgin Islands as of September 30, 2021, and the respective 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 financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, Federal Grants Fund and Unemployment Insurance-Enterprise Fund of the Government of the United States Virgin Islands as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

- The Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Magens Bay Authority (MBA), Virgin Islands Public Broadcasting System (VIPBS), and Virgin Islands Housing Finance Authority (VIHFA), discretely-presented component units, which collectively represent 22.0%, 15.1%, and 20.5%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely-Presented Component Units.

- The Virgin Islands Lottery (V.I. Lottery), a nonmajor enterprise fund, which represents 2.3% and 4.9%, respectively, of the assets and revenues of the Aggregate Remaining Fund Information, and 18.1% and 14.5%, respectively, of the assets and revenues of the Business-Type Activities.

- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 66.1%, 82.2%, and 34.6%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information.

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

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

The basic financial statements do not include a liability for medical malpractice claims in the reciprocal insurance fund (a non-major enterprise fund) 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, 2021, may have been affected by this condition.

The Government did not maintain the requisite documentation to substantiate its reported interest and other revenue charges in the amount of $14.5 million for the Aggregate Remaining Fund Information as of and for the year ended September 30, 2021, 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 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, 2021, may have been affected by this condition.

Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units

The financial statements of the University of the Virgin Islands Research and Technology Park Corporation (RTPark), University of the Virgin Islands (UVI), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Water and Power Authority(VIWAPA), and Virgin Islands Port Authority (VIPA), have not been audited, and we were not engaged to audit RTPark's, UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA and VIPA's financial statements or the information was not available as part of our audit of the Government's basic financial statements. RTPark's financial activities for the year ended September 30, 2021, are not included in the Government's basic financial statements. UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA and VIPA's financial activities are included in the Government's basic financial statements and represent 85.2%, 75.9%, and 26.8% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

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

The report of other auditors on the 2021 financial statements of VIWMA, a discretely presented component unit, was qualified because the auditors were unable to obtain sufficient audit evidence to determine whether grants receivable, capital assets, accounts payable, grant revenues and expenditures and certain expenditures were properly classified. Accordingly, the auditors were unable to determine whether adjustments were required.

The report of other auditors on the 2021 financial statements of MBA, a discretely presented component unit, was qualified because MBA does not report net pension liability, pension expense, related deferred inflows and outflows of resources, if any, the required financial statements disclosures, and the required supplementary information as required by accounting principles generally accepted in the United States of America.



Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Government, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to Qualified Opinions 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, 2021. As such, we are unable to determine whether adjustments were required in the Governmental Activities.

The Government did not maintain the requisite documentation to substantiate its reported interest and other revenue charges in the amount of $14.5 million. As such, we were unable to determine whether adjustments were required in the Governmental Activities.

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

Matters Giving Rise to Qualified Opinions Governmental Activities, General Fund, and Federal Grants Fund

The Government did not maintain the requisite documentation to support its determination as to 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 were required in the General Fund, Federal Grants Fund, and Governmental Activities.

The Government did not maintain the requisite documentation to support its due from federal government and federal grants and contributions revenues in the amount of $54.7 million as of the year ended September 30, 2021. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments were required in the Federal Grants Fund and Governmental Activities.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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 other postemployment benefits (OPEB) liability and related ratios and notes to require supplementary information – OPEB, Net pension liability, pension contributions, and revenue and expenditures – budget and actual budgetary basis – General Fund on pages 9 through 21 and 142 through 148 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 February 16, 2024, 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.
(formerly known as BDO USA, LLP)

February 16, 2024

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, 2021 and 2020.

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 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 Fund, and (iii) viNGN, Inc. dba Virgin Islands Next Generation Network (viNGN). These programs operate with minimal assistance from the governmental activities of the Government.
>
> ***Discretely Presented Component Units*** – These are operations for which the Government has financial accountability even though they have certain independent qualities as well. For the most part, these entities operate like private sector businesses and the business-type activities described above. The Government's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenue, and expenses in relation to the total of all component units.

Fund Financial Statements

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

A major fund is a fund whose revenues, expenditures or expenses, assets, or liabilities (excluding extraordinary items) are at least 10.0% of the corresponding totals for all governmental or enterprise funds and at least 5.0% of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always considered a major fund. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the Government believes is particularly important to the financial statements may be reported as a major fund.

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

Governmental Funds

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental funds' statements provide a detailed short-term view of the general governmental operations and the basic services provided. The reconciliation following the fund financial statements explains the differences between the governmental activities, reported in the government-wide financial statements and the governmental funds' financial statements. The General Fund, the PFA Debt Service Fund, the PFA Capital Projects Fund, 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 Federal Grants Fund accounts for proceeds and federal payments that are legally restricted for expenditures for federally specified purposes.

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

Proprietary Funds

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

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

The WICO fund accounts for the activities of WICO, which owns a port facility including a cruise ship pier and manages a shopping mall complex on the island of St. Thomas.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance.

The viNGN fund accounts for the activities of viNGN, which designs, develops and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed internet connections to retail internet service providers.

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

Fiduciary Funds

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

Financial Analysis of the Government as a Whole

The Government faces the challenge of maintaining fiscal sustainability and promoting economic growth while rebuilding from the two Category 5 hurricanes of September 2017. To promote fiscal sustainability, the Government retained an international firm to develop short and long-range cash management strategies, identify federal recovery grants, implement a recovery website, and assist with federal reporting of recovery grants. The Government has also retained the services of a national engineering firm to lead the reconstruction effort in the U.S. Virgin Islands and provide oversight of FEMA Hazard Mitigation and HUD Community Disaster grants. In September 2021, the Government received $304.0 million in hurricane relief with the passage of the "Extending Government Funding and Delivering Emergency Assistance Act" resulting in the forgiveness of Community Disaster Loans (CDLs) to states and territories. In October 2021, the U.S. Virgin Islands Recovery Leader's Summit reported $11.3 billion in construction projects underway or planned for the Territory.

The Government has also been challenged by the COVID-19 pandemic that began in prior fiscal year. With the passage of "No Sail Orders" ("NSOs") by the Centers of Disease Control and Prevention in March 2020, cruise ship arrivals were paused until September 2021. The loss of hotel rooms and cruise ship tourism was offset by an increase in air arrivals and Airbnb tourism. The Virgin Islands Bureau of Economic Research reported a 96.7% increase in air visitor arrivals from January 2020 to December 2021. Investment interest in the Territory remains strong with the opening of hotels and campgrounds, and a 16.7% increase in leisure and hospitality employment through April 2022.

The Government regained access to capital markets in April 2022 with the issuance of the Series 2022A and Series 2022B securitized bonds in the amount of $952.8 million. The bonds were rated "BBB" by Kroll Bond Rating Agency. In June 2022, WICO issued private placement bonds amounting to $52.6 million to private investors.

Financial Analysis of the Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2021, and 2020, were approximately $4.3 billion and $3.7 billion, respectively. Total liabilities and deferred inflows were approximately $9.7 billion and $8.8 billion, respectively, over the same period. Liabilities exceed assets mainly due to unfunded pension and other postemployment benefits such as health insurance due to retired Government employees amounting to $5.5 billion and $5.0 billion at September 30, 2021 and 2020.

On September 30, 2021, the Government's net deficit of $5.3 billion consisted of a $584.2 million net investment in capital assets; $300.5 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.2 billion. On September 30, 2020, the Government's net deficit of $5.2 billion consisted of a $529.0 million net investment in capital assets; $307.4 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.0 billion.

For the fiscal year ended September 30, 2021, the primary government earned program and general revenue amounting to $2.6 billion and reported expenses of $2.9 billion, resulting in an increase in net deficit of approximately $178.8 million. For the fiscal year ended September 30, 2020, the primary government earned program and general revenue amounting to $2.3 billion and reported expenses of $2.4 billion, resulting in an increase in net deficit of approximately $100.2 million.

Overall, revenue increased in fiscal 2021 by approximately $335.5 million, when compared to fiscal, 2020, mainly due to an increase in operating and capital grants and contributions of $387.5 million, an increase in COVID federal assistance of $40.3 million, an increase in interest and other of $2.6 million, and an increase in payment in lieu of taxes of $1.7 million, offset by a decrease in tax revenue of $96.3 million.

Overall expenses increased in fiscal 2021 by $562.8 million when compared to fiscal 2020, mainly due to an increase in general government expense of $413.8 million, an increase in public housing and welfare of $52.4 million, an increase in education expense of $17.2 million, an increase in public safety expense of $14.3 million, an increase in health of $11.7 million, an increase in transportation and communication of $10.3 million, and an increase in unemployment insurance benefit expense of $46.4 million. These increases were offset by a decrease in interest on long-term debt expense of $9.3 million and a decrease in WICO expense of $2.2 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,	**2021**	2020	**2021**	2020	**2021**	2020
Assets and Deferred Outflows						
Current assets	**$ 1,949,248**	$ 1,365,820	**$ 38,495**	$ 43,233	**$ 1,987,743**	$ 1,409,053
Internal balances	**49,015**	47,661	**(49,015)**	(47,661)	**-**	-
Capital assets	**979,087**	958,128	**106,142**	113,109	**1,085,229**	1,071,237
Other assets	**5,282**	5,530	**1,272**	815	**6,554**	6,345
Deferred outflows of resources	**1,244,521**	1,178,917	**-**	-	**1,244,521**	1,178,917
Total assets and deferred outflows	**4,227,153**	3,556,056	**96,894**	109,496	**4,324,047**	3,665,552
Liabilities and Deferred Inflows						
Long-term liabilities	**7,425,898**	7,205,871	**49,009**	93,042	**7,474,907**	7,298,913
Other liabilities	**1,689,646**	1,026,970	**165,395**	101,921	**1,855,041**	1,128,891
Deferred inflows of resources	**352,831**	417,671	**-**	-	**352,831**	417,671
Total liabilities and deferred inflows	**9,468,375**	8,650,512	**214,404**	194,963	**9,682,779**	8,845,475
Net Position						
Net investment in capital assets	**556,530**	494,921	**27,657**	34,048	**584,187**	528,969
Restricted	**292,702**	299,896	**7,748**	7,476	**300,450**	307,372
Unrestricted deficit	**(6,090,454)**	(5,889,273)	**(152,915)**	(126,991)	**(6,243,369)**	(6,016,264)
Total net deficit	**$ (5,241,222)**	$ (5,094,456)	**$ (117,510)**	$ (85,467)	**$ (5,358,732)**	$ (5,179,923)

September 30,	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
Revenues						
Program revenue:						
Charges for services	**$ 31,657**	$ 25,581	**$ 62,219**	$ 68,603	**$ 93,876**	$ 94,184
Operating grants and contributions	**1,006,537**	672,008	**100,605**	53,936	**1,107,142**	725,944
Capital grants and contributions	**39,207**	33,087	**679**	489	**39,886**	33,576
General revenue:						
Taxes	**1,105,323**	1,201,659	**-**	-	**1,105,323**	1,201,659
Interest and other	**102,901**	103,323	**10,964**	7,923	**113,865**	111,246
COVID-19 pandemic relief assistance	**143,678**	103,423	**-**	-	**143,678**	103,423
Payment in lieu of taxes	**13,660**	11,917	**-**	-	**13,660**	11,917
Tobacco settlement rights	**1,224**	1,184	**-**	-	**1,224**	1,184
Total revenues	**2,444,187**	2,152,182	**174,467**	130,951	**2,618,654**	2,283,133
Expenses						
General government	**1,689,055**	1,275,293	**-**	-	**1,689,055**	1,275,293
Public safety	**120,947**	106,615	**-**	-	**120,947**	106,615
Health	**79,618**	67,957	**-**	-	**79,618**	67,957
Public housing and welfare	**326,665**	274,216	**-**	-	**326,665**	274,216
Education	**358,470**	341,228	**-**	-	**358,470**	341,228
Transportation and communication	**67,999**	57,706	**-**	-	**67,999**	57,706
Culture and recreation	**13,370**	9,593	**-**	-	**13,370**	9,593
Interest on long-term debt	**85,705**	94,960	**-**	-	**85,705**	94,960
West Indian Company	**-**	-	**10,634**	12,802	**10,634**	12,802
Unemployment insurance	**-**	-	**141,694**	95,262	**141,694**	95,262
viNGN	**-**	-	**9,195**	10,263	**9,195**	10,263
Other	**-**	-	**44,852**	39,537	**44,852**	39,537
Total expenses	**2,741,829**	2,227,568	**206,375**	157,864	**2,948,204**	2,385,432
Changes in net position (deficit) before transfers and special item	**(297,642)**	(75,386)	**(31,908)**	(26,913)	**(329,550)**	(102,299)
Transfers	**135**	(1,000)	**(135)**	1,000	**-**	-
Special item – insurance recoveries on capital assets	**555**	-	**-**	2,141	**555**	2,141
Special item – debt cancellation	**150,186**	-	**-**	-	**150,186**	-
Changes in net deficit	**(146,766)**	(76,386)	**(32,043)**	(23,772)	**(178,809)**	(100,158)
Net deficit, beginning of year	**(5,094,456)**	(5,018,070)	**(85,467)**	(61,695)	**(5,179,923)**	(5,079,765)
Net deficit, end of year	**$ (5,241,222)**	$ (5,094,456)	**$ (117,510)**	$ (85,467)	**$ (5,358,732)**	$ (5,179,923)

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 or the primary Government.

On September 30, 2021, the Government's governmental funds reported a combined fund balance of $331.9 million, a decrease of $42.3 million when compared to the prior year combined fund balance of $374.2 million. Approximately $295.6 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 ($419.3 million), ii) committed for particular purposes ($57.5 million), or iii) assigned for particular purposes ($150.7 million).

The General Fund is the chief operating fund of the primary Government. On September 20, 2021, the unassigned fund deficit of the General Fund was $145.5 million while the total fund deficit of the General Fund was $109.4 million. The fund balance of the General Fund decreased by $131.2 million when compared to the prior-year fund balance of $21.8 million. This decrease was mainly due to an increase in General Fund expenditures of $192.0 million and a decrease in General Fund revenues of $36.4 million.

The PFA Debt Service Fund accounts for the resource accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. On September 30, 2021, the restricted fund balance of the PFA Debt Service Fund was $292.4 million, a decrease of $7.2 million from the prior fiscal year fund balance of $299.6 million. This decrease is mainly due to a decrease in tax revenue of $14.5 million and a decrease in bond issuances of $13.6 million and a decrease in interest and other revenues of $6.1 million, a decrease in principal payments $5.7 million, and a decrease in interest payments of $10.6 million, and a decrease in transfers to other funds of $14.1 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, 2021, the restricted fund balance of the PFA Capital Projects Fund was $103.1 million, a decrease of $4.4 million from the prior fiscal year fund balance of $107.5 million. This was mainly due to capital outlays of $3.8 million and other expenditures of $669,000.

The Federal Grants Fund accounts for proceeds and payments that are restricted to expenditures for specified purposes. On September 30, 2021, the fund deficit of the Federal Grants Fund decreased by $56.5 million from a fund deficit of $148.0 million to a fund deficit of $91.5 million. The decrease 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 Limited (WICO), Unemployment Insurance, and the Virgin Islands Next Generation Network (viNGN) as these funds are considered to be major funds.

On September 30, 2021, the primary Government's proprietary funds reported a combined net deficit of $117.5 million, an increase in deficit of $32.0 million when compared to the prior year combined net deficit of $85.5 million. The deficit is the result of an unrestricted deficit in the proprietary funds $152.9 million, offset by net investment in capital assets of $27.7 million and restricted net position of $7.7 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, 2021, the net deficit of WICO was $12.2 million, an increase in fund deficit of $9.3 million from the prior fiscal year. This increase was mainly due to an operating loss of $6.5 million and interest expense of $2.3 million. WICO was required to close its port during the fiscal year due to the COVID-19 pandemic.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2021, the net deficit of the fund was $90.5 million, an increase in deficit of $20.9 million from the prior fiscal year. The increase is mainly due to an increase in unemployment claims due to the COVID-19 pandemic.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed interest connections to retail internet service providers. On September 30, 2021, viNGN, reported net position of $19.5 million, a decrease of $4.5 million from the prior fiscal year. This decrease was mainly due to an operating loss of $5.1 million offset by grant revenues of $599,000.

General Fund Budgetary Highlights

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

A summary of the budgetary report for the General Fund of the Government, included on page 146 of the financial statements, follows (expressed in thousands):

September 30, 2021	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 757,617	$ 757,617	$ 894,192	$ 136,575
Total expenditures	865,076	885,551	704,729	180,822
Excess (deficiency) of revenues over expenditures	(107,459)	(127,934)	189,463	317,397
Other financing sources (uses), net	(105,120)	(169,255)	(150,516)	18,739
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (212,579)	$ (297,189)	$ 38,947	$ 336,136

For fiscal year 2021, the General Fund realized a favorable budgetary variance of $336.1 million mainly due to a favorable revenue variance of $136.6 million and a favorable expenditure variance of $180.8 million.

The General Fund realized a favorable revenue variance of $136.6 million mainly due to tax revenues exceeding budgeted amounts by $145.0 million, federal grant revenue received of $52.5 million, charges for services revenues being under budget by $45.9 million, and interest and other revenues being under budget by $15.1 million during the fiscal year. The General Fund realized a favorable expenditures variance of $180.8 million due to spending efficiencies when compared to budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2021 amounted to $73.6 million for governmental activities and $1.8 million for business-type activities, net of adjustments. Capital assets additions during fiscal year 2020 amounted to $91.9 million for governmental activities and $1.7 million for business-type activities, net of adjustments.

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

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2021**	2020	**2021**	2020	**2021**	2020
Land and land improvements	**$ 228,790**	$ 227,474	**$ 5,854**	$ 5,854	**$ 234,644**	$ 233,328
Building and improvements	**651,998**	648,659	**90,546**	90,513	**742,544**	739,172
Machinery and equipment	**260,643**	241,416	**81,982**	80,631	**342,625**	322,047
Infrastructure	**241,947**	190,628	**-**	-	**241,947**	190,628
Intangible assets	**-**	-	**30,774**	30,774	**30,774**	30,774
Construction in progress	**172,311**	174,532	**6,127**	5,758	**178,438**	180,290
Total capital assets	**1,555,689**	1,482,709	**215,283**	213,530	**1,770,972**	1,696,239
Less accumulated depreciation	**(576,602)**	(524,581)	**(109,141)**	(100,421)	**(685,743)**	(625,002)
Total capital assets, net	**$ 979,087**	$ 958,128	**$ 106,142**	$ 113,109	**$ 1,085,229**	$ 1,071,237

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

Debt Administration (General Obligation and Revenue Bonds)

The Government issues both general obligation bonds and revenue bonds. The Revised Organic Act [48 U.S.C. Section 1574 (b)(ii)] restricts the principal amount of general obligation debt that the Government may issue to no greater than 10% of the aggregate assessed valuation of taxable real property in the U.S. Virgin Islands. Following is a summary of bonds outstanding as of September 30, 2021, (expressed in thousands):

Bond Issue	Maturity	Rates (%)	Balance
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	$ 10,101
Series 2015 Federal-Aid Highway Bonds	2016 - 2033	3.00 – 5.00	67,125
Series 2014 D Revenue Bonds	2015 - 2033	6.03	4,595
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	214,895
Series 2014 A Revenue Bonds	2015 - 2034	5.00	39,535
Series 2013 B Revenue Refunding Bonds	2015 - 2024	3.00 – 5.00	28,675
Series 2013 A Revenue Refunding Bonds	2018 - 2024	5.00 – 5.25	11,215
Series 2012 C Revenue Bonds	2017 - 2042	3.00 – 5.00	23,075
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 – 5.25	137,650
Series 2012 A Revenue Bonds	2022 - 2032	4.00 – 5.00	136,215
Series 2010 A and B Revenue Bonds	2012 - 2029	4.00 – 5.25	376,190
Series 2009 A Revenue Bonds (Cruzan)	2010 - 2039	3.00 – 6.00	31,665
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	2010 - 2039	3.00 – 5.00	156,540
Series 2009 A Revenue Bonds (Diageo)	2013 - 2037	6.00 – 6.75	208,975
Series 2006 A Revenue Bonds	2007 - 2029	3 50 – 5.00	170,265
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
Series 2001 A Tobacco Bonds	2031	4.62 – 5.13	2,365
Total bonds outstanding			1,626,371
Plus (less):			
Bonds premium			30,837
Bonds discount			(1,645)
Bonds accretion			12,546
Net bonds outstanding			$ 1,668,109

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 $90.7 million during fiscal year 2021 and $85.5 million during fiscal year 2020.

In December 2019, Standard & Poor's Global Ratings revised its outlook from negative to stable and affirmed its A rating on the outstanding Series 2015A grant anticipation bonds (GARVEE bonds).

In October 2021, March 2022, and August 2022, Moody's affirmed the Territory's Caa3 issuer rating and stable outlook, as well as the Caa2 rating on Matching Fund Senior Lien Bonds, and Caa3 rating on other Matching Fund Bonds.

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022.

In March 2023, Moody's Investor Services withdrew the Government 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. Most recently, Moody's had served as a reference rating for WAPA. The ratings for WAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

Other Liabilities of the Primary Government

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

September 30,	2021	2020
Governmental activities:		
Accrued compensated absences	**$ 43,695**	$ 44,467
Retroactive union arbitration	**188,300**	195,286
Accrued 8.0% salary reduction	**49,837**	-
Litigation	**12,538**	18,058
Landfill closure and post closure	**118,815**	109,409
Business-type activities:		
Workers' compensation claims	**53,189**	57,927
Compensated absences - WICO	**1,255**	1,286
Loan payable – U.S. Treasury	**96,143**	69,083
Loans payable - WICO	**42,397**	42,255
Refundable advance - WICO	**-**	464
Total other liabilities	**$ 606,169**	$ 538,235

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 2021 and 2020 (expressed in thousands):

September 30,	2021	2020
Net pension liability	**$ 4,527,445**	$ 4,194,852

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 2021 and 2020 (expressed in thousands):

September 30,	**2021**	2020
OPEB liability	**$ 992,301**	$ 786,756

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, 2021 and 2020, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to $5.5 billion and $5.0 billion, respectively. The Government's defined benefit pension plan was 9.16% and 11.32% funded as of the measurement dates of September 30, 2021, and 2020, respectively.

Based on actuarial projections, absent additional contributions from the Government, the plan may not be able to meet its obligations by fiscal year 2025. A Pension Reform Joint Task Force has provided recommendations to the Legislature of the Virgin Islands to (i) increase the retirement age of Government workers; (ii) restructure plan benefits; and (iii) to no longer allow retirees to both work and collect benefits from the Government. The retirement system increased the contribution rates of participating employers by 1.0% per year over the three fiscal years 2015, 2016 and 2017 and at September 30, 2018, the employer contribution rate was 20.5%. In December 2019, the employer rate was increased by 3.0% bringing the contribution rate to 23.5% effective January 1, 2020.

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

The Matching Fund Securitization Bonds Series 2022A and Series 2022B were issued in April 2022 in the amount of $952.8 million, and an initial payment was made to GERS in the amount of $89.2 million. In October 2022 and 2023, a second and third payments were made to GERS in the amount of $158.0 million and $124.0 million, respectively.

Coronavirus COVID-19 Pandemic

Through September 2023, federal grants and assistance received by the primary government related to COVID-19 amounted to $758.3 million of which $615.6 million have been expended.

Contacting the Government's Financial Management

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

Basic Financial Statements

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2021	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Assets				
Cash and cash equivalents	$ 599,018	$ 25,678	$ 624,696	$ 151,213
Investments, at fair value	978,909	1,678	980,587	1,629
Receivables, net	247,592	2,914	250,506	360,269
Internal balances	49,015	(49,015)	-	-
Due from Federal government	54,708	477	55,185	60,154
Due from component units	56,157	-	56,157	111
Due from primary government	-	-	-	23,826
Inventories	-	-	-	13,089
Prepayments and other assets	-	-	-	30,007
Restricted:				
Cash and cash equivalents	-	7,748	7,748	69,839
Investments	-	-	-	111,245
Other	-	-	-	18,214
Capital assets, net	979,087	106,142	1,085,229	2,239,100
Notes receivable	12,864	-	12,864	10,345
Other assets	5,282	1,272	6,554	71,769
Total assets	2,982,632	96,894	3,079,526	3,160,810
Deferred Outflows of Resources				
Deferred amounts related to pension	1,071,734	-	1,071,734	349,759
Deferred charges on bond refunding	4,197	-	4,197	7,424
Deferred amounts related to OPEB	168,590	-	168,590	3,798
Total deferred outflows of resources	1,244,521	-	1,244,521	360,981
Total assets and deferred outflows of resources	$ 4,227,153	$ 96,894	$ 4,324,047	$ 3,521,791

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2021	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 442,042	$ 9,228	$ 451,270	$ 817,677
Tax refunds payable	133,009	-	133,009	-
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,500
Due to primary government	-	-	-	55,629
Due to component units	29,673	-	29,673	-
Due to Federal government	-	-	-	5,046
Interest payable	40,911	-	40,911	9,609
Refundable advance	573,426	-	573,426	-
Other current liabilities:				
Unearned revenues	293,700	8,935	302,635	43,531
Line of credit	-	-	-	37,012
Loans and notes payable	192	138,540	138,732	8,207
Bonds payable	106,179	-	106,179	15,367
Other liabilities	70,514	5,435	75,949	23,771
Noncurrent liabilities:				
Line of credit	-	-	-	2,740
Loans and notes payable	1,551	-	1,551	25,566
Bonds payable	1,561,930	-	1,561,930	326,260
Net pension liability	4,527,445	-	4,527,445	1,217,062
Other postemployment benefits liability (OPEB)	992,301	-	992,301	119,387
Unearned revenues	-	-	-	14,288
Other liabilities	342,671	49,009	391,680	128,079
Total liabilities	9,115,544	214,404	9,329,948	2,879,731
Deferred Inflows of Resources				
Deferred amounts related to OPEB	57,889	-	57,889	17,824
Deferred amounts related to pension	294,942	-	294,942	187,298
Lease payments received in advance	-	-	-	1,122
Total liabilities and deferred inflows of resources	$ 9,468,375	$ 214,404	$ 9,682,779	$ 3,085,975
Net Position (Deficit)				
Net investment in capital assets	$ 556,530	$ 27,657	$ 584,187	$ 1,868,673
Restricted:				
Unemployment insurance	-	5,018	5,018	-
Debt service	292,443	2,222	294,665	-
Capital projects	259	508	767	-
Other purposes	-	-	-	204,289
Unrestricted deficit	(6,090,454)	(152,915)	(6,243,369)	(1,637,146)
Total net position (deficit)	$ (5,241,222)	$ (117,510)	$ (5,358,732)	$ 435,816

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2021	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	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 1,689,055	$ 30,284	$ 690,622	$ 11,740	$ (956,409)	$ -	$ (956,409)	$ -
Public safety	120,947	374	2,244	-	(118,329)	-	(118,329)	-
Health	79,618	129	21,180	-	(58,309)	-	(58,309)	-
Public housing and welfare	326,665	266	235,701	-	(90,698)	-	(90,698)	-
Education	358,470	-	45,722	16,010	(296,738)	-	(296,738)	-
Transportation and communication	67,999	476	11,068	11,457	(44,998)	-	(44,998)	-
Culture and recreation	13,370	128	-	-	(13,242)	-	(13,242)	-
Interest on long-term debt	85,705	-	-	-	(85,705)	-	(85,705)	-
Total governmental activities	2,741,829	31,657	1,006,537	39,207	(1,664,428)	-	(1,664,428)	-
Business-type activities:								
WICO	10,634	1,189	-	80	-	(9,365)	(9,365)	-
Unemployment insurance	141,694	16,014	100,517	-	-	(25,163)	(25,163)	-
viNGN	9,195	4,054	-	599	-	(4,542)	(4,542)	-
Other	44,852	40,962	88	-	-	(3,802)	(3,802)	-
Total business-type activities	206,375	62,219	100,605	679	-	(42,872)	(42,872)	-
Total primary government	$ 2,948,204	$ 93,876	$ 1,107,142	$ 39,886	$ (1,664,428)	$ (42,872)	$ (1,707,300)	$ -
Component units:								
Virgin Islands Housing Authority	$ 63,358	$ 6,192	$ 46,718	$ 1,534	$ -	$ -	$ -	$ (8,914)
Virgin Islands Port Authority*	84,952	48,555	-	43,005	-	-	-	6,608
Virgin Islands Water and Power Authority:								
Electric System*	310,011	260,715	-	120,296	-	-	-	71,000
Water System*	28,289	31,510	-	1,701	-	-	-	4,922
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital*	103,667	54,964	25,000	708	-	-	-	(22,995)
Juan F. Luis Hospital*	104,870	34,310	24,036	15,876	-	-	-	(30,648)
University of the Virgin Islands*	99,527	9,693	73,628	4,992	-	-	-	(11,214)
Virgin Islands Housing Finance Authority	136,863	6,689	123,512	-	-	-	-	(6,662)
Other component units**	83,956	4,475	45,081	-	-	-	-	(34,400)
Total component units	$ 1,015,493	$ 457,103	$ 337,975	$ 188,112	$ -	$ -	$ -	$ (32,303)
Total primary government and component units								$ (32,303)

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

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2021	Net Revenue (Expense) and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total	Component Units
General revenue:				
Taxes	$ 1,105,323	$ -	$ 1,105,323	$ -
Payment in lieu of taxes	13,660	-	13,660	-
Interest and other	102,901	10,964	113,865	21,563
Tobacco settlement rights	1,224	-	1,224	-
COVID-19 pandemic relief assistance	143,678	-	143,678	-
Special item - debt cancellation	150,186	-	150,186	131,435
Special item - insurance recoveries on capital assets, net	555	-	555	34,279
Transfers – internal activities of primary government	135	(135)	-	-
Total general revenue and other items	1,517,662	10,829	1,528,491	187,277
Changes in net position (deficit)	(146,766)	(32,043)	(178,809)	154,974
Net position (deficit), beginning of year, as restated	(5,094,456)	(85,467)	(5,179,923)	280,842
Net position (deficit), end of year	$ (5,241,222)	$ (117,510)	$ (5,358,732)	$ 435,816

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(in thousands)

September 30, 2021	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Assets						
Cash and cash equivalents	$ 382,167	$ 20,981	$ 21,666	$ -	$ 174,204	$ 599,018
Investments, at fair value	560,028	366,884	47,036	-	4,961	978,909
Receivables:						-
Taxes, net	216,216	30,224	-	-	-	246,440
Other	111	-	-	-	118	229
Due from federal government	-	-	-	54,708	-	54,708
Due from:						
Other funds	55,142	-	37,128	-	33,486	125,756
Component units, net	47,282	-	-	-	8,875	56,157
Total assets	1,260,946	418,089	105,830	54,708	221,644	2,061,217
Liabilities						
Accounts payable and accrued liabilities	279,192	11	1,225	138,846	22,768	442,042
Tax refunds payable	133,009	-	-	-	-	133,009
Refundable advance	553,841	-	-	7,350	12,235	573,426
Unearned revenues	180,978	108,722	-	-	4,000	293,700
Due to:						
Other funds	31,367	-	-	-	45,374	76,741
Component units	28,116	-	1,553	-	4	29,673
Total liabilities	1,206,503	108,733	2,778	146,196	84,381	1,548,591
Deferred Inflows of Resources						
Unavailable revenues	163,839	16,913	-	-	-	180,752
Total liabilities and deferred inflows of resources	1,370,342	125,646	2,778	146,196	84,381	1,729,343
Fund balances (deficit)						
Restricted	-	292,443	103,052	-	23,790	419,285
Committed	34,669	-	-	-	22,829	57,498
Assigned	1,442	-	-	-	149,267	150,709
Unassigned	(145,507)	-	-	(91,488)	(58,623)	(295,618)
Total fund balances (deficit)	(109,396)	292,443	103,052	(91,488)	137,263	331,874
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 1,260,946	$ 418,089	$ 105,830	$ 54,708	$ 221,644	
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.						979,087
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.						5,282
Note receivable related to the sale of capital assets therefore, not reported in the funds.						12,864
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.						4,197
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.						181,675
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.						887,493
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.						(40,911)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.						(4,527,445)
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.						(992,301)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.						(2,083,037)
Net deficit of governmental activities						$ (5,241,222)

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, 2021	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Revenues						
Taxes	$ 728,197	$ 343,448	$ -	$ -	$ 18,038	$ 1,089,683
Payment in lieu of taxes	13,660	-	-	-	-	13,660
Federal grants and contributions	16,835	7,572	-	963,623	57,714	1,045,744
COVID-19 pandemic relief assistance	-	-	-	-	143,678	143,678
Charges for services	16,302	-	-	876	14,479	31,657
Tobacco settlement rights	-	-	-	-	1,203	1,203
Interest and other	44,383	2,736	24	68	54,495	101,706
Total revenues	819,377	353,756	24	964,567	289,607	2,427,331
Expenditures						
Current:						
General government	731,527	178	669	593,107	186,245	1,511,726
Public safety	70,981	-	-	2,954	737	74,672
Health	35,831	-	-	19,846	459	56,136
Public housing and welfare	64,159	-	-	225,039	4,515	293,713
Education	166,704	-	-	47,899	5,029	219,632
Transportation and communication	20,372	-	-	3,368	25,641	49,381
Culture and recreation	6,760	-	-	-	2,024	8,784
Capital outlays	11,340	-	3,778	15,825	42,142	73,085
Debt service:						
Principal	-	93,790	-	-	1,105	94,895
Interest	145	87,448	-	-	174	87,767
Total expenditures	1,107,819	181,416	4,447	908,038	268,071	2,469,791
Excess (deficiency) of revenue over expenditures	(288,442)	172,340	(4,423)	56,529	21,536	(42,460)
Other financing sources (uses)						
Transfers from other funds	168,529	90	-	-	22,390	191,009
Transfers to other funds	(11,250)	(179,624)	-	-	-	(190,874)
Total other financing sources (uses), net	157,279	(179,534)	-	-	22,390	135
Net change in fund balances	(131,163)	(7,194)	(4,423)	56,529	43,926	(42,325)
Fund balances (deficit), beginning of year	21,767	299,637	107,475	(148,017)	93,337	374,199
Fund balances (deficit), end of year	$ (109,396)	$ 292,443	$ 103,052	$ (91,488)	$ 137,263	$ 331,874

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, 2021		
Net change in fund balances – total governmental funds	$	(42,325)
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.		20,959
Income from note receivable interest income not producing current resources.		1,196
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.		15,660
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 and cancellation as no bonds or loans were issued.		301,191
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.		(45,965)
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.		(247)
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.		2,450
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.		7,246
Certain OPEB expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the increase in OPEB liabilities for the allocable share of OPEB expense reported in statement of net position.		(35,983)
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the increase in pension liabilities for the allocable share of pension expense reported in statement of net position.		(370,948)
Change in net deficit of governmental activities	$	(146,766)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position – Proprietary Funds

(in thousands)

September 30, 2021	Business-type Activities WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 947	$ 2,645	$ 552	$ 21,534	$ 25,678
Investments, at fair value	-	-	-	1,678	1,678
Receivables, net:					
Grants receivable	152	-	325	-	477
Premiums receivable	-	1,277	-	-	1,277
Other receivables	51	-	522	1,064	1,637
Due from other funds	-	-	-	300	300
Other assets	884	-	277	111	1,272
Total current assets	2,034	3,922	1,676	24,687	32,319
Noncurrent assets:					
Restricted cash and cash equivalents	2,730	5,018	-	-	7,748
Other noncurrent receivables	-	-	-	-	-
Capital assets	37,074	-	55,008	14,060	106,142
Total noncurrent assets	39,804	5,018	55,008	14,060	113,890
Total assets	$ 41,838	$ 8,940	$ 56,684	$ 38,747	$ 146,209
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,033	$ -	$ 405	$ 7,790	$ 9,228
Due to other funds	9,309	-	36,804	3,202	49,315
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	5,409	5,409
Loan payable to U.S. Treasury	-	96,143	-	-	96,143
Loans payable	42,397	-	-	-	42,397
Unearned revenue	-	-	-	8,935	8,935
Compensated absences payable	26	-	-	-	26
Total current liabilities	52,765	99,400	37,209	25,336	214,710
Noncurrent liabilities:					
Workers compensation	-	-	-	47,780	47,780
Compensated absences payable	1,229	-	-	-	1,229
Total noncurrent liabilities	1,229	-	-	47,780	49,009
Total liabilities	$ 53,994	$ 99,400	$ 37,209	$ 73,116	$ 263,719
Net Position (Deficit)					
Net investment in capital assets	$ (4,606)	$ -	$ 18,203	$ 14,060	$ 27,657
Restricted:					
Unemployment insurance	-	5,018	-	-	5,018
Debt service	2,222	-	-	-	2,222
Capital projects	508	-	-	-	508
Unrestricted (deficit)	(10,280)	(95,478)	1,272	(48,429)	(152,915)
Total net position (deficit)	$ (12,156)	$ (90,460)	$ 19,475	$ (34,369)	$ (117,510)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

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

(in thousands)

Year Ended September 30, 2021	Business-type Activities				
	WICO	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Total**
Operating revenues					
Charges for services	$ 1,189	$ 16,014	$ 4,054	$ 40,962	$ 62,219
Operating expenses					
Cost of services	4,565	141,694	5,018	43,380	194,657
Depreciation and amortization	3,113	-	4,177	1,472	8,762
Total operating expenses	7,678	141,694	9,195	44,852	203,419
Operating loss	(6,489)	(125,680)	(5,141)	(3,890)	(141,200)
Non-operating revenues (expenses)					
Grants revenue	80	100,517	599	88	101,284
Interest and other income	84	4,255	3	6,622	10,964
Payment in lieu of taxes	(700)	-	-	-	(700)
Interest expense	(2,256)	-	-	-	(2,256)
Total non-operating (expenses) revenues, net	(2,792)	104,772	602	6,710	109,292
(Loss) income before operating transfers	(9,281)	(20,908)	(4,539)	2,820	(31,908)
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	(135)	(135)
Change in net position	(9,281)	(20,908)	(4,539)	2,685	(32,043)
Net position (deficit), beginning of year	(2,875)	(69,552)	24,014	(37,054)	(85,467)
Net position (deficit), end of year	$ (12,156)	$ (90,460)	$ 19,475	$ (34,369)	$ (117,510)

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, 2021	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	$ 1,399	$ 16,014	$ 4,177	$ 40,073	$ 61,663
Cash paid to beneficiaries and suppliers	(2,683)	(141,694)	(2,788)	(49,822)	(196,987)
Cash paid to employees	(2,059)	-	(2,181)	-	(4,240)
Net cash used in operating activities	(3,343)	(125,680)	(792)	(9,749)	(139,564)
Cash flows from noncapital financing activities					
Other income	-	4,255	-	6,622	10,877
Transfer to other funds	-	-	-	(135)	(135)
Federal grants	161	100,517	479	88	101,245
Contribution to the Government	(52)	-	-	-	(52)
Issuance of debt	-	31,175	-	-	31,175
Principal paid on debt issuances, including interest	-	(4,116)	-	-	(4,116)
Net cash provided by noncapital financing activities	109	131,831	479	6,575	138,994
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(38)	-	(903)	(854)	(1,795)
Return of refundable advance	(464)	-	-	-	(464)
Proceeds from Paycheck Protection Program	717	-	-	-	717
Principal added to loan payable	183	-	-	-	183
Principal payments on direct borrowing from a bank	(758)	-	-	-	(758)
Interest paid	(2,256)	-	-	-	(2,256)
Net cash used in capital and related financing activities	(2,616)	-	(903)	(854)	(4,373)
Cash flows from investing activities					
Interest income	24	-	3	-	27
Purchase of investments	-	-	-	(4)	(4)
Net cash provided by (used in) investing activities	24	-	3	(4)	23
Net increase (decrease) in cash and cash equivalents	(5,826)	6,151	(1,213)	(4,032)	(4,920)
Cash and cash equivalents, beginning of year	9,503	1,512	1,765	25,566	38,346
Cash and cash equivalents, end of year	$ 3,677	$ 7,663	$ 552	$ 21,534	$ 33,426
Reconciliation of operating loss to net cash used in operating activities					
Operating loss	$ (6,489)	$ (125,680)	$ (5,141)	$ (3,890)	$ (141,200)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation and amortization	3,113	-	4,177	1,472	8,762
Provision for doubtful accounts	(153)	-	34	-	(119)
Other income	61	-	-	-	61
Change in operating assets and liabilities:					
Receivables, net	341	-	89	(449)	(19)
Unearned revenue	(38)	-	-	(440)	(478)
Other assets	(462)	-	(12)	15	(459)
Accounts payable and accrued liabilities	315	-	61	(2,425)	(2,049)
Compensated absences payable	(31)	-	-	-	(31)
Workers compensation	-	-	-	(4,738)	(4,738)
Due to other funds	-	-	-	706	706
Net cash used in operating activities	$ (3,343)	$ (125,680)	$ (792)	$ (9,749)	$ (139,564)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

Year Ended September 30, 2021	Business-type Activities				
	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents – current	$ 947	$ 2,645	$ 552	$ 21,534	$ 25,678
Cash and cash equivalents – restricted	2,730	5,018	-	-	7,748
Total cash and cash equivalents, end of year	$ 3,677	$ 7,663	$ 552	$ 21,534	$ 33,426

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

September 30, 2021	Pension Trust
Assets	
Cash and cash equivalents:	
Unrestricted	$ 84,728
Restricted	18
Investments, at fair value:	
Cash collateral received under securities lending transactions	822
U.S. Government and agency obligations	26,351
Corporate obligations	28,200
Mortgage and asset backed securities	28,161
Commingled and mutual funds	217,032
Limited partnerships	14,301
Real estate	66,204
Stock lending collateral	6,619
Receivables, net:	
Loans and advances	21,830
Accrued interest	370
Due from other agencies of the Government	10,984
Capital assets, net	1,668
Other assets	1,428
Total assets	$ 508,716
Liabilities	
Retirement benefits in process of payment	$ 3,418
Obligation for collateral under securities lending tranactions	6,619
Other liabilities	23,551
Total liabilities	33,588
Net position restricted for pensions	$ 475,128

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, 2021	Pension Trust
Additions	
Contributions:	
Employer	$ 104,844
Plan members	50,991
Total contributions	155,835
Investment income:	
Net appreciation of fair value of investments	14,452
Interest, dividends, and other, net	4,171
Other investment income	55
Rental income	2,035
Total investment income	20,713
Less management and custodian fees	(460)
Less borowers' rebates and other agent fees on securities lending transactions	(6)
Investment income, net	20,247
Other income	2,665
Total additions	178,747
Deductions	
Benefits paid directly to members	265,175
Refunds of members' contributions	6,701
Administrative and operational expenses	14,283
Total deductions	286,159
Change in net position	(107,412)
Net position restricted for pension benefits, beginning of year	582,540
Net position restricted for pension benefits, end of year	$ 475,128

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 discretely presented component units. Component units include all legally separate organizations for which the Government's elected officials are financially accountable and organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the reporting entity's financial statements to be misleading. The criteria used to define financial accountability include: (i) if an organization is fiscally dependent on, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG, (ii) a government board appointed by a higher level of government, or (iii) a jointly appointed board.

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

(a) Blended Component Units

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

Virgin Islands Public Finance Authority (PFA)

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

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

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

Tobacco Settlement Financing Corporation (TSFC)

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

Complete audited financial statements of PFA and TSFC 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
P.O. Box 430
St. Thomas, VI 00804

(b) Discretely Presented Component Units

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

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

(c) Major Component Units

Virgin Islands Housing Authority (VIHA)

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

Virgin Islands Port Authority (VIPA)

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

Virgin Islands Water and Power Authority (WAPA)

WAPA 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 WAPA 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. WAPA 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)

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, 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. The complex has remained closed following the 2017 hurricanes.

Virgin Islands Housing Finance Authority (VIHFA)

VIHFA was created as a public corporation and autonomous governmental instrumentality by Act No. 4636 on October 20, 1981, with the purpose of stimulating low and moderate-income housing construction and home ownership through the issuance of revenue bonds to provide low-interest mortgage loans to qualified purchasers of low and moderate-income housing. On October 31, 2008, VIHFA established the Virgin Islands Housing Management, Inc. (VIHM), a wholly owned nonprofit subsidiary that manages VIHFA's rental properties. The financial statements of VIHM are separately issued, and not blended into the PG. The powers of VIHFA are exercised by a board of directors consisting of the Commissioner of the Department of Housing, Parks, and Recreation (the Chairman), the Director of the Virgin Islands Office of Management and Budget, and three persons not employed by the Government appointed by the Governor with advice and consent of the Legislature.

(d) Other Component Units (Nonmajor)

Virgin Islands Economic Development Authority (EDA)

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

Magens Bay Authority (MBA)

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

Virgin Islands Public Broadcasting System (VIPBS)

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

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

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

Virgin Islands Waste Management Authority (VIWMA)

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

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

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

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

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

Administrative Offices

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

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

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

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

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

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

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

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

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

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

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

All financial statements of the discretely presented component units included within this report have a fiscal year end of September 30, 2021, except for WAPA and VIHA which have a fiscal year-end of June 30, 2021, and December 31, 2020, respectively.

(e) Fiduciary Component Unit

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

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

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

Employee and employer contributions to GERS are recognized as additions to net position held in trust for employees' pension benefits in the period in which employee services are performed, except for contributions pursuant to the Early Retirement Act of 1994, which are recorded as the cash is received. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan, except for benefits pursuant to sections 8(a) and 8(b) of the Early Retirement Act of 1994, which are recorded when the subsidy provided by the Government is receivable and payable.

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the PG and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. 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 are 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 Funds, and Discretely Presented Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary funds, 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.

- 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 shopping mall complex on the island of St. Thomas.

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

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

(c) Fiduciary Activities

The Government implemented GASB Statement No. 84, "*Fiduciary Activities*" during the current fiscal year. This Statement establishes criteria for identifying fiduciary activities focusing on whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists. 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, 2021, the Government had $620.0 million in collateral with Banco Popular de Puerto Rico consisting of Municipal Letters of Credit (MULOC) issued by the Federal Home Loan Bank, and $676.4 million in collateral with First Bank consisting of MULOCs, 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 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, 2021, the General Fund and other governmental funds had invested in certificates of deposit with two local banks. Investments are reported at fair value as of September 30, 2021.

- *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.

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

- *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.

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

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

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

- *Pension Trust Fund Investment Policies* – The board of trustees of GERS has enacted policies that limit investments in certain investment categories and provide requirements for the institutions managing investments. Under those policies, GERS may invest in U.S. Government and agencies obligations, bonds or notes of any state, territory or possession of the United States, municipal bonds and obligations, foreign bonds, bonds of domestic railroad corporations, public utility bonds, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, mortgage or personal loans to GERS members or retirees, and mortgage and asset-backed securities. Investments in bonds are subject to rating restrictions of BBB and may not exceed 2% of the GERS investment portfolio. Investments in stock of a single corporation may not exceed 1% of the market value of the fund or exceed 1% of the outstanding stock of the corporation.

  The aggregate of investments in stock may not exceed 60.0% of the market value of total investments of GERS. Investment in foreign stock should be limited to 10.0% of the market value of the total investments of GERS. Any investment of 20.0% or more of the aggregate value of the portfolio must be approved by two-thirds of the membership of the board of trustees.

The investments are administered by several professional investment managers and are held in trust by a commercial bank on behalf of GERS.

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

GERS owns administrative facilities on the islands of St. Thomas and St. Croix. Portions of the facilities are leased to government agencies and commercial tenants, and portions of the facilities are utilized for GERS operations. The investment in leased real estate is reported at its appraised value, and the portion used for GERS operations is reported at depreciated cost. The amount of $1.7 million was reported net of depreciation as of September 30, 2021.

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 fair 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.

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 consist of 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 measurement date.

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

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

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

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

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

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

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

Tax Refunds Payable

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

Compensated Absences

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

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

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

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

Long-term Liabilities

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as deferred inflows of resources and deferred outflows of resources during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position

Net position is reported in three categories:

- *Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Debt pertaining to significant unspent debt proceeds is 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 to 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 of the Virgin Islands, the Virgin Islands Office of Management and Budget, or authorizing boards of the Government, that are not restricted or committed.

  Budgetary authority of the Virgin Islands 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 against 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 in the United States of America 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 January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for the Government's financial statements for the year ended September 30, 2021. Following the guidance of this Statement, GERS financial statements are presented as a pension trust fund in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

In August 2018, GASB issued GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the Government's financial statements for the year ended September 30, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements as the Government does not have a majority interest in a nongovernmental organization.

Following are statements issued by GASB that are effective in future years. In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in these upcoming pronouncements for one year, except for GASB Statement No. 87 which is postponed for eighteen months. Certain provisions of GASB Statement 92 are excluded from GASB Statement No. 95, along with certain provisions in GASB Statement No. 93 related to lease modifications.

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022

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

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022
98	The Annual Comprehensive Financial Report	2022
99	Omnibus 2022	2022
100	Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62	2024
101	Compensated Absences	2024
102	Certain Risk Disclosures	2025

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

Other Component Units (Nonmajor)

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

Condensed financial information as of September 30, 2021, of all discretely presented component units follows (expressed in thousands):

	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	$ 36,105	$ 37,162	$ 47,009	$ 7,900	$ 18,669	$ 10,363	$ 30,013	$ 328,210	$ 40,887	$ 556,318
Due from primary government	-	-	18,255	2,434	1,552	696	-	50	839	23,826
Due from Federal government	-	22,412	32,087	37	-	-	-	-	5,618	60,154
Restricted assets	791	30,578	46,764	1,814	920	-	53,055	43,926	21,450	199,298
Capital assets, net	46,029	310,728	1,401,471	78,866	33,550	112,656	91,713	46,294	117,793	2,239,100
Other noncurrent assets	6,120	-	37,167	-	-	-	-	38,827	-	82,114
Deferred outflows of resources	20,751	38,396	53,422	10,797	70,677	100,044	29,247	15,952	21,695	360,981
Total assets and deferred outflows of resources	109,796	439,276	1,636,175	101,848	125,368	223,759	204,028	473,259	208,282	3,521,791
Liabilities and deferred inflows										
Current liabilities	3,349	39,971	540,064	(75,282)	29,689	87,430	3,750	282,188	74,515	985,674
Due to primary government	-	-	6,215	-	3,717	2,716	-	40,700	2,281	55,629
Due to Federal government	-	-	4,142	-	375	529	-	-	-	5,046
Bonds payable - long-term	-	29,694	221,566	75,000	-	-	-	-	-	326,260
Notes payable - long-term	-	-	-	-	-	-	21,552	610	3,404	25,566
Line of credit – long-term	-	-	-	2,740	-	-	-	-	-	2,740
Net pension liability	84,334	172,711	243,071	49,786	199,282	245,492	87,799	36,968	97,619	1,217,062
Other postemployment benefits	27,960	24,605	45,493	9,318	-	-	12,011	-	-	119,387
Other noncurrent liabilities	623	1,564	108,065	-	-	-	5,845	8,881	3,101	128,079
Unearned revenues - long-term	-	-	-	-	-	-	-	4,042	10,246	14,288
Deferred inflows of resources	16,813	24,889	72,370	14,822	27,612	15,054	17,809	2,779	14,096	206,244
Total liabilities and deferred inflows of resources	133,079	293,434	1,240,986	76,384	260,675	351,221	148,766	376,168	205,262	3,085,975
Net position (deficit):										
Net investment in capital assets	46,029	305,728	1,180,858	94,933	35,550	81,040	(17,628)	24,371	117,792	1,868,673
Restricted	142	30,578	55,465	(109)	920	-	41,562	55,966	19,765	204,289
Unrestricted deficit	(69,454)	(190,464)	(841,134)	(69,360)	(171,777)	(208,502)	31,328	16,754	(134,537)	(1,637,146)
Total net position (deficit)	$ (23,283)	$ 145,842	$ 395,189	$ 25,464	$ (135,307)	$ (127,462)	$ 55,262	$ 97,091	$ 3,020	$ 435,816

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

Information on Statement of Activities	Expenses	Program revenue: Charges for Services	Program revenue: Operating Grants and Contributions	Program revenue: Capital Grants and Contributions	Total Component Units
Virgin Islands Port Authority*	$ 84,952	$ 48,555	$ -	$ 43,005	$ 6,608
Virgin Islands Housing Authority	63,358	6,192	46,718	1,534	(8,914)
Virgin Islands Water and Power Authority:					
Electric System*	310,011	260,715	-	120,296	71,000
Water System*	28,289	31,510	-	1,701	4,922
Virgin Islands Government Hospital and Health Facilities Corporation:					
Roy L. Schneider Hospital*	103,667	54,964	25,000	708	(22,995)
Juan F. Luis Hospital*	104,870	34,310	24,036	15,876	(30,648)
University of the Virgin Islands*	99,527	9,693	73,628	4,992	(11,214)
Virgin Islands Housing Finance Authority	136,863	6,689	123,512	-	(6,662)
Other component units**	83,956	4,475	45,081	-	(34,400)
Total activities	$ 1,015,493	$ 457,103	$ 337,975	$ 188,112	$ (32,303)
General revenue:					
Interest and other					21,563
Special item – debt cancellation					131,435
Special item - insurance recoveries on capital assets - net					34,279
Changes in net position					154,974
Net position, beginning of year, as restated					280,842
Net position, end of year					$ 435,816

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

The summary of due to/due from primary government and component units as of September 30, 2021, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	$ 47,282	$ 28,116
PFA capital projects	-	1,553
Other governmental funds	8,875	4
Discretely presented component units:		
WAPA – Electric System*	18,255	6,215
WAPA – Water System*	2,434	-
Hospital and Health Facilities Corporation*	2,248	6,433
Virgin Islands Housing Finance Authority	50	40,700
Other component units**	839	2,281
	$ 79,983	$ 85,302

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (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, 2021, the PG reported $624.7 million in unrestricted cash and cash equivalents and $7.7 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for $3.1 million held in various bank accounts for WICO that exceeded FDIC coverage.

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, 2021, GERS held $84.7 million in cash and cash equivalents consisting of: $62.4 million in money market accounts and $22.3 million in operational accounts.

Component Units

Discretely presented component units reported $151.2 million in unrestricted cash and cash equivalents and $69.8 million in restricted cash and cash equivalents. Bank balances reported that were not insured or collateralized amounted to $12.5 million.

4. Investments

Fair Value Measurements

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

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

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

Level 3: Inputs are significant unobservable inputs.

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

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

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

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

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

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

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

As of September 30, 2021, the Government's investments included a non-negotiable certificate of deposit, which is 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, 2021	Level 1	Level 2	Level 3
Money market funds	$ 511,891	$ 511,891	$ -	$ -
Investments with contractual maturities:				
Certificates of deposit	353,544	-	353,544	-
U.S. government, agency, and state obligations	49,973	-	49,973	-
Portfolio investments:				
Commercial paper	54,843	-	54,843	-
Subtotal	970,251	$ 511,891	$ 458,360	$ -
Investments, at cost:				
Non-negotiable certificate of deposit	10,314			
Others	22			
Total	$ 980,587			

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2021, (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	$ 353,544	$ 353,544	$ -	$ -
U.S. government, agency, and state obligations	49,973	11,289	38,684	-
Portfolio investments				
Commercial paper	54,843	54,674	-	169
Other investments	22	22	-	
Total investments with contractual maturities	458,382	$ 419,529	$ 38,684	$ 169
Investments without contractual maturities				
Money market funds	511,891			
Certificates of deposit	10,314			
Total	$ 980,587			

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 and has some exposure to interest rate risk.

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, 2021, the PG's investments in money market funds were rated AAA by Standard & Poor's, and Aaa- and Aaa by Moody's Investors Service. The Government's investments in commercial paper in the amount of $54.8 million were not rated by Standard & Poor's or by Moody's Investors Service. The PG's investments in government, agency and state obligations were rated AA- to AAA by Standard & Poor's and Aa2 to Aaa by Moody's Investors Service. The PG's investments in certificates of deposit in the amount of $363.9 million were not rated by Moody's Investor Services or by Standard & Poor's.

Concentration of Credit Risk – The PG places no limit on the amount that may be invested in one issuer. As of September 30, 2021, more than 5% of the PG's investments were invested in: Goldman Financial Square Money Market #524 (36.33%), Federated Government Obligation Money Market #5, (11.73%), certificates of deposit issued by Banco Popular de Puerto Rico (26.65%) and certificates of deposit issued by First Bank (10.34%).

Custodial Credit Risk – The Government 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, 2021, $616.7 million of investments were held in the name of the Bank of New York Trust Company, N.A, as trustee for the Government, $260.3 million of certificates of deposit were issued by Banco Popular de Puerto Rico, and $100.0 million of certificates of deposit were issued by First Bank.

Pension Trust Fund

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

		(In thousands)		
	September 30, 2021	**Level 1**	**Level 2**	**Level 3**
Debt securities:				
Government agency obligations	$ 26,351	$ -	$ 26,351	$ -
Corporate bond	28,200	-	28,200	-
Asset-backed securities	5,268	-	5,268	-
Collateralized mortgage obligations	6,919	-	6,919	-
Commercial mortgaged-backed securities	855	-	855	-
Residential mortgaged-backed securities	15,119	-	15,119	-
Limited partnerships:				
Private equity funds	14,301	-	-	14,301
Private lending	21,830	-	-	21,830
Real estate/other real assets	66,204	-	-	66,204
Subtotal	185,047	$ -	$ 82,712	$ 102,335
Investments, at cost:				
Money market funds	62,388			
Unsettled Securities	823			
Other Short-term investments	13,622			
Subtotal	76,833			
Investments measured at net asset value (NAV):				
Commingled bond funds	217,032			
Securities lending collateral fund	6,619			
Total	$ 485,531			

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 bond funds	$ 217,032	$ -	Daily	2 – 10 days
Securities lending collateral fund	6,619	-	Daily	None
Total investments measured at the NAV	$ 223,651	$ -		

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. The underlying securities within the commingled funds carry a recurring fair value measurement Level 2. There are no unfunded commitments to commingled funds as of September 30, 2021.

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

Following is a summary of the investments of the pension trust fund, categorized by investment type and weighted average maturity, as of September 30, 2021, (expressed in thousands):

		Maturity (in years)				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	No Stated Maturity
Investments with contractual maturities						
Commingled and mutual funds	$ 217,032	$ -	$ -	$ -	$ -	$ 217,032
Corporate obligations	28,200	5	11,298	5,395	11,502	-
Mortgage and asset backed securities	28,161	-	3,069	2,993	22,099	-
Limited partnerships	14,301	-	-	-	-	14,301
U.S. Treasury bonds	6,843	-	-	-	6,843	-
U.S. Treasury notes	19,508	-	14,941	4,567	-	-
Total investments with contractual maturities	$ 314,045	$ 5	$ 29,308	$ 12,955	$ 40,444	$ 231,333
Investments without contractual maturities						
Money market funds	62,388					
Real estate investments:						
Havensight Mall - U.S. Virgin Islands	41,000					
GERS Complex - U.S. Virgin Islands and other real estate	25,204					
Debt lending - member loans	21,830					
Securities lending short-term collateral investment pool	6,619					
Other short-term investments	13,622					
Unsecured securities	823					
Total	$ 485,531					

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, 2021, 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	$ 432	A+	$ 260	Aa1
Corporate obligations	261	A	798	A2
Corporate obligations	2,587	A-	3,453	A3
Corporate obligations	260	AA+	7,578	Baa1
Corporate obligations	7,791	BBB+	9,377	Baa2
Corporate obligations	10,366	BBB	6,412	Baa3
Corporate obligations	6,309	BBB-	317	Not Available
Corporate obligations	194	Not Available	5	Not Rated
Mortgage and asset backed securities	3,207	AAA	7,067	Aaa
Mortgage and asset backed securities	427	AA	936	Aa1
Mortgage and asset backed securities	130	A	130	Aa3
Mortgage and asset backed securities	24,397	Not Available	20,228	Not Available
Commingled and mutual funds	217,032	Not Rated	217,032	Not Available
Total	$ 273,393		$ 273,593	

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

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, GERS will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. Other than underlying securities on loans secured by noncash collateral, GER's entire investment portfolio was held with a single third-party custodian in GER's name as of September 30, 2021. As of September 30, 2021, the System had no underlying securities on loan secured by noncash collateral.

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

Foreign Currency Risk – Foreign currency risk is the risk of holding investments in foreign currencies and the risk that those foreign currencies may devalue. GERS has no general investment policy with respect to foreign currency risk.

Risks associated with foreign exchange contracts include the movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform in accordance with the terms of the contract. Changes in the market value of open and closed forward contracts are recorded with interest, dividends, and other income or losses reported at fair value. During the fiscal year ended September 30, 2021, GERS did not engage in any foreign currency exchange contracts.

Securities Lending Transactions – The Government's statutes permit GERS to participate in securities lending transactions, and GERS has, via a securities lending authorization agreement (the Agreement), authorized State Street Bank and Trust Company (the Custodian) to lend its securities to broker-dealers and banks pursuant to a form of a loan agreement. Lent securities are collateralized with cash, securities issued or guaranteed by the U.S. government, or irrevocable bank letters of credit. GERS does not have the ability to pledge or sell collateral securities delivered absent borrower default. No restrictions were imposed during 2021 as to the amount of loans the Custodian can make on behalf of GERS.

Under the terms of the Agreement, the Custodian must indemnify the Government for losses attributable to violations by the Custodian under the "standard of care" clause described in the Agreement. There were no such violations during the fiscal year 2021, or losses resulting from the default of the borrowers or the Custodian.

Loans are generally terminable on demand. The collateral received shall, (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. or sovereign debt issued by foreign governments, have a market value of 102.0% of the market value of the loaned securities; (ii) in the case of loaned securities which are not denominated in U.S. dollars or whose primary trading market is not located in the United States, have a market value of 105.0% of the market value of the loaned securities; or (iii) have a higher value as may be applicable in the jurisdiction in which the loaned securities are customarily traded. Such collateral should be kept, at a minimum, at 100.0% of the market value of the security for all borrowers throughout the outstanding period of the loans.

GERS has invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas with a reported value of $41.0 million as of September 30, 2021.

GERS also invested in two funds of the Mesirow limited partnership. The funds reported a fair market value of $14.3 million as of September 30, 2021.

Component Units

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

		(In thousands)		
		Level 1	**Level 2**	**Level 3**
Investments, at fair value:				
U.S. Government agencies and notes	$ 42,327	$ 42,327	$ -	$ -
Mutual funds	601	601	-	-
Subtotal	42,928	$ 42,928	$ -	$ -
Investments, at cost:				
Certificate of deposits	18,140			
Investments measured at net asset value (NAV):				
Alternative investments	51,806			
Total*	$ 112,874			

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

Following is a summary of the investments of the discretely presented component units, categorized by investment type, and weighted average maturity, as of September 30, 2021, (expressed in thousands):

		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	$ 18,140	$ 12,404	5,736	$ -	$ -
U.S. Government agencies and notes	42,327	42,327	-	-	-
Total investments with contractual maturities	60,467	$ 54,731	$ 5,736	$ -	$ -
Investments without contractual maturities					
Mutual funds	601				
Other investments	51,806				
Total*	$ 112,874				

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

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

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

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

5. Receivables

Primary Government

Receivables for governmental funds on September 30, 2021, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 308,751	$ -	$ -	$ 308,751
Real property taxes	120,924	-	-	120,924
Hotel occupancy taxes	5,989	-	-	5,989
Excise taxes	1,449	-	-	1,449
Gross receipts taxes	-	266,471	-	266,471
Subtotal taxes receivables	437,113	266,471	-	703,584
Less allowance for doubtful accounts	(220,897)	(236,247)	-	(457,144)
Taxes receivables, net	216,216	30,224	-	246,440
Other	$ 111	$ -	$ 118	229
Tobacco settlement rights				923
Total				$ 247,592

(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 31.

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

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

(b) Other Receivables

In addition to tax receivables, the Government 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, 2021, the Government reported a receivable of $923,000 for tobacco settlement right payments as included in the accompanying statement of net position.

Component Units

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

Utility service charges	$ 17,464
Patients	14,423
Students	6,338
Port fees	6,442
Other	315,602
Total*	$ 360,269

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

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2021, consist of the following (expressed in thousands):

Personal loans	$ 4,203
Mortgage loans	18,636
Less allowance for losses	(1,009)
Total	$ 21,830

(c) Notes Receivable

On July 30, 2018, the Government under an amended Terminal agreement entered into 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, 2021, principal and interest amounted to $12.9 million.

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2021, consist of the following (expressed in thousands):

	General	PFA Debt Service	Total
Property taxes	$ 16,229	$ -	$ 16,229
Income taxes	147,610	-	147,610
Gross receipts taxes	-	16,913	16,913
Total	$ 163,839	$ 16,913	$ 180,752

7. Interfund Transfers

Interfund transfers (from/to) for the year ended September 30, 2021, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	Other Governmental	Other Enterprise	Total
General	$ -	$ 168,529	$ -	$ -	$ 168,529
PFA Debt Service	90	-	-	-	90
Other governmental	11,160	11,095	-	135	22,390
Other business-type	-	-	-	-	-
Total	$ 11,250	$ 179,624	$ -	$ 135	$ 191,009

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 $168.5 million transfer from PFA debt service fund (a major governmental fund) representing gross receipt tax revenues available after bond debt service requirements. Significant transfers made from the general fund include a transfer of $5.0 million to PFA Operating Fund (a non-major governmental fund); a transfer of $4.0 million to the St. Croix Capital Improvement Fund (a non-major governmental fund); and a transfer of $1.0 million to the Crisis Intervention Fund (a non-major governmental fund). The PFA debt service fund (a major governmental fund) made a transfer of $11.1 million to PFA Operating Fund (a non-major governmental fund).

Due From/To Other Funds

	General	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	$ -	$ -	$ 31,067	$ 300	$ 31,367
Other governmental	45,374	-	-	-	45,374
Total Governmental Funds	45,374	-	31,067	300	76,741
WICO	9,309	-	-	-	9,309
viNGN	-	36,804	-	-	36,804
Other enterprise	459	324	2,419	-	3,202
Total Proprietary Funds	9,768	37,128	2,419	-	49,315
Total	$ 55,142	$ 37,128	$ 33,486	$ 300	$ 126,056

The due from/to other funds includes the following amounts the general fund owes to other funds: $16.0 million to St. Croix Capital Improvement Fund for capital improvement projects, $4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations; $7.0 million due to PFA special revenue fund (a non-major governmental fund) for unpaid budget from gross receipts; and $1.9 million due to the Elected Governor Retirement Fund.

The amount due from other funds by the general fund is mainly composed of $42.2 million due from the District Street Lighting Fund (a non-major governmental fund) and $2.7 million from the Bond Proceeds Fund (a non-major governmental fund). The due to PFA Capital Projects funds includes $36.8 million due from the Virgin Islands Next Generation Network (viNGN), a major business-type fund in connection with start-up costs of the broadband project. The amount due to other governmental funds by the other enterprise includes $1.0 million due from the Virgin Islands Lottery to the Pharmaceutical Assistance to the Aged Fund and $1.1 million due from the Virgin Islands Lottery to the Virgin Islands Educational Initiative Fund, related to the transfer of the 15.0% of revenues derived from lottery games under contract between the Virgin Islands Lottery and private contractors.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2021, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$ 5,018
WICO debt service and insurance recovery funds	2,730
Total	$ 7,748

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

Component Units

Restricted assets of discretely presented component units as of September 30, 2021 include cash and cash equivalents, investments, and receivables as follows (expressed in thousands):

Cash and cash equivalents:	
Debt service and sinking fund requirements	$ 24,240
Endowment funds	605
HUD project funds	791
Revolving loan funds	34,924
Construction funds*	234
Renewal and replacement funds	520
Other	8,525
Total restricted cash and cash equivalents:	$ 69,839
Investments:	
Debt service and sinking fund requirements	51,650
Construction funds	483
Endowment funds	51,806
Renewal and replacement funds	727
Revolving loan funds	6,337
Other	242
Total restricted investments:	111,245
Other:	
Pledged funds	18,214
Total*	$ 199,298

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

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2021, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 215,400	$ 140	$ 457	$ -	$ 215,997
Construction in progress	174,532	56,703	(58,403)	(521)	172,311
Total capital assets not being depreciated	389,932	56,843	(57,946)	(521)	388,308
Capital assets being depreciated and amortized:					
Land improvements	12,074	-	719	-	12,793
Infrastructure	190,628	3,024	48,295	-	241,947
Buildings and improvements	648,659	683	2,656	-	651,998
Machinery and equipment	241,416	13,089	6,276	(138)	260,643
Total capital assets being depreciated, and amortized	1,092,777	16,796	57,946	(138)	1,167,381
Land improvements	(6,048)	(477)	-	-	(6,525)
Infrastructure	(53,989)	(7,402)	-	-	(61,391)
Buildings and improvements	(260,675)	(30,237)	-	-	(290,912)
Machinery and equipment	(203,869)	(14,043)	-	138	(217,774)
Total accumulated depreciation and amortization	(524,581)	(52,159)	-	138	(576,602)
Total capital assets being depreciated and amortized, net	568,196	(35,363)	57,946	-	590,779
Total Governmental activities capital assets, net	$ 958,128	$ 21,480	$ -	$ (521)	$ 979,087

Depreciation and amortization expense are charged to functions of the PG's governmental activities for the year ended September 30, 2021, as follows (expressed in thousands):

General government	$ 13,378
Public safety	2,196
Health	3,337
Education	24,284
Public housing and welfare	728
Culture and recreation	402
Transportation and communication	7,834
Total	$ 52,159

Capital assets activity for business-type activities for the year ended September 30, 2021, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,178	$ -	$ -	$ -	$ 5,178
Construction in progress	5,758	428	(59)	-	6,127
Total capital assets not being depreciated	10,936	428	(59)	-	11,305
Capital assets being depreciated and amortized:					
Land improvements	676	-	-	-	676
Buildings and improvements	90,513	-	33	-	90,546
Machinery and equipment	80,631	1,367	26	(42)	81,982
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	202,594	1,367	59	(42)	203,978
Less accumulated depreciation and amortization for:					
Land improvements	(374)	(34)	-	-	(408)
Buildings and improvements	(54,811)	(3,573)	(59)	-	(58,443)
Machinery and equipment	(36,093)	(4,143)	59	42	(40,135)
Intangible assets	(9,143)	(1,012)	-	-	(10,155)
Total accumulated depreciation and amortization	(100,421)	(8,762)	-	42	(109,141)
Total capital assets being depreciated and amortized, net	102,173	(7,395)	59	-	94,837
Total Business-type activities capital assets, net	$ 113,109	$ (6,967)	$ -	$ -	$ 106,142

Depreciation and amortization expense are charged to business-type activities for the year ended September 30, 2021, as follows (expressed in thousands)

WICO	$ 3,113
viNGN	4,177
Other enterprise funds	1,472
Total	$ 8,762

Component Units

Capital assets activity for discretely presented component units is summarized as follows (expressed in thousands):

	Adjusted Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 124,961	$ 1,739	$ -	$ -	$ 126,700
Construction in progress	754,825	152,837	(348,560)	(586)	558,516
Total capital assets not being depreciated	879,786	154,576	(348,560)	(586)	685,216
Capital assets being depreciated and amortized:					
Buildings and improvements	2,265,916	24,246	348,560	(216)	2,638,506
Airport and marine terminal facilities	189,961	-	-	-	189,961
Personal property and equipment	143,029	7,906	-	(335)	150,600
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	2,601,825	32,152	348,560	(551)	2,981,986
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,078,170)	(73,349)	-	-	(1,151,519)
Airport and marine terminal facilities	(156,989)	(5,978)	-	-	(162,967)
Personal property and equipment	(105,018)	(6,515)	-	522	(111,011)
Intangible assets	(2,410)	(195)	-	-	(2,605)
Total accumulated depreciation and amortization	(1,342,587)	(86,037)	-	522	(1,428,102)
Total capital assets being depreciated and amortized, net	1,259,238	(53,885)	348,560	(29)	1,553,884
Total component units' capital assets, net*	$ 2,139,024	$ 100,691	$ -	$ (615)	$ 2,239,100

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

Depreciation and amortization expense charged by each component unit for the year ended September 30, 2021, is as follows (expressed in thousands):

Virgin Islands Housing Authority	$ 6,339
Virgin Islands Port Authority*	18,181
Virgin Islands Water and Power Authority:	
Electric System*	42,719
Water System*	1,629
Virgin Islands Government Hospital and Health Facilities Corporation:	
Schneider Regional Medical Center*	3,981
Governor Juan F. Luis Hospital*	1,390
University of the Virgin Islands*	2,681
Virgin Islands Housing Finance Authority	1,428
Other component units**	7,689
Total	$ 86,037

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

10. Long-Term Liabilities

Primary Government

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Matching Funds Revenue Bonds						
Series 2013 B Revenue and Refunding Bonds	$ 35,010	$ -	$ 6,335	$ 28,675	$ 6,655	$ 22,020
Series 2013 A Revenue and Refunding Bonds	13,675	-	2,460	11,215	2,590	8,625
Series 2012 A Revenue Bonds	137,315	-	1,100	136,215	1,150	135,065
Series 2010 A and B Revenue Bonds	380,195	-	4,005	376,190	3,115	373,075
Series 2009 A Revenue Bonds (Cruzan)	32,530	-	865	31,665	920	30,745
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	190,805	-	34,265	156,540	37,515	119,025
Series 2009 A Revenue Bonds (Diageo)	215,380	-	6,405	208,975	6,845	202,130
Total	1,004,910	-	55,435	949,475	58,790	890,685
Gross Receipts Revenue Bonds						
Series 2018 A Revenue Bonds	206,295	-	206,295	-	-	-
Series 2014 D Revenue Bonds	4,820	-	225	4,595	240	4,355
Series 2014 C Revenue and Refunding Bonds	220,960	-	6,065	214,895	6,385	208,510
Series 2014 A Revenue Bonds	41,435	-	1,900	39,535	2,000	37,535
Series 2012 A and B Revenue and Refunding Bonds	140,515	-	2,865	137,650	3,315	134,335
Series 2012 C Revenue Bonds	24,845	-	1,770	23,075	1,860	21,215
Series 2006 A Revenue Bonds	186,130	-	15,865	170,265	16,295	153,970
Total	825,000	-	234,985	590,015	30,095	559,920
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	7,290	-	-	7,290	-	7,290
Series 2001 A Tobacco Bonds	3,470	-	1,105	2,365	-	2,365
Total	10,760	-	1,105	9,655	-	9,655
Federal-Aid Highway Bonds						
Series 2015 Bonds	71,140	-	4,015	67,125	4,220	62,905
Other Direct Placement Bonds or Borrowings						
Series 2019 A TIF Revenue and Refunding Bonds	11,587	-	1,486	10,101	528	9,573
Total	**$ 1,923,397**	**$ -**	**$ 297,026**	**$ 1,626,371**	**$ 93,633**	**$ 1,532,738**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Plus (less):						
Bond premium	$ 35,499	$ -	$ 4,662	$ 30,837	$	$ 30,837
Bond discount	(1,846)	-	(201)	(1,645)	-	(1,645)
Bond accretion	11,300	1,246		12,546	12,546	-
Total bonds payable, net	1,968,350	1,246	301,487	1,668,109	106,179	$ 1,561,930
Notes						
Series 2019 A TIF Project Developer Note	1,593	-	28	1,565	14	1,551
Series 2016 A Notes	2,315	-	2,137	178	178	-
Series 2014 B Revenue Notes	2,000	-	2,000	-	-	-
Total notes payable	5,908	-	4,165	1,743	192	1,551
Total governmental activities bonds and notes payable	$ 1,974,258	$ 1,246	$ 305,652	$ 1,669,852	$ 106,371	$ 1,563,481

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 44,467	$ -	$ 772	$ 43,695	$ 16,012	$ 27,683
Retroactive union arbitration	195,286	-	6,986	188,300	-	188,300
Accrued 8.0% salary reduction	-	49,837	-	49,837	49,837	-
Litigation	18,058	547	6,067	12,538	4,665	7,873
Landfill closure and post closure	109,409	9,406	-	118,815	-	118,815
Total	$ 367,220	$ 59,790	$ 13,825	$ 413,185	$ 70,514	$ 342,671

Accrued compensated absences, retroactive union arbitration, accrued 8.0% salary reduction, litigation, landfill closure and post-closure costs are generally expected to be liquidated with resources derived from the General Fund.

On September 30, 2021, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of $992.3 million. The OPEB liability is valued as of October 1, 2019, determined by an actuarial valuation, with a roll forward through October 1, 2020.

The change in the OPEB liability for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
OPEB liability	$ 786,756	$ 205,545	$ -	$ 992,301	$ -	$ 992,301

As of September 30, 2021, the PG reported a net pension liability of $4.5 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, 2020.

The change in the pension liability for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$ 4,194,852	$ 332,593	$ -	$ 4,527,445	$ -	$ 4,527,445

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Workers' compensation claims	$ 57,927	$ 2,887	$ 7,625	$ 53,189	$ 5,409	$ 47,780
Loan payable – U.S. Treasury	69,083	31,176	4,116	96,143	96,143	-
Compensated absences - WICO	1,286	205	236	1,255	26	1,229
Loans payable – WICO	42,255	900	758	42,397	42,397	-
Refundable advance - WICO	464	-	464	-	-	-
Total	$ 171,015	$ 35,168	$ 13,199	$ 192,984	$ 143,975	$ 49,009

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 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, provide that the amount of debt of the Government existing on October 1, 2000, shall be the debt limit of the Government, exclusive of bond principal and interest that may become due. The debt limit specified under Title 2 of the V.I. Code Section 256 does not include bonds authorized by law for which a specific source of revenue is identified and committed to retiring those bonds.

As used in Title 2 of the V.I. Code Section 256, the term "debt" means the total accumulated unpaid obligations that are due and payable, including unpaid income tax refunds, amounts owed to vendors, and current year unpaid debt service obligations, if any. As used in the statute, the term "debt" does not include that portion of principal or interest on bonds that is not yet due and payable.

(a) Bonds Payable

Bonds payable outstanding on September 30, 2021, are comprised of the following (expressed in thousands):

	Maturity	Interest Rate (%)	Balance
Matching Funds Revenue Bonds			
Series 2013 B Revenue and Refunding Bonds	2015 - 2024	3.00 - 5.00	$ 28,675
Series 2013 A Revenue and Refunding Bonds	2018 - 2024	5.00 - 5.25	11,215
Series 2012 A Revenue Bonds	2022 - 2032	4.00 - 5.00	136,215
Series 2010 A and B Revenue Bonds	2012 - 2029	4.00 - 5.25	376,190
Series 2009 A Revenue Bonds (Cruzan)	2010 - 2039	3.00 - 6.00	31,665
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	2010 - 2039	3.00 - 5.00	156,540
Series 2009 A Revenue Bonds (Diageo)	2013 - 2037	6.00 - 6.75	208,975
Total			949,475
Gross Receipts Revenue Bonds			
Series 2014 D Revenue Bonds	2015 - 2033	6.03	4,595
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 – 5.00	214,895
Series 2014 A Revenue Bonds	2015 - 2034	5.00	39,535
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25	137,650
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00	23,075
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00	170,265
Total			590,015
Tobacco Settlement Bonds			
Series 2006 A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
Series 2001 A Tobacco Bonds	2031	4.62 – 5.13	2,365
Total			9,655
Federal-Aid Highway Bonds			
Series 2015 Bonds	2016 - 2033	3.00 – 5.00	67,125
Other Direct Placement Bonds or Borrowings			
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	10,101
Plus (Less):			
Bonds premium			30,837
Bonds discount			(1,645)
Bonds accretion			12,546
Total bonds payable, net			$ 1,668,109

Matching Funds Revenue Bonds

Series 2013 B Revenue and Refunding Bonds

On October 17, 2013, PFA issued the Series 2013 B Revenue and Refunding Bonds, the proceeds of which amounted to $51,365,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture, and the Series 2013 B Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA. The Series 2013 B Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, (ii) fund the Series 2013 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 B Bonds. The Series 2013 B Bonds mature from 2015 to 2024 at an interest rate of 3.0% to 5.0%. The proceeds of the Series 2013 B Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A. On October 1, 2014, the outstanding principal of the Series 2004 A Bonds was defeased through a call redemption amounting to $58,835,000.

Interest on the Series 2013 B Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2013 B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

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

Series 2013 A Revenue and Refunding Bonds

On September 19, 2013, PFA issued the Series 2013 A Revenue and Refunding Bonds, the proceeds of which amounted to $36,000,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture and the Series 2013 A Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA. The Series 2013 A Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, Series 2009 A1 Bonds, and Series 2009 B Bonds, (ii) fund the Series 2013 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 A Bonds. The Series 2013 A Bonds mature from 2018 to 2024 at an interest rate of 5.0% to 5.3%. The proceeds of the Series 2013 A Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A, Series 2009 A1, and Series 2009 B Bonds. The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a deferred loss of approximately $10.9 million and an economic loss of approximately $1.5 million.

Interest on the Series 2013 A Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2013 A Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

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

Series 2012 A Revenue Bonds

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

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

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

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

Series 2010 A and B Revenue Bonds

On July 8, 2010, PFA issued the Series 2010 A and B Revenue Bonds, the proceeds of which amounted to $399,050,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Sixth Supplemental Indenture and the Series 2010 Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA. The Series 2010 A Bonds were issued to: (i) finance various operating expenses of the Government, (ii) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (iii) fund the Series 2010 A Subordinate Lien Debt Service Reserve Account, and (iv) finance certain costs of issuance of the Series 2010 A Bonds. The Series 2010 B Bonds were issued to: (i) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (ii) fund the Series 2010 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2010 B Bonds. The Series 2010 A Bonds amount to $305,000,000 and mature from 2012 to 2029 at an interest rate of 4.0% to 5.0%. The Series 2010 B Bonds amount to $94,050,000 and mature from 2020 to 2029 at an interest rate of 4.3% to 5.3%.

Interest on the Series 2010 A and B Revenue Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2010 A and B Revenue Bonds.

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

The Series 2010 A and B Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

Series 2010 A and B Revenue Bonds	Price
October 1, 2021, and thereafter	100%

Series 2009 A Revenue Bonds (Cruzan)

On December 17, 2009, PFA issued the Series 2009 A Revenue Bonds (Cruzan), amounting to $39,190,000, to finance the costs of the development, acquisition, construction, and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion, and renovation of the Cruzan distillery on St. Croix, to establish debt service reserves, and to finance costs of issuance of the 2009 A Bonds.

These bonds are special limited obligations of PFA payable from and secured by a pledge of the Cruzan Trust estate which includes certain funds established under the Subordinated Indenture and the First Supplemental Subordinate Indenture of Trust. The bonds bear interest at 3.0% to 6.0% and mature from 2010 to 2039 and are subject to an optional redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

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

Interest on the Series 2009 A Revenue Bonds (Cruzan) is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Cruzan) maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

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

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

On October 1, 2009, PFA issued the Series 2009 A1, A2, B, and C Revenue and Refunding Bonds, the proceeds of which amounted to $458,840,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Fourth Supplemental Indenture and the Series 2009 Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA.

The Series 2009 A1 and A2 Revenue and Refunding Bonds were issued to: (i) finance various capital projects of the Government, (ii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 A1 and A2 Revenue and Refunding Bonds. The Series 2009 A1 Revenue and Refunding Bonds amounted to $86,350,000 and mature from 2010 to 2039 at interest rates from 3.0% to 5.0%. The Series 2009 A2 Revenue and Refunding Bonds amount to $8,650,000 and mature from 2010 to 2011 at an interest rate of 3.0%.

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

The Series 2009 C Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 E Revenue and Refunding Bonds (Subordinate Lien/Capital Program Bonds), (ii) fund the Series 2009 C Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 C Revenue and Refunding Bonds. The Series 2009 C Revenue and Refunding Bonds amounted to $97,510,000 and mature from 2010 to 2022 at an interest rate of 5.0%. The Series 2009 C Revenue and Refunding Bonds are subject to optional redemption by PFA on or after October 1, 2019, at redemption price of 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Interest on the Series 2009 A1, A2, B and C Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2009 A1, A2, B and C Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

The Series 2009 A1, A2, B and C Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

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

Series 2009 A Revenue Bonds (Diageo)

On July 9, 2009, PFA issued the Series 2009 A Revenue Bonds (Diageo), the proceeds of which amounted to $250,000,000. These bonds are secured by a pledge of Diageo Matching Fund Revenues (Matching Funds generated from the sale of Captain Morgan rum products), which includes certain funds established under the original indenture, the Third Supplemental Indenture, and the 2009 Matching Fund Loan Note – Diageo Project, Series A issued by the Government. The bonds bear interest at 6.0% to 6.8% and mature from 2013 to 2037. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA.

The bonds were issued to: (i) provide a grant to Diageo USVI, Inc. ("Diageo USVI") to finance the costs of the acquisition, design, development, construction, and equipping of a rum production and maturation warehouse facility to be located on St. Croix (the Diageo Project) (ii) redeem the Subordinated Revenue Bond Anticipation Notes (Virgin Islands Matching Fund Loan Notes – Diageo Project) Series 2009 A issued to finance preliminary costs of the Diageo Project (iii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, (iv) pay capitalized interest on the Series 2009 A Revenue Bonds, and (v) finance certain costs of issuance of the Series 2009 A Revenue Bonds. The Series 2009 A Bonds maturing on or after October 1, 2020, shall be subject to optional redemption on or after October 1, 2019, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

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

Interest on the Series 2009 A Revenue Bonds (Diageo) is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Diageo) maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

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

Pledged Funds, Covenants, and Collateral

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

Thus, all amounts to be received by the Government from federal rum excise tax are deposited directly in a trust account from which the Bonds are paid in accordance with the Indenture of Trust.

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

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

In fiscal year 2021, pledged matching rum excise tax revenues represented 39.7% of total rum excise revenues. Payments of Matching Fund Revenue Bonds principal and interest from matching rum excise tax revenues amounted to $55.4 million and $52.9 million, respectively. Also see Note 17.

Gross Receipts Revenue Bonds

Series 2018 A Revenue Bonds

On July 1, 2018, PFA issued the Series 2018 A Revenue Bonds in a private placement to the Federal Emergency Management Agency ("FEMA"). The bonds secure certain Community Disaster Loans ("CDLs") drawn following Hurricanes Irma and Maria in the U.S. Virgin Islands in September 2017. These bonds are secured by the pledge of gross receipts tax revenue. The Series 2018 A Revenue Bonds were issued to (i) finance essential functions of the Government's operations following the hurricanes in the amount of $145.0 million, (ii) finance the operations of the Roy L. Schneider Hospital on the island of St. Thomas in the amount of $28.0 million, (iii) finance the operations of Governor Juan F. Luis Hospital and Medical Center on the island of St. Croix in the amount of $42.0 million, and (iv) fund certain debt service reserve requirements of the bond issuance.

The bonds are subject to optional redemption by PFA at any time at a redemption price of 100% of the principal amount thereof, plus interest accrued through the redemption date. Interest payments commence October 1, 2019, with interest-only payments through October 1, 2022, calculated on a 360-day year consisting of twelve 30-day months. The Series 2018 bonds mature in 2037 and deferred interest payments mature in 2038.

Semi-annual interest and principal payments are due April 1 and October 1. Due to the COVID-19 pandemic, interest payments for fiscal year 2021, amounting to $6.0 million were deferred by FEMA to 2038. The Series 2018 A Revenue bonds were scheduled to mature in 2037 and deferred interest payments mature in 2038. Interest accruing during the deferral period, from the date of each drawdown through September 30, 2021, bear interest beginning October 1, 2021, equal to the draws on the loan.

On September 30, 2021, H.R. 5305, "Extending Government Funding and Delivering Emergency Assistance Act" was signed by the President and included provisions cancelling the remaining balances of all FEMA loans issued under Section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, including the Series 2018 A Revenue Bonds. With the passage of this Act, FEMA cancelled the outstanding principal and accrued interest of the Series 2018 A Revenue Bonds as amounting to $206.3 million and $5.2 million, respectively.

Series 2014 D Revenue Bonds

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

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

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

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

Series 2014 C Revenue and Refunding Bonds

On November 14, 2014, PFA issued the Series 2014 C Revenue and Refunding Bonds, the proceeds of which amounted to $247,050,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges.

The Series 2014 C Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 2003 A Bonds, (ii) finance all or a portion of the costs of certain capital projects, and (iii) pay the costs of issuance related to the Series 2014 C Bonds. The Series 2014 C Bonds mature from 2015 to 2044 at an interest rate of 4.5% to 5.0%.

The proceeds of the Series 2014 C Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2016 to 2034 maturities of the Series 2003 A Bonds.

Approximately $235,249,196 of bond proceeds were deposited into the Escrow Fund accounts. On December 1, 2014, the Series 2003 A bonds were defeased through the exercise of call redemptions.

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

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

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

Series 2014 A Revenue Bonds

On September 5, 2014, PFA issued the Series 2014 A Revenue Bonds, the proceeds of which amounted to $49,640,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges.

The bonds were issued to (i) finance all or a portion of the costs of certain capital projects, as authorized by the Virgin Islands Legislature in 2013 V.I. Act 7499, as amended by 2014 V.I. Act 7631 as further amended by 2014 V.I. Act 7637 and approved by PFA by resolution, (ii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve Requirement, and (iii) pay the costs and expenses of issuing and delivering the Series 2014 A Bonds. The Series 2014 A Revenue Bonds mature from 2015 to 2034 at an interest rate of 5.0%.

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

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

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

Series 2012 A and B Revenue and Refunding Bonds

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

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

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

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

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

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

Series 2012 C Revenue Bonds

On December 19, 2012, PFA issued the Series 2012 C Revenue Bonds, the proceeds of which amounted to $35,115,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges.

The bonds were issued to (i) provide a loan to the Government to be used to finance certain operating expenses and other obligations of the Government, (ii) fund capitalized interest on a portion of the Series 2012 C Bonds, and (iii) pay the costs and expenses of issuing and delivering the Series 2012 C Bonds. The Series 2012 C Revenue Bonds mature from 2017 to 2042 at an interest rate of 3.0% to 5.0%.

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

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

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

Series 2006 A Revenue Bonds

On September 28, 2006, PFA issued the Series 2006 A Revenue Bonds, the proceeds of which amounted to $219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government under the same terms as the Bonds. The bonds are limited special obligations of PFA. The bonds bear interest at 3.5% to 5.0% and mature from 2007 to 2029.

The proceeds of the bonds were issued to: (i) refund a portion of PFA's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the Debt Service Reserve Account, (v) pay certain costs of issuing the Series 2006 A Revenue Bonds and (vi) fund a net payment reserve account for a new swap agreement. The Series 2006 A Revenue Bonds maturing on or before October 1, 2016, are not subject to optional redemption. The advance refunding of the 2024 and 2029 maturities of the Series 1999 A Bonds was made to obtain lower interest rates.

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

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

Interest on the Series 2006 A Revenue Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2006 A Revenue Bonds.

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

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

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

Pledged Funds, Covenants, and Collateral

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit and the TIF special escrow agreement, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2018 A Revenue Bonds, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 B Revenue Notes, 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, as required by bond covenants.

In fiscal year 2021, pledged gross receipts tax revenues represented 27.18% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to $60.9 million and $4.4 million, respectively. Also see Note 17.

Tobacco Settlement Bonds

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

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

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

Series 2001 A Tobacco Bonds

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

Interest on the Series 2001 Bonds is payable semi-annually on each May and November 15, beginning with May 2002 for the Term Bonds. The Corporation is responsible for all principal and interest payments on the bonds. The convertible Capital Appreciation Bonds will accrete interest prior to November 15, 2007, and will accrue interest after that date. Interest will compound on May 15 and November 15.

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 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. Also see Note 17.

Other Direct Placement Bonds or Borrowings

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

Interest on the Series 2019 A TIF Revenue and Refunding Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds. The monthly principal and interest payments are funded by pledged Gross Receipts Taxes.

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

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

Pledged Funds, Covenants, and Collateral

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

The Tax Increment Revenue Loan Agreement entered into with the Government and Trustee in connection with the issuance of the Series 2019 A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31st of each fiscal year). The ratio is the Islands Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019 A TIF Revenue and Refunding Bonds. PFA is required to maintain a Loan to Value Ratio (LTV) of no more than 65.0%.

In any fiscal year in which the LTV shall exceed 65.0%, the DSCR shall be 1.35, and, upon certification thereof by the TIF Calculation Agent, any amounts then available in the Surplus Account may be made first to interest and then to principal due on the 2019 A 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, 2021, the DSCR amounted to 2.03 and the LTV was 44.0%, meeting the requirements of the Tax Increment Revenue Loan Agreement.

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

The bonds contain a provision that in an event of default, the lender may at any time declare the entire balance of the Series 2019 A Bond and any indebtedness of PFA to the lender to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest, or notice. Also see Note 17.

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

	Governmental Activities - Matching Funds Revenue Bonds									
	Series 2009 A Revenue Bonds (Diageo)		Series 2009 A1 & A2 Revenue Bonds		Series 2009 B Revenue Bonds		Series 2009 C Revenue Bonds		Series 2009 A Revenue Bonds (Cruzan)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:										
2022	$ 6,845	$ 13,777	$ 2,195	$ 3,286	$ 24,975	$ 2,934	$ 10,345	$ 647	$ 920	$ 1,872
2023	7,315	13,308	2,300	3,179	9,650	2,068	7,770	194	975	1,815
2024	7,815	12,807	2,410	3,068	1,275	1,795	-	-	1,040	1,755
2025	8,350	12,272	2,530	2,951	26,750	1,094	-	-	1,100	1,691
2026	8,920	11,699	2,655	2,825	8,510	213	-	-	1,170	1,623
2027-2031	54,665	48,439	15,460	11,938	-	-	-	-	7,035	6,933
2032-2036	76,475	26,624	19,850	7,547	-	-	-	-	9,490	4,472
2037-2041	38,590	2,649	19,865	2,049	-	-	-	-	9,935	1,237
Total	$ 208,975	$ 141,575	$ 67,265	$ 36,843	$ 71,160	$ 8,104	$ 18,115	$ 841	$ 31,665	$ 21,398

	Governmental Activities - Matching Funds Revenue Bonds											
	Series 2010 A Revenue Bonds		Series 2010 B Revenue Bonds		Series 2012 A Revenue Bonds		Series 2013 A Revenue and Refunding Bonds		Series 2013 B Revenue and Refunding Bonds		Total Matching Excise Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2022	$ 3,115	$ 14,082	$ -	$ 4,789	$ 1,150	$ 6,764	$ 2,590	$ 515	$ 6,655	$ 1,267	$ 58,790	$ 49,933
2023	19,890	13,507	2,705	4,721	1,250	6,715	2,725	377	6,985	926	61,565	46,810
2024	29,795	12,264	11,010	4,378	1,300	6,658	2,875	231	7,330	569	64,850	43,525
2025	5,915	11,372	11,575	3,814	1,400	6,591	3,025	78	7,705	193	68,350	40,056
2026	33,545	10,385	12,170	3,220	1,500	6,518	-	-	-	-	68,470	36,483
2027-2031	190,930	19,689	55,540	6,023	45,845	30,408	-	-	-	-	369,475	123,430
2032-2036	-	-	-	-	83,770	4,241	-	-	-	-	189,585	42,884
2037-2041	-	-	-	-	-	-	-	-	-	-	68,390	5,935
Total	$ 283,190	$ 81,299	$ 93,000	$ 26,945	$ 136,215	$ 67,895	$ 11,215	$ 1,201	$ 28,675	$ 2,955	$ 949,475	$ 389,056

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

	Governmental Activities - Gross Receipts Revenue Bonds											
	Series 2006 A Revenue Bonds		Series 2012 A Revenue and Refunding Bonds		Series 2012 B Revenue and Refunding Bonds		Series 2012 C Revenue Bonds		Series 2014 A Revenue Bonds		Series 2014 C Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2022	$ 16,295	$ 7,942	$ 1,140	$ 5,939	$ 2,175	$ 883	$ 1,860	$ 1,107	$ 2,000	$ 1,927	$ 6,385	$ 10,526
2023	16,895	7,113	1,430	5,887	2,290	766	1,955	1,012	2,100	1,824	6,705	10,199
2024	17,515	6,253	6,780	5,689	2,415	642	430	952	2,210	1,717	7,045	9,855
2025	18,165	5,361	7,395	5,335	2,545	512	455	930	2,325	1,603	7,385	9,494
2026	18,840	4,435	8,040	4,640	2,680	684	475	907	2,440	1,484	6,595	9,145
2027-2031	82,555	7,871	61,400	17,291	5,805	-	2,770	4,142	14,225	5,408	60,605	39,747
2032-2036	-	-	33,555	1,699	-	-	5,225	3,155	14,235	1,468	103,025	12,062
2037-2041	-	-	-	-	-	-	6,715	1,671	-	-	6,865	3,172
2042-2046	-	-	-	-	-	-	3,190	162	-	-	10,285	1,103
Total	$ 170,265	$ 38,975	$ 119,740	$ 46,480	$ 17,910	$ 3,487	$ 23,075	$ 14,038	$ 39,535	$ 15,431	$ 214,895	$ 105,303

	Governmental Activities - Gross Receipts Revenue Bonds			
	Series 2014 D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest
Maturity Year:				
2022	$ 240	$ 270	$ 30,095	$ 28,594
2023	255	255	31,630	27,056
2024	270	239	36,665	25,347
2025	290	222	38,560	23,457
2026	305	204	39,375	21,499
2027-2031	1,840	712	229,200	75,171
2032-2036	1,395	129	157,435	18,513
2037-2041	-	-	13,580	4,843
2042-2046	-	-	13,475	1,265
Total	$ 4,595	$ 2,031	$ 590,015	$ 225,745

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

	Principal	Interest
Maturity Year:		
2022	$ -	$ 118
2023	-	118
2024	-	118
2025	-	119
2026	-	118
2027-2031	2,365	591
2032-2036	48,145	-
Less, future accretion	(28,309)	-
Total	$ 22,201	$ 1,182

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

	Principal	Interest
Maturity Year:		
2021	$ 4,220	$ 3,356
2022	4,430	3,146
2023	4,650	2,924
2024	4,880	2,691
2025	5,125	2,447
2026-2030	29,735	8,126
2031-2036	14,085	1,065
Total	$ 67,125	$ 23,755

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

	Principal	Interest
Maturity Year:		
2022	$ 528	$ 759
2023	565	719
2024	604	680
2025	650	634
2026	697	588
2027-2030	7,057	1,514
Total	$ 10,101	$ 4,894

(b) Loans and Notes Payable

2019 A TIF Project Developer Note

On November 14, 2019, PFA issued the Series 2019 A TIF Project Developer Note. As part of the Tax Increment Financing Agreement entered into in 2009, the TIF Project Developer was entitled to a fee in the amount of $3.4 million to be paid through a non-transferable special limited obligation of PFA secured by a subordinate pledge of the Island Crossings incremental revenues collected under a special escrow agreement.

The TIF Project Developer Note was issued in the amount of $1.6 million, with a maturity date of November 1, 2049, to pay the remaining balance of the Project Developer fee. Interest on the Project Developer bonds is 8.5% with payments made annually on October 1 over a thirty (30) year term. The first payment will be due on October 1, 2020.

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

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

	Principal	Interest
Maturity Year:		
2022	$ 14	$ 133
2023	15	132
2024	16	131
2025	17	129
2026	19	128
2027-2031	123	611
2032-2036	185	549
2037-2041	278	457
2042-2046	417	317
2047-2050	481	106
Total	$ 1,565	$ 2,693

2016 A Notes

On October 1, 2016, PFA issued two Subordinate Lien Revenue Notes, Series 2016 A (Virgin Islands Gross Receipts Taxes Loan Notes-Emergency First Responder Project), collectively the "Series 2016 A Notes" in an aggregate amount of up to $10,000,000 to: (i) finance the acquisition of public safety vehicles and related equipment (the "Series 2016 A-1 Project"), and (ii) to finance certain consulting services for the improvement of public safety and security in the Virgin Islands, (the "Series 2016 A-2 Project"), and (iii) to pay certain costs incidental to the issuance of the Series 2016 A Notes. The Series 2016 A Notes matures in 2021 with variable interest rates based on the 90-day London Inter-bank Offered Rate ("LIBOR") plus 375 basis points.

The Series 2016 A Notes are subject to prepayment by PFA in whole or in part at any time upon 100% payment of the outstanding principal plus interest accrued to the prepayment date. As of September 30, 2021, the outstanding balance was $178,000.

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

Future debt service requirements for the 2016 A Notes are as follows (expressed in thousands):

	Principal	Interest
Maturity Year:		
2022	$ 178	$ 1

2014 B Revenue Notes

On September 12, 2014, PFA issued the Subordinate Lien Revenue Notes, Series 2014 B (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of $14,000,000 (the 2014 B Revenue Notes). The proceeds of the Series 2014 B Revenue Notes were loaned to the Government under the same terms, for the purposes of (i) financing general obligations of the Government and (ii) paying certain costs of issuing the 2014 B Notes. Principal was payable in eighty-four (84) consecutive monthly principal installments commencing on November 1, 2014. Interest was assessed at 375 points above the 90-day LIBOR rate. As of September 30, 2021, the 2014 B Revenue Notes has been paid.

(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, 2021, the PG owed $96.1 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 it repays the loan fully. For calendar year 2021, the credit reduction rate increased from 3.0% to 3.3%.

During the year ended September 30, 2021, the PG borrowed $31.2 million from the UTF. The UTF loan was not subject to interest from October 1, 2020 through September 7, 2021, due to a temporary suspension on the accrual of interest on federal loans to pay unemployment benefits and a waiver of interest payments through September 7, 2021, provided by the Families First Coronavirus Response Act. The PG paid interest from September 7, 2021 through September 30, 2021, in the amount of $144,800, with an assessed interest rate by U.S. Treasury of 2.3%.

(d) Loan Payable – The West Indian Company Limited

Consolidated Bank Loan

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

WICO may prepay the loan, however there is a prepayment penalty of 2.0% of the outstanding principal of the loan. Security and collateral for the loan include a first-priority security interest in WICO's assets, a pledge of WICO's revenues and the unlimited continuing repayment guarantee from PFA in the event of a default. The loan contains a provision that in an event of default, the Bank may by written notice to WICO (i) immediately terminate the commitments of the Bank and (ii) declare the principal and interest accrued on the loan due and payable.

WICO must also maintain insurance on its facilities at full replacement cost value and business interruption insurance equal to one year's net revenues. WICO is required to pay all payments in lieu of taxes (PILOT) to the PG.

In May 2020, WICO was notified by Banco Popular de Puerto Rico that monthly payments on the outstanding loan balance would be deferred for 90 days as a result of the pandemic. In September 2020, an additional 90-day moratorium was granted to WICO with regular repayments resuming in November 2020.

WICO is required to maintain a Debt Service Reserve Account (DSR) with the bank in the amount of $2.2 million. WICO is also required to maintain a Debt Service Coverage Ratio Reserve (DSCR) with the amount of the shortfall, if any, between WICO's earnings before interest, taxes, depreciation, and amortization (EBITDA), so that net revenues are not less than 1.25 times annual debt service payments. WICO is also required to maintain a Fixed Coverage Ratio (FCR) of 1.10 times EBITDA divided by the current portion of long-term debt (CPLTD) plus interest expense, PILOT, maintenance, and capital expenses. WICO may not declare dividends during the term of the loan, and no additional equity interests may be granted without the lender's approval. The loan agreement also requires WICO to deliver the year-end audited financial statements within 180 days of its fiscal year end.

For the year ended September 30, 2021, WICO was not in compliance with the DSR, DSCR, and FCR and audit reporting requirement. The loan agreement considers any noncompliance of the covenants as default. However, as further discussed in Note 19, WICO issued certain bonds, the proceeds of which were utilized to prepay the outstanding loan balance and WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the consolidated bank loans.

Paycheck Protection Program (PPP) Loan

In May 2020, WICO received an initial set of certain proceeds in the amount of $464,400 from the Paycheck Protection Program (PPP). The arrangement was guaranteed by the Small Business Administration (SBA) and was not required to be collateralized or have any covenants. WICO did not expend any of these loan proceeds pending the completion of an analysis with respect to its qualification in the newly established program. The loan proceeds, including interest were subsequently returned to the lender in March 2021.

In April 2021, WICO received a SBA guaranteed PPP loan in the amount of $717,200. The loan was subject to a fixed interest of 1.0%. The maturity of the loan is five years from the date of the first disbursement of the loan. WICO applied for forgiveness of the loan in May 2022 and the loan was forgiven in October 2022.

Future principal payments on the WICO loans payable are as follows (expressed in thousands):

	Principal	Interest	Total
Maturity Year:			
2022	$ 42,397	$ 1,990	$ 44,387

(e) Insurance Guaranty Fund Minimum Balance Requirement

Under Title 22, Chapter 10 of the V.I. Code, 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. In the event the balance in the Insurance Guaranty Fund equals or exceeds $20.0 million, amounts in excess thereof shall be deposited, at the direction of the Commissioner of Finance, into the General Fund. Effective September 30, 2022, the Legislature increased the minimum balance to $50.0 million.

Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable is presented as of September 30, 2021, (expressed in thousands):

	Maturity	Interest Rate (%)	Balance*
Bonds Payable			
Virgin Islands Water and Power Authority (Electric System):			
Bond Anticipation Notes of 2020 A	2022	7.75	$ 39,380
Bond Anticipation Notes of 2018 C	2033	2.38 – 2.90	17,500
Revenue Bonds of 2012	2025	4.00 - 6.06	31,365
Revenue Bonds of 2010	2035	5.00 - 6.85	42,485
Revenue Bonds of 2007 A	2031	5.00	57,585
Revenue Bonds of 2003	2028	4.00 – 5.00	32,990
Rural Utilities Service Note	2035	1.62	10,473
Virgin Islands Water and Power Authority (Water System):			
Revenue Bonds of 2018	2033	2.30 – 2.90	75,000
Virgin Islands Port Authority:			
Series A Revenue Bonds of 2014	2033	4.00 – 5.00	16,720
Series B Revenue Bonds of 2014	2044	3.00 – 5.00	11,030
Series C Revenue Bonds of 2014	2025	2.00 – 5.00	3,920
Subtotal			338,448
Plus, unamortized premium			3,179
Bonds payable, net			341,627
Less amount due within one year			(15,367)
Bonds payable, due in more than one year			$ 326,260

**Unaudited*

The changes in bonds payable for discretely presented component units are as follows for the year ended September 30, 2021 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority:						
Electric System*	$ 257,820	$ 39,995	$ 63,862	$ 233,953	$ 12,386	$ 221,567
Water System*	75,000	-	-	75,000	-	75,000
University of the Virgin Islands*	72,237	-	72,237	-	-	-
Virgin Islands Port Authority*	35,954	-	3,280	32,674	2,981	29,693
Total	$ 441,011	$ 39,995	$ 139,379	$ 341,627	$ 15,367	$ 326,260

**Unaudited*

The changes in notes payable, line of credit payable, and other long-term liabilities for discretely presented component units are as follows for the year ended September 30, 2021 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Notes payable						
Virgin Islands Port Authority*	$ 1,160	$ 7,686	$ 1,465	$ 7,381	$ 7,381	$ -
University of the Virgin Islands*	23,697	-	2,011	21,686	133	21,553
Virgin Islands Housing Finance Authority	777	-	83	694	84	610
Other component units**	9,571	-	5,559	4,012	609	3,403
Total	$ 35,205	$ 7,686	$ 9,118	$ 33,773	$ 8,207	$ 25,566
Line of credit payable						
Virgin Islands Water and Power Authority:						
Electric System*	$ 33,262	$ -	$ -	$ 33,262	$ 33,262	$ -
Water System*	2,739	1	-	2,740	-	2,740
Virgin Islands Waste Management Authority	1,000	2,750	-	3,750	3,750	-
Total	$ 37,001	$ 2,751	$ -	$ 39,752	$ 37,012	$ 2,740
Other long-term liabilities:						
Virgin Islands Housing Authority	$ 2,314	$ 165	$ 307	$ 2,172	$ 1,549	$ 623
Virgin Islands Port Authority*	2,882	367	711	2,538	974	1,564
Virgin Islands Water and Power Authority:						
Electric System*	135,024	-	12,441	122,583	14,517	108,066
Water System*	1,974	-	1,974	-	-	-
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,114	286	-	4,400	4,400	-
Juan F. Luis Hospital*	8,554	-	8,554	-	-	-
University of the Virgin Islands*	5,872	10	37	5,845	-	5,845
Virgin Islands Housing Finance Authority	9,749	230	61	9,918	1,037	8,881
Other component units**	3,387	1,219	212	4,394	1,294	3,100
Total	$ 173,870	$ 2,277	$ 24,297	$ 151,850	$ 23,771	$ 128,079

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

(a) Bonds Payable

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

On November 28, 2018, the Electric System's Board authorized the issuance of Bond Anticipation Notes in a principal amount not to exceed $30.0 million, the Series 2018 C Bond Anticipation Notes (BAN). The 2018 C BANs were being issued to evidence the debt in respect of a Community Disaster Loan made by United States of America, acting through FEMA. The form of the Series 2018 C BANs allows for multiple draws by the Electric System. During the year ended June 30, 2019, the Electric System drew down $17.5 million to provide additional working capital for fuel invoices, payroll, and other critical operating expenses. No additional draws were made in fiscal year 2021. The rate on the BANs was 2.4% to 2.9%, maturing July 1, 2033. The Community Disaster Loans made through FEMA were cancelled on September 30, 2021, with the passage of H.R. 5305, the "Extending Government Funding and Delivering Emergency Assistance Act."

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

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

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

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

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

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

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

In June 2007, the Electric System issued $57.6 million in 2007 A Electric System Subordinated Revenue Bonds. The proceeds of the Series 2007 A Bonds were used to (i) finance costs of certain capital improvements, (i) 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.

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

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

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

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

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

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

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

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

In November 2017, to fund its working capital needs in the aftermath of Hurricanes Irma and Maria, the Water System obtained $31.0 million under the Community Disaster Loan program administered by FEMA. In March 2018, the Water System entered into another loan for $44.0 million and refinanced the existing $31.0 million for a combined loan of $75.0 million, secured as a first lien of the Water System's revenues. The proceeds of these loans were used to provide working capital mostly for fuel invoices, payroll, and other critical operating expenses. While the loan is reflected under the Water System, the payment of principal and interest is subject to an intercompany agreement whereby 17.0% will be allocated to the Water System and 83.0% to the Electric System. The interest rate varies with each drawdown, ranging from 2.3% to 2.9%. The first interest payment was due July 1, 2021, with subsequent payments due semiannually. The first principal payment is due July 1, 2022, with subsequent payments due semiannually.

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

University of the Virgin Islands – Series A Bonds (unaudited)

In June 2011, the University entered into two capital project loan agreements under the U.S. Department of Education's Historically Black College and University (HBCU) Capital Financing Program for various capital projects. Under these loan agreements, the University was authorized to drawdown advances up to $44.0 million under the Series A 2011-2 Bonds and up to $16.0 million under the Series A 2011-3 Bonds. The Series A 2011-2 Bonds have maturity dates through August 1, 2034, and the Series A 2011-3 Bonds have maturity dates through August 1, 2040. Interest payments are due in February and August. Interest on the Series A 2011-2 Bonds is calculated at 3.5% and interest on the Series A 2011-3 Bonds is variable and calculated from the date of each advance using the long-term U.S. Treasury Rate on that day.

In February 2015, the University obtained an additional HBCU capital loan agreement, the Series A 2015-1 Bonds, for a maximum loan amount of $19.0 million to finance various capital projects, and stated to mature on February 1, 2045.

In November 2019, the University entered into an additional HBCU capital loan agreement, the Series A 2019-7 Bonds, for a maximum loan amount of $32.0 million. The proceeds from the Series A 2019-7 Bonds were utilized to refund the outstanding Bond Series A 2011-3 and Series A 2015-1. As a result, the Series A 2011-3 and Series A 2015-1 Bonds were fully paid off and the University recognized a deferred charge on debt refunding amounting to $3.5 million.

Also, in November 2019, the University entered into a second HBCU capital loan agreement, the Series A 2019-8 Bonds, for a maximum loan amount of $15.0 million on which the University drew down $10.1 million for capital projects. Interest on these 2019 Bonds is variable and calculated from the date of each advance at a variable, adjustable, or floating rate. The interest rate was 2.3% as of September 30, 2020 and is paid semi-annually.

During August 2020, the University's Series A 2011-2 and Series A 2019-7 Bonds were modified under the "Coronavirus Aid, Relief, and Economic Security (CARES)" Act to defer principal and interest payments retroactively to October 1, 2019. During the deferment period, the University was not required to make periodic installments of both principal and interest as required.

Additionally, because of this provision, approximately $3.0 million of principal and interest payments made during fiscal year 2020 were refunded to the University during fiscal year 2021.

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

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

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

The proceeds of the 2014 Bonds, together with certain other available funds of VIPA, were used for: (i) refunding $24.5 million in 2003 Series A Marine Revenue bonds and pay off the 2003 Series bonds; (ii) for the financing of various capital projects; (iii) to fund a deposit to the debt service fund; (iv) to fund a deposit to the operation, maintenance, renewal, and replacement reserve account; and (v) to pay the cost of issuance of the 2014 Bonds.

The 2014 bonds issued by VIPA contain certain bond indentures. The bonds' indentures contain certain account restrictions and funding covenants to cover interest, debt service, maintenance and other costs specified in the corresponding indentures. The bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Marine Division.

Future debt service requirements for discretely presented component units' bonds payable were as follows on September 30, 2021 (expressed in thousands):

	Principal	Interest
Maturity Year:		
2022	$ 15,367	$ 19,772
2023	64,856	16,264
2024	25,344	11,224
2025	26,437	10,118
2026	51,918	13,611
2027-2031	97,086	22,801
2032-2036	51,916	9,324
2037-2041	4,524	1,083
2042-2044	1,000	88
Total	338,448	$ 104,285
Plus, unamortized premium	3,179	
Bonds payable, net	$ 341,627*	

**Unaudited*

(b) Notes Payable

University of the Virgin Islands (unaudited)

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

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

In November 2021, and as further discussed in Note 19, the University repaid the outstanding note balance, documenting the close of the general obligation note.

Virgin Islands Port Authority (unaudited)

In April 2021, VIPA obtained a short-term note used to finance VIPA's insurance premiums. The outstanding balance of $1.3 million was paid off in December 2021.

UVI Research and Technology Park Corporation (unaudited)

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

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

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

(c) Line of Credit Payable

Virgin Islands Water and Power Authority (unaudited)

As of June 30, 2021, the Electric System of WAPA reported $33.3 million outstanding under bank lines of credit for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.50%, or 90-day London Interbank Offered Rate (LIBOR) plus 3.5-4.5%. Subsequent to the financial reporting date, the lines were extended to have a maturity of April 2024. There are certain financial reporting covenants that the Electric System must comply with in connection with the lines of credit. The agreements require the Electric System to deliver audited financial statements within 180 days after the end of its fiscal year.

As of June 30, 2021, the Water System of WAPA has available bank lines of credit of $2.0 million for capital projects and $300,000 for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.5%, or the 90-day London Inter-Bank Offer Rate (LIBOR) plus 4.5%. The Water System has the option to select the variable interest rate to utilize for any borrowings on these notes. As of June 30, 2021, there was $2.7 million outstanding under the lines of credit with a maturity of April 2024. Furthermore, there are certain financial reporting covenants that the Water System must comply with. The agreements require the Water System to deliver audited financial statements within 180 days after the end of its fiscal year.

Virgin Islands Waste Management Authority

On December 31, 2018, VIWMA entered into a secured credit agreement (Agreement) consisting of a $4.0 million revolving credit facility. The maturity date of the Agreement is every 12 months. The Agreement was established to supplement any delays in receiving monthly and quarterly allotments from the Government and reimbursements for allowable expenses related to federal programs. The Agreement is secured by certificates of deposit in the amount of $4.0 million, which have been assigned to the bank and are available at all times to be held as collateral for the repayment of outstanding loan balances and related costs. The credit facility bears an interest rate of 2.5% per annum. The Agreement contains various customary representations, warranties, and covenants by VIWMA. VIWMA believes it was in substantial compliance with the various covenants as of September 30, 2021.

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 (ARP) Act of 2021." During fiscal year 2021, the PG incurred expenditures of $59.8 million for eligible program activities, including subawards and payroll disbursements and has reflected the unspent balance of $573.4 million as a refundable advance.

12. General Tax Revenue

For the year ended September 30, 2021, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 406,803	$ -	$ -	$ 406,803
Real property taxes	46,423	-	5,683	52,106
Gross receipts taxes	5,000	235,124	250	240,374
Excise taxes	174,711	108,324	5,266	288,301
Other taxes	95,260	-	6,839	102,099
	$ 728,197	$ 343,448	$ 18,038	
Tax revenue recognized on the full accrual basis				15,640
Total tax revenue – government-wide				$ 1,105,323

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2021, (expressed in thousands):

	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total
Restricted for:						
Debt service	$ -	$ 292,443	$ -	$ -	$ -	$ 292,443
Capital projects	-	-	103,052	-	-	103,052
General government	-	-	-	-	9,531	9,531
Health	-	-	-	-	3,817	3,817
Public housing and welfare	-	-	-	-	5,711	5,711
Transportation and communication	-	-	-	-	4,723	4,723
Culture and recreation	-	-	-	-	8	8
Total	-	292,443	103,052	-	23,790	419,285
Committed to:						
General government	34,669	-	-	-	$ 12,615	$ 47,284
Public safety	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	177	177
Transportation and communication	-	-	-	-	9,693	9,693
Culture and recreation	-	-	-	-	327	327
Total	34,669	-	-	-	22,829	57,498
Assigned to:						
General government	1,442	-	-	-	123,255	124,697
Public safety	-	-	-	-	1,219	1,219
Health	-	-	-	-	6,297	6,297
Public housing and welfare	-	-	-	-	7,121	7,121
Education	-	-	-	-	-	-
Transportation and communication	-	-	-	-	10,103	10,103
Culture and recreation	-	-	-	-	1,272	1,272
Total	$ 1,442	$ -	$ -	$ -	$ 149,267	$ 150,709
Unassigned	$ (132,692)	$ -	$ -	$ (91,488)	$ (58,623)	$ (282,803)
Total Funds Balances	$ (96,581)	$ 292,443	$ 103,052	$ (91,488)	$ 137,263	$ 344,689

The committed and assigned fund balances include approximately $208.2 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. As of September 30, 2021, 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 6,008 government workers, approximately 4,444 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.

In accordance with Title 24, Section 374(h) of the Virgin Islands Code, the Government may not make payments of retroactive salaries until there is an appropriation of funds by the Legislature. In December 2020, the Legislature appropriated $10.0 million in Act No. 8411 for retroactive payments to retirees over 65. During the year ended September 30, 2021, $7.0 million of this appropriation was paid. As of September 30, 2021, the contractual liability for retroactive union arbitration salary amounted to $188.3 million.

(b) Federal Assistance Programs

The Government receives financial assistance from the federal government in the form of loans, grants, and entitlements. Monetary and nonmonetary federal financial assistance to governmental funds amounted to approximately $840.4 million and $67.6 million, respectively, for the year ended September 30, 2021.

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

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

During the year ended September 30, 2021, the Government received unrestricted federal grants due to the COVID-19 pandemic in the amount of $143.7 million. In accordance with federal guidelines, these grants are reported as an "other financing source" of COVID-19 pandemic relief assistance. The Government also reported federal cancellation of Community Disaster Loans amounting to $150.1 million as special item.

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

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

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

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

(d) U.S. Department of Labor Designation

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

(e) Legal Proceedings and Litigation Claims

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

Under Title 27, Section 166(e) of the V.I. Code, the Government's waiver of immunity is expanded to $250,000 for medical malpractice actions, including actions for wrongful death based on malpractice. Under certain circumstances, as provided in Title 33, Section 3414 of the V.I. Code, the Government may assume the payment of a judgment entered against an officer or employee who acted reasonably and within the scope of his employment. The Government may pay up to a maximum amount of $100,000 for the settlement. With respect to pending and threatened litigation, the Government has accrued a provision for legal claims and judgments of approximately $12.5 million for awarded and anticipated unfavorable judgments as of September 30, 2021.

Changes in the reported provision for legal claims during September 30, 2021, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2020	New Claims	Claims Payments and Changes in Estimates	Ending Balance on September 30, 2021
Provision for legal claims	$ 18,058	$ 547	$ (6,067)	$ 12,538

The breakdown of the provision for legal claims on September 30, 2021, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	$ 4,665
Long-term portion	7,873
	$ 12,538

(f) 8.0% Salary Reduction

On August 21, 2021, the Legislature of the Virgin Islands enacted Act. No. 8469, allowing the restoration of Government wages reduced by 8.0% during the years 2011-2013. Wage reductions were a cost-cutting measure due to the economic downturn following the 2008 recession. Repayments to restore the wage reductions began in November 2021 to covered employees.

(g) Landfill Closure and Post-Closure Costs

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

Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the Government reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The $118.8 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2021, 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, 2021.

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

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	97%	2025
Anguilla	95%	2025
Susannaberg	100%	Closed

The actual cost to perform closure and post-closure may be higher due to inflation, changes in technology, or changes in regulations. The Government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care.

The Government began making annual contributions to a trust in fiscal year 2007 to finance closure and post-closure costs. The Government expects that future inflation costs will be paid from interest earnings on these annual contributions and other financing measures.

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

(h) Wastewater Treatment Plant Consent Decree

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

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

(i) Memorandum of Understanding – EPA

On August 21, 2002, the Government and the U.S. 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 risks of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the worker's compensation liability amount in fiscal year 2021, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	**2021**
Claims payable, beginning of year	**$ 57,927**
Incurred claims and changes in estimates	**2,887**
Payments for claims and adjustments expenses	**(7,625)**
Claims payable, end of year	**$ 53,189**

(k) Bond Credit Ratings

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

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

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

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

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

(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. As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree will be subject to a concession payment of 10.0% of terminal revenues. 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, PFA entered into a professional services contract to coordinate recovery efforts with FEMA and other federal agencies following the two Category 5 hurricanes in September 2017. The initial contract provided for annual compensation not to exceed $5.0 million, a term of five years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement.

In February 2018, the contract was amended to revise the scope of work and increase the compensation of the contract to $10.0 million annually, retroactive to November 2017. In August 2018, a second amendment was added containing provisions required by federal regulations for the Community Development Block Grants – Disaster Relief Program. In December 2018, a third amendment was added to retroactively increase the annual compensation to $16.0 million through November 30, 2018. The temporary increase of $6.0 million was due to the Government's aggressive campaign to identify, assess, secure, and manage a larger percentage of the available resources and funding from FEMA and other federal agencies, through November 30, 2018. Effective December 1, 2018, the contract was returned to an annual amount of $10.0 million.

Also, in November 2017 and on behalf of the Government, PFA entered into a second professional services contract to coordinate recovery efforts. The competitive bid contract was for a term of five (5) years following the effective date of the contract and may be extended in two (2) two-year increments for a maximum term of nine (9) years. Compensation under the agreement was capped at $15.0 million annually including out-of-pocket expenses. In April 2018, the contract was amended to increase the compensation amount to $50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government's aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to $80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the $50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. In December 2018, the contract was amended a third time to increase the contract amount temporarily to $85.0 million through November 30, 2018.

Effective December 1, 2018, the contract amount returned to the $80.0 million as specified in the second amendment. As of September 30, 2021, the amount due to the disaster recovery consultants related to these contracts was $117.6 million.

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

(n) Molasses Subsidy Fund

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the Virgin Islands rum producers to ensure the competitive pricing of rum produced in the Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the Virgin Islands rum producers relative to the rum producers in other countries in which local molasses supplies are readily available. The molasses subsidy is administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. In the event of a deficiency in the Molasses Subsidy Fund, the Commissioner of Finance could seek legislative appropriation of additional funds, as required, from the Legislature of the Virgin Islands. The Legislature, however, is not obligated to appropriate such amounts.

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

On December 18, 2015, Congress retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2015, through December 31, 2016, with the Protecting Americans from Tax Hikes (PATH) Act. The Tax Cuts and Jobs Act passed by Congress in December 2017 retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2017, to December 31, 2021. Effective January 1, 2022, the per proof gallon rate returned to the original $10.50 per proof gallon amount.

Pension Trust Fund

(a) Pension Reform

In 2011, in response to a recommendation from an audit report issued by the Office of the Inspector General, the PG formed a Pension Reform Joint Task Force (the Task Force) to address the declining fiscal condition of GERS. The Task Force submitted recommendations to the Legislature to: (i) increase government and employee contributions towards pension benefits; (ii) raise contribution rates for senators and judges; (iii) reduce retiree current benefits by 10 percent; (iv) increase the early retirement age from fifty (50) to fifty-five (55) and the regular retirement age from sixty (60) to sixty-five (65); (v) limit the cost-of-living increase; and (vi) change the formula used to calculate benefits.

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

In March 2016, the Office of the Virgin Islands Inspector General issued a report on the alternative investment program administered by GERS. The report concluded that the non-traditional investments of the retirement system were subject to higher risks than other GERS assets. In September 2016, GERS sponsored a public summit to present projections of investment returns and future benefit payments for the system. The actuarial valuation and review of the pension plan as of October 1, 2021, projected the assets of GERS will be depleted by March 2025, without receiving payments on the GERS Funding Note. If payments to the GERS Funding Note are received as scheduled, the System is projected to remain solvent through 2038. Also see Note 19.

Component Units

(a) Virgin Islands Waste Management Authority

On October 26, 2016, the VIWMA entered into 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, 2021, the amount remaining in the escrow account was $418,000.

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

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

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

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

In 2012, the Electric System leased a temporary 22-megawatt mobile power plant for $14.6 million for eighteen (18) months through October 2013. The lease has since been reevaluated and extended for short term periods (between 2 to 12 months) with the final extension through December 31, 2020. Also in May 2019, another temporary unit was leased from a different vendor for an initial period of 104 weeks and starting in June 2020, an additional unit was leased for a period of two (2) years. Total lease payments for the fiscal year ended June 30, 2021, was $12.9 million.

WAPA 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. WAPA will not own the solar assets but will be able to purchase solar generated electricity at contracted rates.

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

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

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

In 2011, the Water System of WAPA 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 WAPA. The agreements both have twenty (20) year terms expiring through 2032. The amount paid to Seven Seas Corporation by the Water System for the fiscal year ended June 30, 2021, amounted to $6.2 million.

(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. 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.

Global Pandemic

In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to the coronavirus pandemic known as COVID-19. The state of emergency was approved by the President of the United States under the provisions of the Stafford Act and the National Emergencies Act. A Federally approved state of emergency activates federal assistance to states in the form of financial, logistical, and technical assistance. The state of emergency also activates other emergency response protocols and systems to protect citizenry such as stay-at-home orders, travel restrictions, and social distancing requirements.

As the emergency measures are eased, management continues to actively monitor the evolving impact of the COVID-19 outbreak on its financial condition, including the duration of the closings, speed of recovery, and impact on demand. Management further continues to identify and implement various additional mitigation efforts to minimize the impact on results of operations, financial position, and liquidity.

Also, in March 2020, the President of the United States signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. For the fiscal year ended September 30, 2021, the Government reported $143.7 million as an other item in the accompanying Statement of Activities. Also see Note 19.

15. Retirement Systems

Primary Government

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

(a) Plan Description and Benefits

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

There are two tiers within the plan:

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

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

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

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

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

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

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

(b) Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier 1 and Tier 2 members was 23.5% of the member's annual salary during the fiscal year ended September 30, 2021.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2021:

	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, 2020
Measurement Date:	September 30, 2020
Measurement Period:	October 1, 2019 – September 30, 2020

The PG is considered an employer of the plan with a proportionate share of 78.38% as of September 30, 2020, which was a decrease of 0.55% from its proportionate share measured as of September 30, 2019. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2015, through September 30, 2020. The PG's proportionate share of employer contributions recognized by GERS was $74.8 million for the plan's fiscal year ended September 30, 2020.

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

As of September 30, 2021, the actuarially calculated net pension liability of the PG was $4.5 billion. The net pension liability is measured as of September 30, 2020, and the total pension liability is actuarially computed as of October 1, 2020.

For the year ended September 30, 2021, the Government recognized $370.9 million of pension expense, inclusive of amortization of deferred outflows of pension related items.

Following is a schedule of deferred outflows and deferred inflows allocated to the Government in the computation of the net pension liability for the year ended September 30, 2021, (expressed in thousands):

Governmental Activities	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 38,674	$ 1,543
Net difference between projected and actual investment earnings on pension plan investments	-	5,384
Changes in assumptions	878,803	258,037
Changes in proportion and differences between contributions and proportional share of contributions	79,440	29,978
Contributions made after measurement date	74,817	-
Total	$ 1,071,734	$ 294,942

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,	
2022	$ 173,168
2023	174,528
2024	113,231
2025	152,248
2026	44,400
Thereafter	44,400
Total	$ 701,975

(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, 2020, is provided below.

Refer to the October 1, 2020, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate	2.00%
Salary Increases	3.25% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	4.00%
Municipal Bond Yield	2.21%
Discount Rate	2.23%
Mortality Table	RP-2014 Blue Collar

The demographic assumptions for the 2020 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011, through September 30, 2015, with the net investment return assumption updated for the October 1, 2020, valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 4.00% on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	9%	6.23%
Fixed income	60%	0.98%
Real Estate	10%	4.33%
Cash	12%	0.48%
Private Equities (Alternatives)	9%	10.23%
Total	100%	

(f) Discount Rate

The discount rate used to measure total pension liability was 2.23% as of September 30, 2020, which was a decrease of 0.44% from the discount rate of 2.67% as of September 30, 2019. 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 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 4.0% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a twenty (20) year AA Municipal Bond Index was applied. As of September 30, 2020, that rate was 2.21%.

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

Following is a schedule of net pension liability for the Government calculated using the discount rate of 2.23%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the year ended September 30, 2021, (expressed in thousands):

	1.00% Decrease (1.23%)	Current Discount (2.23%)	1.00% Increase (3.23%)
Net pension liability	$ 5,252,869	$ 4,527,445	$ 3,934,979

(h) Early Retirement Incentive Program

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

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

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

Based on this calculation, the amount due to GERS was $26.9 million and has been remitted to GERS. The actuaries of GERS have determined that the specific funding provided under the Act is inadequate to cover the costs of the program. GERS is seeking to recover any unfunded costs of the program under a newly enacted provision of the retirement law, which provides that the Government will compensate GERS for the costs of any special early retirement program. Also see Note 19.

(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 $48,000 for the year ended September 30, 2021. WICO does not offer other post-retirement benefits to its employees.

viNGN Employee Retirement Plan

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least $5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 2.0% of the eligible employee's compensation. viNGN contributed $37,225 in matching employer contributions for the year ended September 30, 2021. viNGN does not offer other post-retirement benefits to its employees.

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

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

16. Other Postemployment Benefits

Primary Government

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

(a) Plan Description and Benefits

The Health Insurance Board of Trustees of the PG (the Board) administers the defined benefit health and life insurance plan for eligible active and retired employees of the PG, the component units of the Government, and certain nonpublic corporations that receive allotments from the PG. The Board determines the eligibility criteria of the plan and recommends insurance contracts to the Legislature of the Virgin Islands. The Group Health Insurance Office of the Department of Personnel maintains the accounting and personnel records for the health and life insurance plan. Eligible retired employees visit the Group Health Insurance Office within 30 days following retirement and complete a new insurance enrollment form. An eligible retiree is one that retires through 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 the come due. There are five participating employers in the plan: the primary Government, University of the Virgin Islands, Virgin Islands Port Authority, East End Medical Center and Frederiksted Health Care, Inc.

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

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

(b) Contributions

Contribution percentages are enacted by the Legislature of the Virgin Islands based on recommendations of the Board. Changes in percentages are implemented by the Division of Personnel. Active and retired employees are responsible for 35.0% of the cost of group insurance costs. The employee share is withheld from salaries or pension benefits. Retirees receive a noncontributory life insurance benefit of $5,000 and may elect to increase this coverage to $75,000 at their own expense.

(c) Employees Covered by the Plan

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

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

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

(d) OPEB Liability

The PG's proportionate share of the total liability was 95.115% as of October 1, 2020, which was a decrease of 0.22% from its proportionate share measured as of October 1, 2019, The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to $992.3 million which includes the PG's share of the component unit liabilities under the special funding arrangement of $79.6 million.

Following is the total OPEB liability at September 30,2021 (expressed in thousands):

	September 30, 2021
Primary Government	$ 992,301
Component units	48,554
Total OPEB Liability	$ 1,040,855

(e) 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, 2019
Measurement date:	October 1, 2020
Report date:	September 30, 2021
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Recognition Period of 6 Years
Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 3.58% End of Year Rate of 2.14% S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2020
Healthcare cost trend rates:	Pre-Medicare Increases of 5.50% in 2021 to 4.50% in 2021 Medicare Increases of 4.75% in 2021 to 4.50% in 2022 Dental Increases of 4.75% in 2021 to 4.50% in 2023
Inflation:	2.0% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35.0% of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% of coverage
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110.0% with Scale MP-2015 for Healthy Lives. For Disability Retirees, RP-2014 Disabled Mortality Generational Table Adjusted 125.0% with Scale MP-2015
Marital status:	Assumed 50.0% of Future Male Retirees and 25.0% of Future Female Retirees Cover Spouses in Retirement Husbands Assumed to be 3 Years Older Than Spouse Subsidized Coverage of Spouses and Dependents Ceases Upon Death
Actuarial Experience Study	The actuarial assumptions used in the October 1, 2019, valuation are based on the results of an actuarial data experience study for the period October 1, 2011 – September 30, 2015

(f) Changes in Assumptions

The discount rate changed from 3.58% in the prior valuation to 2.14% as of September 30, 2020.

(g) Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the year ended September 30, 2021 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	$ 786,756	$ 36,616	$ 823,372
Changes for the year:			
Service cost	25,885	1,716	27,601
Interest	28,508	1,357	29,865
Changes in assumptions or other input	184,091	9,728	193,819
Expected benefit payments	(32,939)	(863)	(33,802)
Net changes	205,545	11,938	217,483
Ending balances	$ 992,301	$ 48,554	$ 1,040,855

Primary Government	$ 912,700
Component Units Included in Primary Government's OPEB liability under special funding arrangement	79,601
Total OPEB Liability on September 30, 2021	$ 992,301

(h) OPEB Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources

For the fiscal year ended September 30, 2021, the OPEB expense of the PG amounted to $68.9 million as follows (expressed in thousands):

	Primary Government	Component Units	Total
Service cost	$ 25,885	$ 1,716	$ 27,601
Interest on the total OPEB liability and net cash flow	28,508	1,357	29,865
Current period effect in change in assumptions	14,529	902	15,431
Total OPEB Expense	$ 68,922	$ 3,975	$ 72,897

Primary Government	$ 61,177
Component Units Included in Primary Government's OPEB expense under special funding arrangement	7,745
Total OPEB Expense	$ 68,922

As of September 30, 2021, 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	$ 168,590	$ 8,844	$ 177,434
Primary Government	$ 151,145		
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	17,445		
Total	$ 168,590		

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
2022	$ 32,738	$ 1,715	$ 34,453
2023	32,738	1,715	34,453
2024	32,738	1,715	34,453
2025	32,737	1,714	34,451
2026	30,275	1,596	31,871
2027 and after	7,364	389	7,753
Total	$ 168,590	$ 8,844	$ 177,434

As of September 30, 2021, 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	$ 57,889	$ 2,510	$ 60,399
Primary Government	$ 6,928		
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	50,961		
Total	$ 57,889		

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
2022	$ 18,209	$ 813	$ 19,022
2023	18,209	813	19,022
2024	13,292	576	13,868
2025	6,950	266	7,216
2026 and after	1,229	42	1,271
Total	$ 57,889	$ 2,510	$ 60,399

(i) 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 one percentage point higher or one percentage point lower than the current discount rate (expressed in thousands):

	1.00% Decrease (1.14%)	Current Discount (2.14%)	1.00% Increase (3.14%)
Primary Government	$ 1,172,208	$ 992,301	$ 849,961
Component Units	58,069	48,554	41,067
Total OPEB Liability	$ 1,230,277	$ 1,040,855	$ 891,028

(j) 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 one percentage point higher or one percentage point lower than the current healthcare cost trend rate:

	1.00% Decrease - Health Cost Trend Rate (4.50%)	Current Health Cost Trend Rate (5.50%)	1.00% Increase - Health Cost Trend rate (6.50%)
Primary Government	$ 839,240	$ 992,301	$ 1,191,956
Component Units	40,169	48,554	59,608
Total OPEB Liability	$ 879,409	$ 1,040,855	$ 1,251,564

Component Units

WAPA OPEB Plan *(unaudited)*

WAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of $54.8 million, deferred outflows of resources of $0.5 million, and deferred inflows of resources of $9.6 million as of June 30, 2021.

VIHA OPEB Plan

VIHA offers certain health care benefits including healthcare and prescription drug, dental, vision and life insurance to qualified retired employees and their dependents. VIHA reported a net OPEB obligation of $27.9 million as of December 31, 2020.

17. Liquidity and Management's Plan

Primary Government

On September 30, 2021, the Government reported a total net deficit in governmental activities amounting to $5.2 billion. The net deficit is mainly due to the adoption of accounting standards that required the reporting of pension and other post-employment liabilities and related expenses based on actuarial computations.

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2019 through 2021:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2019	$ (5,751,631)	$ (399,060)
2020	(5,889,273)	(137,642)
2021	(6,090,454)	(201,181)

General Fund

Following is a summary of the General Fund balance (deficit). On September 30, 2021, the Government reported a deficit fund balance in the General Fund of $109.4 million. This fund balance represents a decrease of $131.2 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2019	$ 20,270	$ 716	$ (115,068)	$ (94,082)
2020	31,374	1,425	(11,032)	21,767
2021	34,669	1,442	(145,507)	(109,396)

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2021, (expressed in thousands):

Governmental Funds

Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,109	Sewer System Fund	175
Federally Aided Education Program	9,599	District Potable Water Fund	4,962
Air & Water Pollution Control	7,060	Paternity and Child Support	11,403
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	47,998
Highway Safety	4,600	Virgin Islands Law Enforcement	4,042
Virgin Islands Energy Office	3,655	Forensic Science	74
Virgin Islands National Guard Federal		Vocational Rehabilitation	1,848
and State Agreement	2,760	Hurricane Hugo Insurance Claims	3,908
Food Stamp Welfare	2,434	Virgin Islands Army National Guard	2,266
Federal Programs/Department		Emergency Drought Relief	139
Conservation	3,867	Outdoor Recreation Program	32
Federal Aided Community Action Agency	187	Section 12 Bond Proceeds	24,547
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	
Civil Defense Protection	849	Non-Lapsing	14
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	The Motorcycle Safety Ed. Prog.	17
PFA/Office of Economic Opportunity	331		
		Net fund deficit	$ 162,671

Proprietary Funds

Frederiksted Small Business Fund	$ 164
Altona Community Development Fund	3
Housing Construction Revolving Fund	7,653
Emergency Housing Fund	82
Virgin Islands ID Registration Fund	20
Virgin Islands Elections Fund	183
Consumer Protection Fund	200
Virgin Islands Housing Finance Authority	2,898
Homestead and Home Revolving Fund	344
Net fund deficit	$ 11,547

The Government expects structural deficits following the 2017 hurricanes to be offset by the economic activity related to construction, federal recovery assistance, and COVID-19 pandemic relief assistance. The Government has experienced an increase in tax collections reported by the Virgin Islands Bureau of Internal Revenue. The Government has also continued to receive its annual matching fund rum excise tax advance from the U.S. Department of Interior.

The Government expects to receive approximately $8.0 billion in federal assistance through fiscal year 2025 and an additional $1.6 billion in COVID-19 pandemic relief assistance. The Government has also participated in FEMA's Community Disaster Loans (CDL) program. The CDL program provides operational funding for local governments to continue to operate after a substantial revenue loss (greater than 5.0%) caused by a disaster. The term of the CDL loans is five (5) years and can be extended to ten (10) years. The Government's ability to access the CDL facility allowed it to remain current in its obligations. The Government has pledged gross receipts taxes for the timely payment of the CDLs and entered into a bond agreement with FEMA in July 2018. Also see Note 19. The Government has also been the recipient of insurance recoveries and private donations.

The Government has pledged certain revenues for debt service on various bonds and notes. To date, revenues pledged for debt service have not been significantly impacted by the economic effect of the hurricanes or the pandemic.

As of September 30, 2021, all payments on the bonds and notes have been made as required and the Government is in compliance with all related covenants; however, as a result of the disruption to the Government's operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic, the Government did not comply with certain reporting requirements. As per the Government's bonds' indentures and notes and loan agreements, this noncompliance event does not constitute an event of default and the Government continues to work diligently to monitor such requirements.

Other significant liabilities of the Government, mainly consisting of benefits due to the Government's workforce and landfill closure costs, represent obligations of the Government that do not require the use of current resources.

Business-Type Activities

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2021, 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, 2021, WICO owed the primary Government $9.3 million in PILOT payments.

Also, WICO's revenues were negatively impacted due to "No Sail Orders" issued by the Centers of Disease Control (CDC) in March 2020. The No Sail Orders were subsequently replaced by Conditional Sail Orders and cruise lines returned to WICO's port in September 2021. The Conditional Sailing Orders expired in January 2022.

WICO observed a resurgence in cruise passengers as cruise lines gradually lifted pandemic-related restrictions in response to the subsiding pandemic. Notably, during the latter part of fiscal year 2022, there was a notable upswing in cruise ship passenger occupancy and ship arrivals. This positive trend persisted throughout fiscal year 2023, with cruise ship passenger occupancy surpassing 90.0%. Looking ahead to fiscal year 2024, WICO foresees a continuation of this upward trajectory. WICO anticipates that passenger occupancy will surpass 95.0% and expect a further increase in cruise calls and passenger volume, extending well into fiscal year 2025.

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, 2021, no repayments of the loan advance have been made by viNGN.

Component Units

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

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

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

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

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

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

The Schneider Regional Medical Center on St. Thomas and the Juan F. Luis Hospital and Medical Center 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, 2021, the Schneider Regional Medical Center's current liabilities exceeded current assets by $11.0 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2021, tax appropriations from the PG amounted to $25.0 million and other noncapital grants and contributions amounted to $708,000. On September 30, 2021, Congress enacted H.R. 5305, *Extending Government Funding and Delivering Emergency Assistance Act* including cancellation of $19.3 million in Community Disaster Loans (CDLs) of the Schneider Regional Medical Center.

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, 2021, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by $77.1 million. The hospital reported an unrestricted net deficit of $208.5 million. The hospital is economically dependent on the continued financial support of the Government. On September 30, 2021, the Juan F. Luis Hospital and Medical Center's outstanding CDLs and outstanding related interest in the amount of $42.0 million were also cancelled by H.R. 5305.

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. Management of Juan F. Luis Hospital and Medical Center is also developing plans for cost containment, seeking concessions for vendors, and seeking an increase in financial support from the Government.

(d) Government Employees' Retirement System of the U.S. Virgin Islands

As of September 30, 2021, the fiduciary net position of GERS amounting to $475.1 million represents only 8.2% of the plan's actuarially determined total pension liability of $5.8 billion at September 30, 2020, the measurement date. Employer contributions were significantly less than actuarially determined amounts for fiscal year 2021.

(e) Virgin Islands Housing Finance Authority

As of September 30, 2021, VIHFA has recorded substantial receivables from the Federal government amounting to $302.3 million. Receipt of grant funds is generally conditioned on compliance with the grantor's terms and agreements and applicable federal regulations. Any disallowance of these cost could become liabilities for the Authority. Also, VIHFA is indebted to contractors and vendors for significantly all of the expected payments from the Federal government.

18. Adjustments to Component Unit Financial Statements

The September 30, 2020 stand-alone financial statements of a number of component units have been adjusted in the accompanying aggregate discretely presented component units as follows (expressed in thousands):

	Net Position		
Component Unit	As Previously Reported	Adjustments	As Adjusted
Virgin Islands Port Authority*	$ 100,937	$ 1,162	$ 102,099
University of the Virgin Islands Research and Technology Park Corporation*	8,317	2,874	11,191

**Unaudited*

19. Subsequent Events

Primary Government

(a) Hurricane Recovery

Through qualification for substantial federal disaster assistance from FEMA and other federal agencies, the Government and its component units have made significant progress towards restoring their assets which were damaged by Hurricanes Irma and Maria in September 2017. To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, to maximize its recovery from all available sources, subject to any sub-limits and retentions.

Through December 2023, federal assistance awarded to the Territory included $7.4 billion in FEMA Public Assistance grants, $66.3 million in Federal Highway grants, $187.5 million in FEMA Hazard Mitigation grants, $1.1 billion in Community Development Block Grants, and $208.0 million in other grants for a total of approximately 9.0 billion dollars.

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

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

(b) Contractual Agreements - Professional Services for Recovery Efforts

Subsequent to September 30, 2021, and through September 30, 2023, PFA reported outstanding invoices from the two professional consulting services firms amounting to $57.7 million and $4.0 million, respectively.

Invoices submitted by the consultants are reviewed by PFA and submitted to the Government, Office of Disaster Recovery, the Virgin Islands Housing Finance Authority, or the Virgin Islands Water and Power Authority for approval. Upon completion of the review and approval process, invoices are then submitted for reimbursement to the appropriate federal grantor.

(c) Global Pandemic and Economic Relief Legislation

Through December 2023, federal grants and assistance received by the PG related to COVID-19 amounted to $686.0 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

In November 2021, "The Infrastructure Investment and Jobs (IIJ) Act" was signed into Law.

i. Through the Territorial Highway Program, the U.S. Virgin Islands would expect to receive more than $95.0 million over five years to rebuild its roads and bridges. The U.S. Virgin Islands can also compete for $7.5 billion in funding over five years for major projects that will deliver substantial economic benefits to communities.
ii. Based on formula funding alone, the U.S. Virgin Islands would expect to receive nearly $30.0 million over five years to improve public transportation options across the islands.
iii. The Territory will receive a minimum allocation of $25.0 million to help improve broadband service and to promote broadband adoption and affordability.
iv. Based on historical formula funding levels, the U.S. Virgin Islands will expect to receive $2.5 million to protect against cyberattacks and the Territory will also benefit from the bill's historic $3.5 billion national investment in weatherization which will reduce energy costs for families.
v. Based on the traditional revolving fund formula, the U.S. Virgin Islands will expect to receive more than $45.0 million over five years to improve water infrastructure in the region and ensure that clean, safe drinking water is a right in all communities.
vi. Airports in the U.S. Virgin Islands would receive approximately $30.0 million for infrastructure development over five years.

The Government and its component units continue to examine the impact that the IIJ Act may have on their operations.

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

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

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

(e) Other

In December 2022, a settlement was announced between the Attorney General of the U.S. Virgin Islands, an estate, and related entities. The defendant will pay the Government $105.0 million in cash plus one-half of the proceeds from the sale of certain property.

Component Units

(a) Matching Fund Special Purpose Securitization Corporation

In February 2022, the Legislature of the Virgin Islands passed Act 8540 authorizing the formation of the Matching Fund Special Purpose Securitization Corporation (Securitization Corporation or the Corporation). The Corporation was formed to (i) purchase the Government's right, title, and interest in the Matching Fund Receipts, (ii) refund or refinance existing matching bonds held by PFA through the issuance of securitized bonds, and (iii) to free up funds of the Government to provide financial stability and liquidity to GERS. The Corporation is a special purpose, independent and autonomous public corporation with a board of five members, four private members, and the Governor of the U.S. Virgin Islands.

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 April 2022, the Corporation issued the Series 2022 A Bonds in the amount of $930.3 million and the Series 2022 B Bonds in the amount of $22.5 million. The proceeds of the Securitization Bonds were used to: (i) purchase from the PG, the Matching Fund Receipts to be received from the U.S. Treasury and the related rights, (ii) pay capitalized interest on the bonds, (iii) establish certain debt service reserves and establish certain residual receipts, and (iv) to pay the costs of issuing the bonds.

The Corporation has no taxing power, and the Securitization Bonds are payable solely from the Matching Fund Receipts and certain other collateral pledged under the indenture for the issuance.

The Series 2022 A Bonds were issued at an interest rate of 5.0% with interest payable on April 1st and October 1st, and principal amounts due beginning October 1, 2025, through October 1, 2039. The Series 2022 B Bonds were issued at an interest rate of 6.0%, with interest payable on April 1st and October 1st, and the principal amount due on October 1, 2025.

(b) Virgin Island Public Finance Authority

In February 2022, PFA launched a tender offer to purchase $165.7 million of certain outstanding matching fund revenue bonds. PFA accepted $124.6 million tendered, and the purchase was completed in April 2022. In April 2022, PFA also refunded $766.1 million of matching fund bonds outstanding with a settlement date of April 25, 2022. Funding for these transactions was provided by the Matching Fund Special Purpose Securitization Corporation.

In March 2022, PFA sold the King's Alley Hotel and adjoining property in the amount of $3.7 million. The King's Alley Hotel was managed by the King's Alley Management, Inc. (KAMI), a wholly owned subsidiary of the PFA, which acquired the property through foreclosure. The adjoining property was purchased by PFA in 2011 and consisted of a vacant lot with historical structures.

In April 2022, PFA made a payment to GERS in the amount of $89.2 million in connection with the issuance of the Series 2022 A and 2022 B Bonds issued by the Securitization Corporation. The Virgin Islands Act No. 8540 authorized the GERS Funding Note as an in-kind contribution to GERS secured by a portion of the residual receipts received by the Government in connection with the sale of Matching Fund Rights to the Securitization Corporation. The GERS funding amount is computed as follows: $158.0 million of Matching Fund Receipts less debt service on the Series 2022 A and Series 2022 B securitized matching fund bonds and required payments under the trust indenture for the Series 2022 A and 2022 B bonds. As a condition of the GERS Funding Note, GERS released all pending claims including outstanding employer contributions, and dismissed pending litigation against the Government.

In September 2022, PFA received $125.5 million from the matching fund receipts Securitization Corporation. In October 2022, PFA made a payment to GERS amounting $158.0 million in accordance with the required debt service payments of the GERS Funding Note.

In October 2023, PFA made a payment to GERS in the amount of $124.0 million. The full funding amount of $158.0 million was not achieved as the rum excise cover-over rate of $13.25 per proof gallon was not extended by Congress and returned to $10.50 per proof gallon on January 1, 2022.

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

In April 2023, the Legislature of the Virgin Islands passed Act 8701, authorizing PFA to enter into a line of credit in the maximum amount of $100.0 million to provide for the disbursement of funds needed to advance disaster related recovery projects that are reimbursable through federal funding, and to provide $45.0 million for the buyout of LPG facilities at the Virgin Islands Water and Power Authority.

On June 15, 2023, PFA and Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico. The Series 2023 Note is in the amount of $100.0 million and is secured by a pledge of a certificate of deposit in the amount of $134.0 million held by FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, and (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes. Interest on the Series 2023 Note is 200 basis points above the certificate of deposit rate, provided that the interest rate shall not be less than 2.0% or exceed 9.0% per annum.

At the date of the Revenue Anticipation Note Purchase Agreement the certificate of deposit rate was 4.50% and the interest on the loan is 6.50%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365. Interest earned on the certificate of deposit will be deposited into a debt service reserve account. Interest accrues and is paid quarterly on or before the fifteenth day of the next succeeding month, with a final payment due at the maturity of the note. The maturity date of the Series 2023 Note is the earlier of forty-two (42) months from the date of the Note Purchase Agreement, or September 30, 2026, whichever is the first to occur.

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

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

As of March 31, 2022, the Electric System has been approved for approximately $1.5 billion in grant funding for emergency restoration work, and permanent and hazard mitigation projects and the U.S. Department of Housing & Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $95.9 million to the Electric System for the Harley Expansion Project. The CDBG project will add 36MW of generation (plus battery storage) to the Randolph Harley Power Plant on St. Thomas. The Electric System has been approved for approximately $84.2 million in local match funding from HUD.

The U.S. Department of Housing and Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $84.2 million to WAPA for the Harley Expansion Project. The project will add 36-megawatts of generation (plus battery storage) to the Randolph Harley Power Plant on St. Thomas. Additionally, as of April 2023, WAPA has been approved for approximately $87.9 million in local cost match funding from HUD for the Public Assistance Grant Program along with $104.3 million in ARP Act grant funding.

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

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

In November 2021, the University repaid in full its general obligation with First Bank in the amount of $23.2 million.

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

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

(e) The West Indian Company Limited

In March 2022, WICO was granted moratorium on principal payments due February 1, 2022, March 1, 2022, and April 1, 2022. Moratorium payments, if not paid sooner, are due in full on the maturity date of the loan in July 2022.

In June 2022, WICO prepaid the loan, including outstanding moratorium payments, in the amount of $41.4 million. WICO also paid accrued interest of $265,626 and a prepayment penalty of $122,335. WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the loan payable. Also in June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A and Series 2022B. The Series 2022 Bonds were issued at a nominal value of $52.6 million and a discounted value of $51.6 million.

The Series 2022 A and 2022 B Bonds were privately placed and offered exclusively to qualified institutional buyers and were not required to be registered under the Securities Act, or any state securities laws. The bonds are limited obligations of WICO and are not the debts or guarantees of PFA or the Government.

The Series 2022 Bonds were issued to: (i) prepay the Bank 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, 2032, to April 1, 2052, with interest rates ranging between 5.9% to 6.5%. Interest is payable semiannually in April and October, commencing October 1, 2022.

In the first quarter of fiscal year 2023, WICO notified cruise lines of a planned tariff increase per passenger of $1.24 of which WICO received a $1 increase on January 1, 2023. The $1 increase in tariff will amount to a 15% increase in passenger fee revenue.

In October 2022, as authorized by the CARES Act, SBA remitted to Banco Popular $717,200 in principal and $10,579 in interest in forgiveness of the WICO Paycheck Protection Program loan. Under the terms of the loan forgiveness, WICO must retain all records relating to the loan for six years from the date the loan is forgiven.

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

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

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2021, the statement of net position date, and through February 16, 2024, the date the financial statements were available to be issued and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2021.

Required Supplementary Information

Government of the United States Virgin Islands

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement year ended September 30,	2021	2020	2019	2018
	Primary Government	Primary Government	Primary Government	Primary Government
Total OPEB Liability:				
Service cost	$ 25,885	$ 25,358	$ 26,147	$ 28,216
Interest	28,508	28,548	26,623	23,904
Difference between expected/actual experience	-	(27,043)	-	-
Changes in assumptions or other inputs	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	$ 205,545	$ 12,249	$ (8,866)	$ (29,582)
Total OPEB Liability – Beginning of Fiscal Year	786,756	774,507	783,373	812,955
Total OPEB Liability – End of Fiscal Year	$ 992,301	$ 786,756	$ 774,507	$ 783,373
Covered-Employee Payroll	$ 364,038	$ 350,528	$ 350,409	$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	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.

1. Other Postemployment Benefits

The Government does not have assets accumulated in a trust that meets the criteria of Paragraph 4 of GASB Statement No. 75 to pay related benefits.

The Primary Government, by statute, pays 100% of the employer cost-share of the postemployment health, dental, and life insurance of the retirees of the following semi-autonomous agencies: 1) Government Employee's Retirement System 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.

The total OPEB liability increased due to changes in the discount rate as noted below:

Year	Discount Rate
2017	3.35%
2018	3.64%
2019	3.58%
2020	2.14%

The base mortality tables and mortality improvement sales were updated to RP-2014 Blue Collar Mortality table (110% adjustment) projected forward using the MP-2015 scale.

Future participation in the retiree health plan is projected to be 85%.

Government of the United States Virgin Islands

Schedule of Net Pension Liability

September 30, (in thousands)	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the NPL	**78.3800%**	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	**$ 4,527,445**	$ 4,194,852	$ 3,246,789	$ 3,354,768	$ 3,535,517	$ 3,065,617	$ 2,323,163
Primary Government's covered payroll	**$ 325,000**	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091	$ 267,698
Primary Government's proportionate share of the NPL as a percentage of its covered payroll	**1,393%**	1,350%	1,047%	1,092%	1,175%	1,106%	686%
Plan fiduciary net position as a percentage of the total pension liability	**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 are as of the measurement date (September 30 of the previous year).

Government of the United States Virgin Islands

Schedule of Pension Contributions

September 30, (in thousands)	2021	2020	2019	2018	2017	2016	2015
Primary Government's actuarially required contributions	**$ 292,944**	$ 289,507	$ 215,937	$ 205,052	$ 191,481	$ 186,089	$ 150,628
Primary Government's contributions in relation to the actuarially required contributions	**$ 74,817**	$ 72,301	$ 84,005	$ 77,840	$ 61,759	$ 68,291	$ 64,357
Contribution deficiency	**$ 218,127**	$ 217,206	$ 131,932	$ 127,212	$ 129,722	$ 117,798	$ 86,271
Primary Government's covered payroll	**$ 336,625**	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091
Contributions as a percentage of covered payroll	**22.23%**	22.25%	27.03%	25.11%	20.11%	22.69%	23.23%

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

Government of the United States Virgin Islands

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

(in thousands)

Year Ended September 30, 2021	Original Budget	Revised Budget	Actual	Variance
Revenues				
Taxes	$ 669,877	$ 669,877	$ 814,862	$ 144,985
Federal grants and contributions	-	-	52,546	52,546
Charges for services	60,194	60,194	14,314	(45,880)
Interest and other	27,546	27,546	12,470	(15,076)
Total revenues	757,617	757,617	894,192	136,575
Expenditures				
Current:				
General government	497,857	512,794	347,247	165,547
Public safety	64,053	64,053	69,782	(5,729)
Health, public housing and welfare	94,739	94,769	91,529	3,240
Education	160,964	164,035	169,690	(5,655)
Transportation and communication	31,772	31,812	19,950	11,862
Culture and recreation	15,691	18,088	6,531	11,557
Total expenditures	865,076	885,551	704,729	180,822
Excess (deficiency) of revenues over expenditures	(107,459)	(127,934)	189,463	317,397
Other financing sources (uses)				
Transfers from other funds	61,798	61,798	54,650	(7,148)
Transfer to other funds	(12,500)	(76,635)	(66,240)	10,395
Transfers to component units	(154,418)	(154,418)	(138,926)	15,492
Total other financing sources, net	(105,120)	(169,255)	(150,516)	18,739
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (212,579)	$ (297,189)	$ 38,947	$ 336,136

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 Office of Management and Budget (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, 2021, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$ 336,136
Entity difference – deficiency of revenues and net other financing sources over expenditures – activities with budgets not legally adopted	(445,532)
Deficiency of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$ (109,396)

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, 2021

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional service 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, 2021

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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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of the United States Virgin Islands (the Government), which comprise the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2024. We expressed a qualified opinion on the financial statements of the governmental activities, general fund, and federal grants fund opinion units based on the circumstances noted in our aforementioned report. In addition, we expressed a disclaimer of opinion on the financial statements of the business-type activities, unemployment insurance-enterprise fund, aggregate remaining fund information, and aggregate discretely presented component units opinion units based on the circumstances described in our aforementioned report.

Our aforementioned report includes references to other auditors who audited the financial statements of the Virgin Islands Housing Authority (VIHA), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Magens Bay Authority (MBA), Virgin Islands Public Broadcasting System (VIPBS), Virgin Islands Housing Finance Authority (VIHFA), Government Employees' Retirement System of the of the U.S. Virgin Islands (GERS), and Virgin Islands Lottery (V.I. Lottery), 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), and Tobacco Settlement Financing Corporation (TSFC). 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, and TSFC which is reported on separately by us.

Report on Internal Control over Financial Reporting

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

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

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

Finding #	Nature of Finding
2021-001	Financial Position
2021-002	Year-End Close Process
2021-003	Revenue and Receivables
2021-004	Grants Management
2021-005	Capital Assets and Related Expenditures
2021-006	Recording of Liabilities
2021-007	Management of the Medicaid Program
2021-008	Unemployment Insurance Trust Fund
2021-009	Workers Compensation Program
2021-010	Other Postemployment Benefits Obligation
2021-011	Payroll, Related Accruals, and Other Expenditures
2021-012	Bank Accounts

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

Finding #	Nature of Finding
2020-013	Information Technology (IT) Environment

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed 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
2021-014	Collateral of Depository
2021-015	Landfill Consent Decrees
2021-016	Establishment of a Medical Malpractice Trust Fund
2021-017	Procurement Regulations
2021-018	Casino Control Commission

The Government's 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 the accompanying schedule of findings and questioned costs. The Government's response was not subjected to the 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.
(formerly known as BDO USA, LLP)

February 16, 2024

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

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

Report on Compliance for Each Major Federal Program

Adverse, Qualified, and Unmodified Opinions

We have audited the Government of the United States Virgin Islands' (the Government) compliance with the types of compliance requirements identified as subject to audit described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Government's major federal programs for the year ended September 30, 2021. 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 following organizational unit of the Government: Tobacco Settlement Financing Corporation (TSFC), as may be applicable, as the results of our testing of compliance is reported on separately by us.

Summary of Opinions

Table I – Summary of Opinions

Major Federal Program or Cluster	Assistance Listing Number (s)	Type of Opinion
Supplemental Nutrition Assistance Program Cluster (SNAP)	10.551, 10.561	Qualified
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
Bipartisan Budget Act of 2018	11.022	Unmodified

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Table I – Summary of Opinions		
Major Federal Program or Cluster	Assistance Listing Number (s)	Type of Opinion
Economic, Social, and Political Development of the Territories	15.875	Qualified
Unemployment Insurance	17.225	Adverse
Highway Planning and Construction Cluster	20.205	Unmodified
Federal Transit Cluster	20.507	Unmodified
COVID-19 - Coronavirus Relief Fund	21.019	Qualified
COVID-19 - Emergency Rental Assistance Program	21.023	Unmodified
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unmodified
Drinking Water State Revolving Fund Cluster	66.468	Unmodified
Special Education Cluster (IDEA)	84.027A	Unmodified
Consolidated Grant to the Outlying Areas	84.403A	Unmodified
COVID-19 - Education Stabilization Fund	84.425A, 84.425H	Adverse
Head Start Cluster	93.356, 93.600	Unmodified
Child Support Enforcement	93.563	Qualified
Social Services Block Grant	93.667	Qualified
Children's Health Insurance Program	93.767	Qualified
Medicaid Cluster	93.775, 93.778	Adverse
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Qualified
Hazard Mitigation Grant Program	97.039	Qualified
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Household - Other Needs	97.050	Adverse

Adverse Opinions on Four Major Federal Programs Identified in Table I

In our opinion, because of the significance of the matters discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended September 30, 2021.

Qualified Opinions on Eight Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program identified in Table I for the year ended September 30, 2021.

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, 2021.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Government's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Four Major Federal Programs Identified in Table I

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

Table II – Material Noncompliance Resulting in Adverse Opinions

Federal Awarding Agency	Assistance Listing Number (s)	Major Federal Program	Compliance Requirement	Finding Number
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2021-028
Labor	17.225	Unemployment Insurance	Eligibility	2021-029
Labor	17.225	Unemployment Insurance	Reporting	2021-030
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – Employer Experience Rating	2021-031
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – Match with IRS 940 FUTA Tax Form	2021-032
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2021-033
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-046
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Cash Management	2021-047
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Equipment and Real Property Management	2021-048

Table II – Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	Assistance Listing Number (s)	Major Federal Program	Compliance Requirement	Finding Number
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Reporting	2021-049
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Subrecipient Monitoring	2021-050
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Special Tests and Provisions – Participation of Private School Children	2021-051
Health and Human Services	93.775 93.778	Medicaid Cluster	Eligibility	2021-062
Health and Human Services	93.775 93.778	Medicaid Cluster	Reporting	2021-063
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2021-064
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits	2021-065
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2021-066
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2021-067
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid Fraud Control Unit	2021-068
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid National Correct Coding Initiative	2021-069
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Activities Allowed or Unallowed – Non-Payroll Activities	2021-075
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Cash Management	2021-076

Table II – Material Noncompliance Resulting in Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Eligibility	2021-077
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Period of Performance	2021-078
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Reporting	2021-079
Labor	17.225	Unemployment Insurance	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.775 93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Household – Other Needs	Data Collection Form and Single Audit Reporting Package	2021-080

Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Eight Major Federal Programs Identified in Table I

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

Table III – Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2021-020
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Test and Provisions – EBT Card Security	2021-021

Table III – Material Noncompliance Resulting in Qualified Opinions				
Federal Awarding Agency	Assistance Listing Number (s)	Major Federal Program	Compliance Requirement	Finding Number
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2021-025
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2021-026
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2021-027
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Reporting	2021-035
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Subrecipient Monitoring	2021-036
Health and Human Services	93.563	Child Support Enforcement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-055
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2021-057
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2021-059
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions – Provider Eligibility	2021-060
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Matching, Level of Effort, Earmarking	2021-071
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Reporting	2021-072
Homeland Security	97.039	Hazard Mitigation Grant Program	Reporting	2021-074
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Data Collection Form and Single Audit Reporting Package	2021-080
Interior	15.875	Economic, Social, and Political Development of the Territories	Data Collection Form and Single Audit Reporting Package	2021-080
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Data Collection Form and Single Audit Reporting Package	2021-080

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	93.563	Child Support Enforcement	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.667	Social Services Block Grant	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.767	Children's Health Insurance Program	Data Collection Form and Single Audit Reporting Package	2021-080
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Data Collection Form and Single Audit Reporting Package	2021-080
Homeland Security	97.039	Hazard Mitigation Grant Program	Data Collection Form and Single Audit Reporting Package	2021-080

Compliance with such requirements is necessary, in our opinion, for the Government to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Government's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Government's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Government's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs, and as identified in Tables IV, V, and VI below. Our opinion on each major Federal program is not modified with respect to these matters.

Table IV - Other Instances of Noncompliance Noted in Programs with Adverse Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.775 93.778	Medicaid Cluster	Allowable Costs/Cost Principles – Non-payroll Activities	2021-061

Table V - Other Instances of Noncompliance Noted in Programs with Qualified Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles – Payroll Activities	2021-019
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-056
Health and Human Services	93.667	Social Services Block Grant	Reporting	2021-058
Homeland Security	97.039	Hazard Mitigation Grant Program	Period of Performance	2021-073

Table VI – Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.557	Special Supplemental Nutrition Program for Woman, Infant, and Children (WIC)	Cash Management	2021-022
Commerce	11.022	Bipartisan Budget Act of 2018	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-023
Commerce	11.022	Bipartisan Budget Act of 2018	Reporting	2021-024
Transportation	20.205	Highway Planning and Construction Cluster	Procurement and Suspension and Debarment	2021-034
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Allowable Costs/Cost Principles – Non-Payroll Activities	2021-037
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2021-038
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Reporting	2021-039
Environmental Protection Agency	66.468	Drinking Water State Revolving Fund Cluster	Allowable Cost/Cost Principles – Payroll Activities	2021-040
Education	84.027A	Special Education Cluster (IDEA)	Equipment and Real Property Management	2021-041
Education	84.027A	Special Education Cluster (IDEA)	Matching, Level of Effort, and Earmarking	2021-042
Education	84.403A	Consolidated Grant to the Outlying Areas	Cash Management	2021-043
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2021-044
Education	84.403A	Consolidated Grant to the Outlying Areas	Reporting	2021-045
Health and Human Services	93.356 93.600	Head Start Cluster	Allowable Cost/Cost Principles – Payroll Activities	2021-052
Health and Human Services	93.356 93.600	Head Start Cluster	Equipment and Real Property Management	2021-053
Health and Human Services	93.356 93.600	Head Start Cluster	Special Tests and Provisions – Program Governance	2021-054

Table VI – Other Instances of Noncompliance with Unmodified Opinions				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.557	Special Supplemental Nutrition Program for Woman, Infant, and Children (WIC)	Data Collection Form and Single Audit Reporting Package	2021-080
Commerce	11.022	Bipartisan Budget Act of 2018	Data Collection Form and Single Audit Reporting Package	2021-080
Transportation	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Transportation	20.507	Federal Transit Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Treasury	21.023	COVID-19 - Emergency Rental Assistance Program	Data Collection Form and Single Audit Reporting Package	2021-080
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Data Collection Form and Single Audit Reporting Package	2021-080
Environmental Protection Agency	66.468	Drinking Water State Revolving Fund Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.027A	Special Education-Cluster (IDEA)	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.403A	Consolidated Grant to the Outlying Areas	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.356 93.600	Head Start Cluster	Data Collection Form and Single Audit Reporting Package	2021-080

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.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as identified in Table VII below to be material weaknesses.

Table VII – Material Weaknesses in Internal Control over Compliance

Federal Awarding Agency	Assistance Listing Number (s)	Major Federal Program	Compliance Requirement	Finding Number
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Matching, Level of Effort, Earmarking	2021-020
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Special Test and Provision – EBT Card Security	2021-021
Agriculture	10.557	Special Supplemental Nutrition Program for Woman, Infant, and Children (WIC)	Cash Management	2021-022
Interior	15.875	Economic, Social, and Political Development of the Territories	Cash Management	2021-025
Interior	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management	2021-026
Interior	15.875	Economic, Social, and Political Development of the Territories	Reporting	2021-027
Labor	17.225	Unemployment Insurance	Activities Allowed or Unallowed	2021-028
Labor	17.225	Unemployment Insurance	Eligibility	2021-029
Labor	17.225	Unemployment Insurance	Reporting	2021-030

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – Employer Experience Rating	2021-031
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – Match with IRS 940 FUTA Tax Form	2021-032
Labor	17.225	Unemployment Insurance	Special Tests and Provisions – UI Reemployment Programs (WPRS and RESEA)	2021-033
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Reporting	2021-035
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Subrecipient Monitoring	2021-036
Education	84.027A	Special Education Cluster (IDEA)	Equipment and Real Property Management	2021-041
Education	84.403A	Consolidated Grant to the Outlying Areas	Equipment and Real Property Management	2021-044
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-046
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Cash Management	2021-047
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Equipment and Real Property Management	2021-048
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Reporting	2021-049
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Subrecipient Monitoring	2021-050
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Special Tests and Provisions – Participation of Private School Children	2021-051
Health and Human Services	93.356 93.600	Head Start Cluster	Equipment and Real Property Management	2021-053
Health and Human Services	93.563	Child Support Enforcement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-055
Health and Human Services	93.667	Social Services Block Grant	Period of Performance	2021-057

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Health and Human Services	93.767	Children's Health Insurance Program	Reporting	2021-059
Health and Human Services	93.767	Children's Health Insurance Program	Special Tests and Provisions – Provider Eligibility	2021-060
Health and Human Services	93.775 93.778	Medicaid Cluster	Eligibility	2021-062
Health and Human Services	93.775 93.778	Medicaid Cluster	Reporting	2021-063
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Utilization Control and Program Integrity	2021-064
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits	2021-065
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2021-066
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2021-067
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid Fraud Control Unit	2021-068
Health and Human Services	93.775 93.778	Medicaid Cluster	Special Tests and Provisions – Medicaid National Correct Coding Initiative	2021-069
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Matching, Level of Effort, Earmarking	2021-071
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Reporting	2021-072
Homeland Security	97.039	Hazard Mitigation Grant Program	Reporting	2021-074

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Activities Allowed or Unallowed – Non-Payroll Activities	2021-075
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Cash Management	2021-076
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Eligibility	2021-077
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Period of Performance	2021-078
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs	Reporting	2021-079
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Data Collection Form and Single Audit Reporting Package	2021-080
Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Data Collection Form and Single Audit Reporting Package	2021-080
Commerce	11.022	Bipartisan Budget Act of 2018	Data Collection Form and Single Audit Reporting Package	2021-080
Interior	15.875	Economic, Social, and Political Development of the Territories	Data Collection Form and Single Audit Reporting Package	2021-080
Labor	17.225	Unemployment Insurance	Data Collection Form and Single Audit Reporting Package	2021-080
Transportation	20.205	Highway Planning and Construction Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Transportation	20.507	Federal Transit Cluster	Data Collection Form and Single Audit Reporting Package	2021-080

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Treasury	21.019	COVID-19 – Coronavirus Relief Fund	Data Collection Form and Single Audit Reporting Package	2021-080
Treasury	21.023	COVID-19 – Emergency Rental Assistance Program	Data Collection Form and Single Audit Reporting Package	2021-080
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Data Collection Form and Single Audit Reporting Package	2021-080
Environmental Protection Agency	66.468	Drinking Water State Revolving Fund Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.027A	Special Education Cluster (IDEA)	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.403A	Consolidated Grant to the Outlying Areas	Data Collection Form and Single Audit Reporting Package	2021-080
Education	84.425A 84.425H	COVID-19 – Education Stabilization Fund	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.356 93.600	Head Start Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.563	Child Support Enforcement	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.667	Social Services Block Grant	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.767	Children's Health Insurance Program	Data Collection Form and Single Audit Reporting Package	2021-080
Health and Human Services	93.775 93.778	Medicaid Cluster	Data Collection Form and Single Audit Reporting Package	2021-080
Homeland Security	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Data Collection Form and Single Audit Reporting Package	2021-080
Homeland Security	97.039	Hazard Mitigation Grant Program	Data Collection Form and Single Audit Reporting Package	2021-080

Table VII – Material Weaknesses in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Homeland Security	97.050	COVID-19 – Presidential Declared Disaster Assistance to Individuals and Household – Other Needs	Data Collection Form and Single Audit Reporting Package	2021-080

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and as identified in Table VIII below, to be significant deficiencies:

Table VIII – Significant Deficiencies in Internal Control over Compliance				
Federal Awarding Agency	**Assistance Listing Number (s)**	**Major Federal Program**	**Compliance Requirement**	**Finding Number**
Agriculture	10.551 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Allowable Costs/Cost Principles – Payroll Activities	2021-019
Commerce	11.022	Bipartisan Budget Act of 2018	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-023
Commerce	11.022	Bipartisan Budget Act of 2018	Reporting	2021-024
Transportation	20.205	Highway Planning and Construction Cluster	Procurement and Suspension and Debarment	2021-034
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Allowable Costs/Cost Principles – Non-Payroll Activities	2021-037
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment	2021-038
Treasury	21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	Reporting	2021-039
Environmental Protection Agency	66.468	Drinking Water State Revolving Fund Cluster	Allowable Cost/Cost Principles – Payroll Activities	2021-040
Education	84.027A	Special Education Cluster (IDEA)	Matching, Level of Effort, Earmarking	2021-042
Education	84.403A	Consolidated Grant to the Outlying Areas	Cash Management	2021-043

Table VIII – Significant Deficiencies 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	Reporting	2021-045
Health and Human Services	93.356 93.600	Head Start Cluster	Allowable Cost/Cost Principles – Payroll Activities	2021-052
Health and Human Services	93.356 93.600	Head Start Cluster	Special Test & Provision – Program Governance	2021-054
Health and Human Services	93.667	Social Services Block Grant	Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	2021-056
Health and Human Services	93.667	Social Services Block Grant	Reporting	2021-058
Health and Human Services	93.775 93.778	Medicaid Cluster	Allowable Costs/Cost Principles – Non-payroll Activities	2021-061
Homeland Security	97.039	Hazard Mitigation Grant Program	Period of Performance	2021-073

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

The Government is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Government's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements. We have issued our report thereon dated February 16, 2024, which contained a qualified opinion on the financial statements of the governmental activities, general fund, and federal grants fund opinion units based on the circumstances noted in our aforementioned report.

In addition, we expressed a disclaimer of opinion on the financial statements of the business-type activities, unemployment insurance-enterprise fund, aggregate remaining fund information, and aggregate discretely-presented component units opinion units based on the circumstances described in our aforementioned report. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements as a whole.

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

BDO USA, P.C.
(formerly known as BDO USA, LLP)

March 8, 2024

Schedule of Expenditures of Federal Awards

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

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			$ 36,615
Specialty Crop Block Grant Program - Farm Bill	10.170	001561211	$ 44,264	153,396
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551			58,254,889
COVID-19 - Supplemental Nutrition Assistance Program (SNAP)	10.551			37,967,779
				96,222,668
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561			4,245,646
Total SNAP Cluster and Other				100,468,314
Child Nutrition Cluster				
National School Lunch Program (NSLP)	10.555			2,262,386
Summer Food Service Program for Children (SFSPC)	10.559			18,852
Child Nutrition Discretionary Grants Limited Availability	10.579			37,369
Total Child Nutrition Cluster				2,318,607
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557			4,539,759
Child and Adult Care Food Program	10.558			353,638
COVID-19 - Child and Adult Care Food Program	10.558			102,464
				456,102
State Administrative Expenses for Child Nutrition	10.560			364,116
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568			31,628
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568			21,076
				52,704
Emergency Food Assistance Program (Food Commodities)	10.569			7,250
Total Food Distribution Cluster				59,954
WIC Farmers' Market Nutrition Program (FMNP)	10.572			14,302
WIC Grants to States (WGS)	10.578			329,625
Fresh Fruit and Vegetable Program	10.582			23,783
Cooperative Forestry Assistance	10.664			74,834
Urban and Community Forestry Program	10.675			59,254
Forest Legacy Program	10.676			13,750
Forest Stewardship Program	10.678			40,007

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Agriculture (continued)				
Distance Learning and Telemedicine Loans and Grants	10.855			479,936
Soil and Water Conservation	10.902			12,049
Environmental Quality Incentives Program	10.912			95,510
Total U.S. Department of Agriculture			44,264	109,539,913
U.S. Department of Commerce				
Bipartisan Budget Act of 2018	11.022	0169363814	4,649,610	5,492,105
Economic Development Cluster				
Economic Adjustment Assistance	11.307			212,334
Interjurisdictional Fisheries Act of 1986	11.407			4,598
Coastal Zone Management Administration Awards	11.419	0169363814	46,000	489,993
Cooperative Fishery Statistics	11.434			209,978
Southeast Area Monitoring and Assessment Program	11.435			208,755
COVID-19 - Unallied Management Projects	11.454			3,047
Meteorologic and Hydrologic Modernization Development	11.467			167,682
Unallied Science Program	11.472	0169363814	160,000	160,000
Coral Reef Conservation Program	11.482	0169363814	6,400	312,051
State and Local Implementation Grant Program	11.549			162,347
Total U.S. Department of Commerce			4,862,010	7,422,890
U.S. Department of Defense				
National Guard Military Operations and Maintenance (O&M) Projects	12.401			3,430,694
U.S. Department of the Interior				
Fish and Wildlife Cluster				
Sport Fish Restoration	15.605			674,146
Wildlife Restoration and Basic Hunter Education	15.611			678,517
Total Fish and Wildlife Cluster				1,352,663
Cooperative Endangered Species Conservation Fund	15.615			51,633
Sportfishing and Boating Safety Act	15.622			(20)
State Wildlife Grants	15.634			71,156
Economic, Social, and Political Development of the Territories	15.875	160342882	158,647	3,196,627
COVID-19 - Economic, Social, and Political Development of the Territories	15.875			1,638,243
				4,834,870

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Interior (continued)				
Historic Preservation Fund Grants-In-Aid	15.904			351,359
Emergency Supplemental Historic Preservation Fund	15.957	160342882	547,582	682,071
Total U.S. Department of the Interior			706,229	7,343,732
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding Program	16.034	829924047	130,270	133,636
Juvenile Justice and Delinquency Prevention	16.540			13,493
Crime Victim Assistance	16.575	829924047	1,098,746	1,154,323
Crime Victim Compensation	16.576			783
Violence Against Women Formula Grants	16.588	829924047	501,397	607,717
Residential Substance Abuse Treatment for State Prisoners	16.593			20,541
State Criminal Alien Assistance Program	16.606			49,235
Project Safe Neighborhoods	16.609			32,146
Edward Byrne Memorial Justice Assistance Grant Program	16.738	829924047	153,147	168,968
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			89,086
Support for Adam Walsh Act Implementation Grant Program	16.750			177,125
Total U.S. Department of Justice			1,883,560	2,447,053
U.S. Department of Labor				
Labor Force Statistics	17.002			387,919
Compensation and Working Conditions	17.005			66,845
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207			1,075,264
Jobs for Veterans State Grant	17.801			66,019
Total Employment Service Cluster				1,141,283
Unemployment Insurance	17.225			37,111,739
COVID-19 - Unemployment Insurance	17.225			105,945,154
				143,056,893
Senior Community Service Employment Program	17.235			886,910
WIOA Cluster				
WIOA Adult Program	17.258			317,380
WIOA Youth Activities	17.259			588,788
WIOA Dislocated Worker Formula Grants	17.278			595,826
Total WIOA Cluster				1,501,994

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
U.S. Department of Labor (continued)				
Work Opportunity Tax Credit Program (WOTC)	17.271			19,792
Temporary Labor Certification for Foreign Workers	17.273			7,631
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277			482,091
Occupational Safety and Health State Program	17.503			245,256
Total U.S. Department of Labor				147,796,614
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205			40,993,250
FMCSA Cluster				
Motor Carrier Safety Assistance Program	20.218			223,899
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237			305
Total FMCSA Cluster				224,204
Federal Transit Cluster				
Federal Transit Formula Grants	20.507			2,655,116
COVID -19 - American Rescue Plan - Federal Transit Formula Grants	20.507			79,388
COVID -19 - Federal Transit Formula Grants	20.507			565,052
Total Federal Transit Cluster				3,299,556
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513			27,055
Public Transportation Emergency Relief Program	20.527			28,366
Highway Safety Cluster				
State and Community Highway Safety	20.600			1,149,510
Total U.S. Department of Transportation				45,721,941
U.S. Department of the Treasury				
COVID-19 - Coronavirus Relief Fund	21.019		29,330,350	30,431,578
COVID-19 - Emergency Rental Assistance Program	21.023	135962475	21,315,497	21,315,497
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		1,500,000	8,051,618
Total U.S. Department of Treasury			52,145,847	59,798,693

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

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*
National Endowment for the Arts				
Promotion of the Arts Partnership Agreements	45.025	135962475	326,235	326,235
Grants to States	45.310			87,783
Total National Endowment for the Arts			326,235	414,018
U.S. Environmental Protection Agency				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034			25,414
Construction Grants for Wastewater Treatment Works	66.418			240,382
Water Quality Management Planning	66.454			62,997
NonPoint Source Implementation Grants	66.460			15,478
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	138919282	4,070,082	4,231,870
Beach Monitoring and Notification Program Implementation Grants	66.472			76,046
Performance Partnership Grants	66.605	138919282	137,758	1,208,605
Hazardous Waste Management State Program Support	66.801			14,204
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804			11,666
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805			20,067
State and Tribal Response Program Grants	66.817			70,234
Total U.S. Environmental Protection Agency			4,207,840	5,976,963
U.S. Department of Energy				
State Energy Program	81.041			405,665
Weatherization Assistance for Low-Income Persons	81.042			139,375
Total U.S. Department of Energy				545,040
U.S. Department of Education				
Adult Education - Basic Grants to States	84.002		165,456	503,267
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027A			9,708,760
Impact Aid	84.041			37,013
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126			1,484,026
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177B			14,529
Special Education - Grants for Infants and Families	84.181			663,323

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

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)				
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184			278,959
Comprehensive Lieteracy Development	84.371C			206,304
Consolidated Grant to the Outlying Areas	84.403A		892,264	17,191,278
COVID-19 - Education Stabilization Fund				
COVID-19 - Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			14,248,418
COVID-19 - Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)	84.425H		2,500,000	4,465,386
Total COVID-19 - Education Stabilization Fund				18,713,804
Hurricane Education Recovery	84.938H			1,525,361
Total U.S. Department of Education			3,557,720	50,326,624
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404			449,068
COVID-19 - HAVA Election Security Grants	90.404			3,150
Total U.S. Election Assistance Commission				452,218
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 and CARES Act for Supportive Services Under Title III-B of the Older Americans Act	93.044			72,599
Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act	93.045			25,623
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act	93.045			501,171
				526,794
Total Aging Cluster				599,393
COVID-19 - National family Caregiver Support Title III, Part E	93.052			122,815
Public Health Emergency Preparedness	93.069			371,676
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			140,604
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			120,389
Maternal and Child Health Federal Consolidated Programs	93.110			755,451

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

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)				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			113,854
Emergency Medical Services for Children	93.127			140,637
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			186,207
Projects for Assistance in Transition from Homelessness (PATH)	93.150	001560155	50,000	50,000
Family Planning-Services	93.217			915,191
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			545,684
Early Hearing Detection and Intervention	93.251			249,425
Immunization Cooperative Agreements	93.268			1,216,444
COVID-19 - Immunization Cooperative Agreements	93.268			247,577
				1,464,021
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			1,052,875
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323			1,531,896
				2,584,771
Behavioral Risk Factor Surveillance System	93.336			33,346
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354			2,159,713
Head Start Cluster				
Head Start Disaster Recovery	93.356			189,036
Head Start	93.600			8,234,060
COVID-19 - American Rescue Plan - Headstart	93.600			1,388
COVID-19 - Headstart	93.600			658,013
Total Head Start Cluster				9,082,497
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			264,991
Every Student Succeeds Act/Preschool Development Grants	93.434			315,685
Temporary Assistance for Needy Families	93.558			842,416
Payments to Territories - Adults	93.560			1,299,674
Child Support Enforcement	93.563			3,759,170
COVID-19 - Low Income Home Energy Assistance	93.568			155,248

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

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)				
CCDF Cluster				
Child Care and Development Block Grant	93.575			1,450,661
COVID-19 - Child Care and Development Block Grant	93.575			1,225,273
Total CCDF Cluster				2,675,934
State Court Improvement Program	93.586			62,581
Grants to States for Access and Visitation Programs	93.597			87,132
Stephanie Tubbs Jones Child Welfare Services program	93.645			66,460
Social Services Block Grant	93.667			5,508,552
Children's Health Insurance Program	93.767			920,029
Medicaid Cluster				
State Medicaid Fraud Control Units	93.775			478,274
Medical Assistance Program	93.778			110,157,884
COVID-19 - Medical Assistance Program	93.778			2,868,723
Total Medicaid Cluster				113,504,881
Opioid STR	93.788			112,203
COVID-19 - Hospital Preparedness Program (HPP) Ebola Preparedness and Responsive Activities	93.817			28,110
Maternal, Infant and Early Childhood Home Visiting Grant	93.870			1,124,144
National Bioterrorism Hospital Preparedness Program	93.889			200,287
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898			103,195
HIV Care Formula Grants	93.917			818,136
HIV Prevention Activities Health Department Based	93.940			1,050,888
Block Grants for Community Mental Health Services	93.958			196,114
COVID-19 - Block Grants for Community Mental Health Services	93.958			5,319
				201,433
Block Grants for Prevention and Treatment of Substance Abuse	93.959			541,657
The Zika Health Care Services Program	93.966			555,641
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977			198,412
Mental Health Disaster Assistance and Emergency Mental Health	93.982			553,896
Preventive Health and Health Services Block Grant	93.991			321,633
Maternal and Child Health Services Block Grant to the States	93.994			1,548,629
Total U.S. Department of Health and Human Services			50,000	156,456,691

Government of the United States Virgin Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002			11,989
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011			164,254
Total Corporation for National and Community Service				176,243
U.S. Department of Homeland Security				
Non-Profit Security Program	97.008	825544042	18,954	18,954
Boating Safety Financial Assistance	97.012			748,673
COVID-19 - Crisis Counseling	97.032			282,182
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	825544042	461,949,244	557,213,303
COVID-19 - Disaster Grants - Public Assistance (Presidentally Declared Disasters)	97.036		3,880,624	22,589,222
				579,802,525
Hazard Mitigation Grant Program	97.039	825544042	4,873,342	7,890,069
Emergency Management Performance Grants	97.042			1,057,462
COVID-19 - Emergency Management Performance Grants	97.042			90,172
				1,147,634
BRIC: Building Resilient Infrastructure and Communities	97.047			390,680
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			7,128,856
Homeland Security Grant Program	97.067	825544042	79,902	1,240,279
Earthquake Consortium	97.082			46,595
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083			781,488
Total U.S. Department of Homeland Security			470,802,066	599,477,935
Total Expenditures of Federal Awards			$ 538,585,771	$ 1,197,327,262

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Notes to 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, 2021, 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 $96,222,668) and the food cost (ALN 10.557 in the amount of $1,924,116) 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 are 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 2021, the Government received cash rebates from infant formula manufacturers in the amount of approximately $768,323 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)	$ 140,435,444
Federal UI Benefits (Administration)	2,621,449
Total	$ 143,056,893

9. Outstanding Loan

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

10. Research and Development Programs

The Government may receive and expend Federal funding for various research and development programs. The aggregate amount of such expenditures for the year ended September 30, 2021, did not equal an amount that would constitute a major program under the guidelines of the Uniform Guidance.

11. Contingencies

The Government is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes that the impact of any disallowed grant expenditures would not have a material adverse effect on the Government's financial position, changes in net position, or liquidity. Also see Note 12.

12. Subsequent Events

Hurricane Recovery

Through qualification for substantial Federal disaster assistance from FEMA and other Federal agencies, the Government has made significant progress towards restoring its assets which were damaged by Hurricanes Irma and Maria in September 2017. To close potential shortfalls and to serve returning citizens, the Government continues to work closely with Federal agencies, to maximize its recovery from all available sources, subject to any sub-limits and retentions.

Through December 2023, Federal assistance awarded to the Territory included $7.4 billion in FEMA Public Assistance grants, $66.3 million in Federal Highway grants, $187.5 million in FEMA Hazard Mitigation grants, and $1.1 billion in Community Development Block Grants, and $208.0 million in other grants for a total of approximately $9.0 billion dollars.

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

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

Global Pandemic and Economic Relief Legislation

Through December 2023, federal grants and assistance received by the PG related to COVID-19 amounted to $686.0 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

In November 2021, "The Infrastructure Investment and Jobs (IIJ) Act" was signed into Law.

i. Through the Territorial Highway Program, the U.S. Virgin Islands would expect to receive more than $95.0 million over five years to rebuild its roads and bridges. The U.S. Virgin Islands can also compete for $7.5 billion in funding over five years for major projects that will deliver substantial economic benefits to communities.
ii. Based on formula funding alone, the U.S. Virgin Islands would expect to receive nearly $30.0 million over five years to improve public transportation options across the islands.
iii. The Territory will receive a minimum allocation of $25.0 million to help improve broadband service and to promote broadband adoption and affordability.
iv. Based on historical formula funding levels, the U.S. Virgin Islands will expect to receive $2.5 million to protect against cyberattacks and the Territory will also benefit from the bill's historic $3.5 billion national investment in weatherization which will reduce energy costs for families.
v. Based on the traditional revolving fund formula, the U.S. Virgin Islands will expect to receive more than $45.0 million over five years to improve water infrastructure in the region and ensure that clean, safe drinking water is a right in all communities.
vi. Airports in the U.S. Virgin Islands would receive approximately $30.0 million for infrastructure development over five years.

The Government continues to examine the impact that the economic relief legislation may have on its operations.

Schedule of Findings and Questioned Costs

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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	Qualified
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects 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	Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? X Yes ____ No
- Significant deficiency(ies) identified? X Yes ____ None reported

Noncompliance material to financial statements noted? X Yes ____ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X Yes ____ No
- Significant deficiency(ies) identified? X Yes ____ None reported

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

Assistance Listing Number(s)	Major Federal Program or Cluster	Opinion
10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)	Qualified
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
11.022	Bipartisan Budget Act of 2018	Unmodified

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Assistance Listing Number(s)	Name of Federal Program or Cluster	Opinion
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance	Adverse
20.205	Highway Planning and Construction Cluster	Unmodified
20.507	Federal Transit Cluster	Unmodified
21.019	COVID-19 - Coronavirus Relief Fund	Qualified
21.023	COVID-19 - Emergency Rental Assistance Program	Unmodified
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	Unmodified
66.468	Drinking Water State Revolving Fund Cluster	Unmodified
84.027A	Special Education Cluster (IDEA)	Unmodified
84.403A	Consolidated Grant to the Outlying Areas	Unmodified
84.425A, 84.425H	COVID-19 - Education Stabilization Fund	Adverse
93.356, 93.600	Head Start Cluster	Unmodified
93.563	Child Support Enforcement	Qualified
93.667	Social Services Block Grant	Qualified
93.767	Children's Health Insurance Program	Qualified
93.775, 93.778	Medicaid Cluster	Adverse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Qualified
97.039	Hazard Mitigation Grant Program	Qualified
97.050	COVID-19 - Presidential Declared Disaster Assistance to Individuals and Household - Other Needs	Adverse

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)
11.022	Bipartisan Budget Act of 2018
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance
20.205	Highway Planning and Construction Cluster
20.507	Federal Transit Cluster
21.019	COVID-19 - Coronavirus Relief Fund
21.023	COVID-19 - Emergency Rental Assistance Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
66.468	Drinking Water State Revolving Fund Cluster

Government of the United States Virgin Islands

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Assistance Listing Number(s)	Major Federal Program or Cluster
84.027A	Special Education Cluster (IDEA)
84.403A	Consolidated Grant to the Outlying Areas
84.425A,84.425H	COVID-19 - Education Stabilization Fund
93.356, 93.600	Head Start Cluster
93.563	Child Support Enforcement
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.775, 93.778	Medicaid Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant Program
97.050	COVID-19 - Presidential Declared Disaster Assistance to Individuals and Household – Other Needs

Dollar threshold used to distinguish.
between Type A and Type B programs: $3,591,981

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

Section II - Financial Statement Findings

Finding 2021-001: Financial Position

The Government is in a difficult financial position based primarily on operating losses, outstanding debt, bond downgrades, the 2017 hurricanes, pension obligation, and other postemployment obligation issues. In addition, the Government's operations were impacted by the global coronavirus pandemic.

Management has been working to stabilize and solidify its financial position through the implementation of an aggressive multi-pronged plan which includes facets such as legislative acts addressing revenue initiatives and cost-cutting measures and proposed rate increases for employees' contributions towards pension plans. The Government is also a recipient of significant federal assistance in connection with the 2017 hurricanes and the global coronavirus pandemic. It is further noted that as of September 30, 2021, all payments on bonds and notes obligations have been remitted as required.

Deficits in Unrestricted Net Position

Finding and Recommendation:

For the past few years, the unrestricted net position class has incurred significant losses in its operations. This financial position has caused the financial statements to include a disclosure in the audit opinion. This situation must improve if the Government is to fund the high levels of debt, pension and other postemployment benefits obligations, and access future bond markets.

Future plans and budgets should be developed to produce operating income, avoid continuing deficits, and begin to rebuild equity. Continuation of these negative financial results could have a significant impact on the financial position and cash flows of the Government.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Plan Funding Considerations

Finding and Recommendation:

The Government Employees' Retirement System of the U.S. Virgin Islands (GERS or the Retirement System) is a defined benefit pension plan established by the Government to provide retirement, death, and disability benefits for its employees. The Government also provides other postemployment benefits (OPEB) for healthcare, prescriptions, dental, and life insurance coverage.

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, 2020, the Retirement System is 11.39% funded for the year ended September 30, 2021. The same report also disclosed a net pension liability of $4.5 billion which represents a long-term obligation the Government has to fund.

- As per the OPEB actuarial valuation report as of October 1, 2020, the OPEB plan reflects a total OPEB obligation of $992.3 million which represents the long-term medical, dental, and other obligations that the Government has to fund.

Management may consider embarking on an advisory path to study other alternatives to ensure that these long-term obligations are being addressed. Additionally, the Government should consider establishing an OPEB Trust Fund which would accumulate assets in order to meet the required obligations.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Government Insurance Fund

Finding and Recommendation:

We noted a financial strain (from claims) due to a mismatch from the Government's employers' premium contributions into the *Government Insurance Fund*. For the year ended September 30, 2021, the ratio of expenditures to income was 48%. It appears that losses since the financial crisis of 2008 have easily exceeded the premiums collected and the impact of operational costs to run the Workers Compensation portion of the Fund. In order to maintain continued solvency, we recommend that management consider an evaluation of the claims adjudication and related processes (as an attempt to lower the costs) in lieu of making any increases to the likely mandated employer contribution formulas. Management may also consider embarking on an advisory path to consider some alternatives that could minimize the severity of any losses.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-002: Year-End Close Process

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.

Timeliness and Methodology of Close Process

Finding and Recommendation:

- We noted a significant delay in the year-end closing process and preparation of year-end financial statements. We noted that in many cases, reconciliations were finalized during the audit process, which represents a substantial delay when compared to the Government's fiscal year-end. Therefore, detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Significant post-closing adjustments were provided during the audit process. Reconciliation mechanisms should be enhanced in an effort to avoid the recurrence of such errors.

- We noted that post-closing adjustments are not posted in the accounting system but are maintained in a manual excel working trial balance. Considering the volume of post-closing adjustments and the manual process of reversing year-end accruals and/or other adjustments, there is continuous opportunity where items can be missed and may not be accurately and timely captured, and therefore, increasing the potential for prior period adjustments to correct balances.

- During our review of the Government's draft financial statements, we noted inconsistencies and/or omissions with the incorporation of disclosures in the footnotes to the financial statements along with inconsistencies in the incorporation of component units' financial statements as it related to classification and reporting of account balances.

In order to prevent significant errors in the financial records and financial statements 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. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded during the fiscal year.

Further strict adherence to the year-end closing schedule for the Government and all component units should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Journal Entries

Finding and Recommendation:

We noted that several individuals have access rights to create, approve, and post journal entries. We understand that this represents an internal management decision with respect to access which is deemed necessary for day-to-day operations. However, in order to maintain a desirable separation of duties, we recommend that the Government continue to re-evaluate the appropriateness of this access. We also noted that adequate supporting documentation were not available for certain journal entries which had been selected for further review. Management should ensure consistent and strict adherence to its record retention policy.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-003: Revenue and Receivables

The Government's Bureau of Internal Revenue (the Bureau) is responsible for administering the internal revenue tax laws of the U.S. Virgin Islands. As such, the Bureau manages the processes over the following types of taxes: income, gross receipts, excise, highway user's, hotel room, entertainment, and fuel taxes.

Additionally, through the Government's Division of Real Property Tax, all commercial and residential property subject to taxation in the U.S. Virgin Islands is assessed, property tax bills are prepared and mailed, and the collection of property taxes is carried out.

Reconciliation of Subsidiary Registers

Finding and Recommendation:

The Government maintains various subsidiary registers as derived from its tax recordation systems, primarily VITAX and CAVU. However, the Government does not reconcile its subsidiary registers to its tax receivable general ledger account balances. A strong control system over receivables includes an accurate accounting system that maintains agreement between the subsidiary ledger and the general ledger. To prevent the need for major adjustments to the impacted tax receivable and revenue accounts at the end of each year, we suggest that the general ledger accounts be reconciled to the detailed records on a quarterly basis.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Optimum Usage of the Real Property Tax System

Finding and Recommendation:

It appears that the CAVU system, as currently designed, is not adequately meeting the financial and reporting needs of the Government. There exists a limitation to produce aged outstanding receivables, revenue, and collection reports, as well as a lack of ability to generate a cut-off balance as of any given point in time.

Additionally, adjustments made in the billings were not properly reflected in the revenue reports generated from the CAVU system. As a result, knowledge of the composition and quality of the Government's revenue billings is significantly impaired and this has a direct effect on the accuracy of financial reporting and financial decision-making.

Management may consider contacting the vendor of the CAVU system to request the development of and/or the capability of producing accurate aged receivables and revenue reports as well as a functionality or reporting tool to produce cut-off balances at any given point in time. This would assist the Government in establishing a system that produces timely and accurate financial information.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Tax Return Processing Method

Finding and Recommendation:

The Government is utilizing a manual process in that returns received by the Bureau are batched by type of return and by tax year and manually entered into the tax recordation system, VITAX.

We noted one tax-exempt taxpayer's account which had been selected for further review was inaccurately included in gross receipts tax receivable listing as of year-end.

The manual data entry is being reviewed on a random/sample basis and the Bureau is relying on the system's automated edit check to capture any errors. While the system's automated edit check identifies many errors, it does not guarantee the complete accuracy of the entered information. This poses a continued risk of data omissions, typographical errors, entry of information to incorrect fields, as well, as fraudulent data entry.

The flow of transactions into a computer system is a critical aspect of the design and maintenance of a strong system of controls. We recommend the Bureau consider an evaluation of its current review procedures around the tax return processing method in an effort to minimize associated risks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Real Property Tax

Finding and Recommendation:

- We noted tax billings issued to non-taxable properties owned by the Government and its component units. Management should perform a review and identification of the Government's and component units' properties in the tax roll listing to ensure proper tax credits are applied. Management should also recognize that the potential exists for additional discrepancies.

- With respect to delinquent accounts, we noted that the property owners enter into settlement agreements with the Government which includes a fixed amount of penalties and interest. It is noted, however, that the CAVU system, continues to calculate such interest and penalties even after the actual settlement date. This has the effect of potentially inflating the calculated interest in the stand-alone CAVU system.

- We noted that the penalty interest in the real property tax receivable aging schedule was incorrectly calculated as of year-end as the month gap between the delinquent date and the year-end is taken one month more than the actual.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Other Revenues

Finding and Recommendation:

The Government was unable to provide readily available supporting documentation for approximately 11.0% of the sampled items for charges for services and interest and other revenues. As a result, additional time and effort was required during the audit process to locate and/or identify alternative methods.

It is important to produce certain detailed reports and records at specific time periods, and to maintain these for possible analysis by users such as management, independent auditors, or governmental bodies. Management should consider strict adherence to or a revision of its records retention policy.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-004: Grants Management

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.

Control Systems Over the Schedule of Expenditures of Federal Awards

Finding and Recommendation:

The flow of accounting transactions into the ERP system is a critical aspect of the design and maintenance of a strong system of controls over the Schedule of Expenditures of Federal Awards (SEFA).

As a consequence of following certain practices, expenditures are being charged to incorrect projects, codes, and Assistance Listing Numbers (ALN) and, it becomes critical 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 on a more consistent basis. The reconciliations should also facilitate the reporting requirements of each contract and grant. We noted the following:

- Expenses had been charged to grants without sufficient grant award funding availability.

- Significant transactions paid to or transferred to various departments of the Government were erroneously reported as subrecipient transactions.

- Approximately $7.2 million in expenditures had erroneously been reflected as expenditures in ALN 17.225, *Unemployment Insurance* and needed to be reclassified to ALN 97.050, *Presidential Declared Disaster Assistance for Individuals and Households - Other Needs.*

- Approximately $8.1 million in expenditures had erroneously been reflected as expenditures in ALN 21.019, *Coronavirus Relief Fund* and needed to be reclassified to ALN 21.027, *Coronavirus State and Local Fiscal Recovery Funds.*

- Approximately $21.3 million in expenditures for ALN 21.023, *Emergency Rental Assistance* had not been recorded in the SEFA, requiring adjustment.

- Approximately $1.0 million in expenditures had erroneously been reversed in ALN 84.425H, *Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor).*

These issues also impact the roll-forward schedule for the general ledger account entitled 'Due from Federal government'.

Communication and reconciliation mechanisms should continue to be enhanced between the centralized Government agency which is responsible for collecting the SEFA information and each individual agency which manages Federal grant programs in an effort to avoid the recurrence of such errors and misclassifications.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Federal Grants and Contributions

Finding and Recommendation:

Based on our review of the schedule of grants and contracts, we noted the Government is not monitoring its outstanding Federal receivables on a periodic basis. We noted an improvement in record-keeping where the Government implemented a process of establishing a discrete and separate receivable balance on a per grant/project basis. However, the following key component is lacking:

- A readily verifiable identification with respect to the aging and collection of prior year receivables along with its impact, if any, on the adequacy of the allowance for uncollectable accounts. Specifically, there is no documentation matching each cash receipt to the expenses and noting which period it was incurred in.

This leads to difficulty in establishing individual balances of both receivables and deferrals from grants and contracts, may mask items that have been inactive for many years, and can cause confusion regarding the true level of activity. Additional time and effort was required during the audit process to rectify and reconcile the balances.

We recommend that receivables should be tracked by the individual Government agency(ies) by performing the following:

- Maintenance of a drawdown schedule noting the expenses making up each drawdown for each Federal program and the period in which the expenses were incurred.

- A copy of each drawdown noting proper approvals should be attached in the ERP system along with the corresponding bank statement showing the receipt of funds from the Federal government.

- A listing of expenses supporting the amount drawn down should be included in the ERP system. This detail should include the invoice date and/or payroll period and check date.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Federal Grants Accounting

Finding and Recommendation:

Based on our review and testing of the schedule of grant revenues, we noted the following:

- Local reimbursements into the Asset Recovery Fund were improperly being reported as Federal grant revenue.

- The Government did not perform an analysis in order to properly disclose the Community Disaster Loan cancellation in fiscal year 2021. Significant audit adjustments were required to correct the presentation in the financial statements.

- Several Federal cash receipts had been received in advance for various programs and were recorded as revenues. During the fiscal year, the Government did not have allowable expenditures for the full amount received and did not properly reclassify the amounts to refundable advances.

Although these instances were subsequently adjusted and rectified, management should ensure strict adherence to its reconciliation and review policies and procedures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-005: Capital Assets and Related Expenditures

Capital assets constitute an investment of substantial amounts, thereby, requiring an excellent system of controls for the maintenance and safeguarding of these assets. While we noted the Government has taken certain preliminary steps, we recommend continued diligence with respect to the monitoring and review of capital assets and in ensuring the reconciliation of supporting registers to the primary register.

Record Keeping

Finding and Recommendation:

The process of maintaining capital asset records (i.e. recording additions, disposals, and transfers) is a manually intensive process conducted when performing the annual financial statement close. As such, supervisory review and other checks and balances may not be timely and/or effective in all instances. We recommend that the Government evaluate the year end cut-off procedures and policies in order to monitor purchases for capitalizable assets and in order to accurately account for all open and unpaid invoices and payments subsequent to year end.

During our sampled procedures over capital asset additions, we noted five (5) additions in fiscal year 2021 had not been reflected in the initial additions listing.

Although these items were adjusted and rectified during the audit process, we recommend an enhancement to the process by instituting a system of tagging capitalizable assets in the ERP system from the time of requisition to the time when the assets are received and paid for. Requisitions should be agreed to approved capital expenditure budgets. This also entails that requesting agencies and departments are given appropriate guidance as to the capitalization thresholds to ensure transactions are properly tagged in the ERP system. In turn, this would allow additions to be easily generated by the capital assets team via the ERP system, instead of manually scrubbing the disbursements listing at year-end.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Reconciliation and Review of Subsidiary Registers

Finding and Recommendation:

The Government maintains a subsidiary asset register for the purpose of calculating depreciation for all assets. Based on our review of the subsidiary asset registers, we noted the following:

- Subsidiary registers for land contained a significant number of properties that are grouped into only few asset numbers instead of being recorded as individual properties.

- Certain depreciable assets recorded during the fiscal year in the asset registers had inaccurate depreciation start dates.

To prevent the need for major adjustments at the end of each year, we recommend that the general ledger accounts be reconciled to the detailed records on a quarterly basis. This examination should be comprised of a review of acquisition dates, deprecation calculations, and asset descriptions. Additionally, unique asset numbers and sufficient tagging information should always be assigned to separately identifiable assets. Moreover, routine physical counts should be performed and reconciled with the asset registers.

Additionally, asset transfers to/from the Government should be monitored on a timely basis and a thorough review of the asset custodians should be regularly performed to ensure that all central Government assets are properly accounted for and formal transfer of the title(s) has occurred, as applicable.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Construction in Progress (CIP) Monitoring

Finding and Recommendation:

The Government has a significant number of on-going construction projects. The necessary analysis to identify the status of projects was only completed and/or necessary adjustments were made during the audit process. Confirmation procedures should be performed in a timely manner in order to have accurate CIP information.

- During our sampled procedures over construction in progress activity, we noted the following:

    - Two (2) projects had been confirmed to be completed but certain costs had not been included in the total capitalized cost on the general ledger.

    - Two (2) projects had been confirmed to be completed but had not been transferred to the completed asset category.

- The Government adopted the method of using the 'release of claims' date as the date a project is placed in service. However, we noted an 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 with the project managers.

- In other instances, we noted that the 'release of claims' date was not known, and the date of the last invoice received on the project was utilized as an indicator of when the project was completed and as the depreciation start dates.

With the increase in activity in the number of CIP projects, it is imperative to maintain a good system of recording project costs accurately and timely, and monitoring project status on a consistent basis with the respective project owners.

It is critical that the Government reconciles these costs with the reports and records of the respective project managers, related invoices, and related contracts and amendments, ensuring agreement to contract costs and capital expenditure budgets, and applying a consistent method of determining project completion and transfer to the related depreciable asset class.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Capital Assets Impairment Process

Finding and Recommendation:

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. We noted the following regarding the Government's capital assets impairment process:

- While an annual impairment assessment was performed by the Department of Property and Procurement (DPP), the process to ensure completeness of the impairment assessments across the asset classes was not readily addressed. Moreover, conclusions reached by DPP should be processed and accounted for by the Department of Finance and adjustments recorded in the asset registers, as necessary.

- We noted that for certain assets were not readily traceable to the asset registers due to lack of proper ID and were not disposed in ERP. This may result in improper accounting of the transaction(s) with respect to the derecognition of the assets from the books.

- We noted that some damage assessments for the departments and agencies were informally done, or were not performed at all, until the accounting team requested them. Further, each division or department seemed to have its own separate process or methodology.

We recommend that the Government implement a standard, formal process whereby, annual impairment assessments are conducted, independent of the external audit.

Further, 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 and communicated to the Department of Finance so that necessary adjustments can be recorded.

This will help 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 in place an inventory management system to track items purchased with federal funds.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Capital Assets - Business-Type Activities

Finding and Recommendation:

The Government is currently utilizing an excel worksheet to monitor capital assets within its business-type activities. The Government began the process of uploading additions into the ERP asset registers in fiscal year 2017. However, the asset register for the beginning balances has yet to be uploaded. We recommend the completion of the automation process for these assets and implementation of subsequent review and reconciliation procedures in order to ensure that accurate and timely information is available.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-006: Recording of Liabilities

A fundamental element of a sound system of internal controls is an effective liability calculation process. Such a process helps ensure that all liability transactions are properly recorded, appropriately supported, and subjected to supervisory review.

Poor practice in this area allows for situations to occur in which accounts payable and other liabilities accrue without regard to the ability to repay the debt until they reach near crisis proportions. This kind of situation is most detrimental because it directly affects cash flow.

In recent times, the Government's financial statements have grown in complexity. The Government should consider performing a liabilities close process on a quarterly schedule in order to detect and correct on a timely basis, while at the same time, enhancing the Government's knowledge over its financial condition.

Retroactive Pay Liability

Finding and Recommendation:

The Government's lack of control over its retroactive pay liability has affected the auditor's ability to opine on certain affected opinion units.

- We noted that currently there is a $188.0 million retroactive pay liability reflected on the books and records; however, the supporting schedules can only confirm $175.5 million which, in turn, is based on an analysis of collective bargaining agreements (CBAs) from the initial retroactive pay wage Commission findings.

- Approximately 74.0% of the Government's employees are paid varying rates, based on different CBAs. We noted that there are several CBAs that have not been evaluated, implemented, ratified, and accrued for. We recommend that management set up a master file that summarizes the pay rate from each CBA and related factors that influence the rate. Management should then periodically review the master file and compare pay rates to the authorized rates contained in personnel files to determine that the current and effective rates in usage are appropriate.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Medical Malpractice Liability

Finding and Recommendation:

It is noted that *Reciprocal Insurance Fund* includes disbursements pertaining to payments of medical malpractice claims. However, we further noted that the Government has not completed the necessary analysis in order to determine the quantifiable recordation of a corresponding and estimated liability for medical malpractice claims, in accordance with generally accepted accounting principles.

Due to a lack of controls around the Government's claims data process, it has been unable to gather and generate the proper information which is needed for an actuary to compile an estimated liability at year-end. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficiently to determine the extent by which the Business-Type Activities and the Aggregate Remaining Fund Information may have been impacted, as of and for the year ended September 30, 2021, thereby effecting the auditor's ability to opine on said opinion units. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be provided to an actuarial service provider as it facilitates the Government in calculating the year-end liability.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Accounts Payable

Finding and Recommendation:

At present, the Government's general ledger control account for accounts payable does not agree with the subsidiary ledger balances during 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 the Office of Management and Budget (OMB).

This routine also impacts the accuracy in recordation of capital assets in that any accruals for goods and services received is not properly and timely recorded in the capital asset register, resulting in capital assets being reflected in the incorrect periods. In addition, during our review and inquiry of subsequent disbursements, we noted that the accounts payable did not include accrual of invoices for services performed as of year-end.

Overall, this generates significant adjustments during the yearly financial statement close process and a manual scrub exercise with respect to capital expenditures. Moreover, supervisory review of the accounts payable reconciliation process and estimation of accrued liabilities may not be timely and/or effective in all instances. Management may consider utilizing its ERP Accounts Payable module more regularly in order to reduce the existing manual efforts through which accounts payable are currently established.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Landfill Closure and Post Closure Costs Liability

Finding and Recommendation:

The Government obtains various reports with respect to its closure and post closure cost estimates for the three landfills in the U.S. Virgin Islands. The post-closure cost estimates for fiscal year 2021 for all three landfills were updated by applying an inflation rate. While updating the landfill closure and post-closure cost estimates using an inflation factor is an acceptable procedure, going forward, we recommend the Government comprehensively review all reports and calculations to ensure that assumptions included are accurate.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Quality of Census Data

Finding and Recommendation:

Maintaining current and accurate records and statistics is an important control for participant data, not to mention other compliance with employment laws and regulations. We noted that the Government's census data, submitted to various actuarial service providers, currently requires significant adjustments and assumptions before it can be utilized to complete the necessary calculations.

This introduces a greater level of uncertainty than might ordinarily apply to such calculations. Internal controls should ensure the accuracy of all active employee and retiree census data before submission for future valuations, calculations, or analysis. We recommend adequate resources be allocated to properly evaluate all census information provided to the various actuarial service providers as they facilitate the Government in calculating the related liabilities. The employee data in the census information should be accurate or it could have a material effect on the Government's financial statements and the auditor's ability to opine on said financial statements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-007: Management of the Medicaid Program

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.

Cost Report Audits, System Security Review, and Approvals

Finding and Recommendation:

- Two Government owned and operated hospitals, the Governor Juan F. Luis Hospital & Medical Center and the Roy Lester Schneider Hospital, provide Medicaid services to eligible Territory residents. Both hospitals function on a non-DRG platform, meaning that they charge through daily per diem rates based upon the number of patients serviced. The costs incurred by the hospitals, long-term care facilities and/or Federally Qualified Health Centers (FQHC) participating in the Medicaid program are to be summarized in a cost report which, in turn, is to be submitted to the Department. The cost reports are then required to be audited per the Government's Medicaid State Plan. Based on audits of the cost reports, a receivable or a payable should be recorded for the difference between costs submitted for reimbursement and the costs actually reimbursed.

  We noted that the Department has not audited cost reports for fiscal year 2021. We recommend that management evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow the Government to reduce the time between Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

- 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. As a result, there is no assurance that the system is working as intended. This exposes the program to possible unauthorized activity and payment to ineligible participants.

- We noted that the Department's Medicaid specialists and/or supervisors do not document their review and approval of Medicaid applications prior to the issuance of favorable Notice of Decisions and Medicaid cards to the applicants. We recommend that management evaluate and develop policies and procedures for the review and approval of Medicaid applications.

The Government's records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Government's Medicaid claims reside. As such, we are unable to determine how the Governmental Activities and the General Fund information may have been impacted, as of and for the year ended September 30, 2021, thereby effecting the auditor's ability to opine on said opinion units.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-008: Unemployment Insurance Trust Fund

Account Reconciliation Process

Finding and Recommendation:

We noted that the majority of the account reconciliations were not available during the audit process. Others contained incomplete information and/or were not in accordance with required accounting practices. As such, the Government's records do not permit, nor is it practical to extend audit procedures sufficient to determine the extent by which the Business Type Activities and Unemployment Insurance Trust Fund may have been impacted, as of and for the year ended September 30, 2021, thereby affecting the auditor's ability to opine on said opinion unit.

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.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be prepared and reviewed on a periodic basis. We recommend that the Government consider allocating adequate resources to properly evaluate the necessary information which can then be used to 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-009: Workers Compensation Program

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).

Plan Valuation Methodology

Finding and Recommendation:

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

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

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

- Initiate the development of a formal document describing the processes used in computing and reporting these liabilities in the financial statements. The Government and its actuary should consider incorporating open claims and severity models in their projections.
- Provide a clear reasoning as to how the Government establishes any subjective assumptions.
- Include explicit explanations for any changes made to methodologies or programs made in the current period that were not present in the prior period valuation.
- Monitor and reconcile the accounts payables balance(s) for the major hospitals to ensure that any relevant matters are reflected in future analyses.
- For completeness, we suggest constructing a formal Risk Control Matrix and a visual flow chart relating to the valuation processes.

Additionally, we noted that the actuary had concerns regarding the underlying data used in the Government's workers compensation analysis (as detailed in the actuarial study). We recommend that the Government institute sufficient controls over the production of the input data prior to submission to an actuarial service provider.

Also, we noted ten (10) cases where documentation of claims were not available for review. We recommend that the Government continue to monitor and adhere to its established policies and procedures related to record retention policy.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-010: Other Postemployment Benefits Obligation

As required, the Government follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government.

Administration and Recordkeeping

Finding and Recommendation:

The Division of Personnel, through the Virgin Islands Health Insurance Board, is responsible for administering health insurance and related benefits for retirees.

- The V.I. Code states 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 which has been funded 75% or more each year from federal or local government funds, are legally responsible for providing health benefits to active and retired service personnel. It is noted that the component units and organizations referenced above have paid the aforementioned benefit costs for active employees only; the Government has accepted and assumed the responsibility for the payment of benefit costs for retirees. We recommend that the Government formalize the current practice or ensure that benefit payments for the component units and organizations referenced above include retirees.

- Many of the special accounting issues for postemployment retirement plans are continuously becoming more complex and require extensive expertise to ensure that the accounting and reporting are accurate and in accordance with applicable standards. We recommend that the Government and/or Division of Personnel consider hiring or contracting an employee with specific accounting and plan administration knowledge, possibly even on a part-time basis, to provide the needed higher-level accounting role consistently throughout the year. We believe this change in the Division of Personnel will help clarify the transactions actually occurring, provide stronger internal controls, reduce confusion regarding the numerous transfers and transactions occurring between funds and component units along with providing articulacy when working with actuaries and insurers.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Update of Mortality Tables

Finding and Recommendation:

It is noted that generational mortality tables and related assumptions currently being utilized are based on a review performed as of September 30, 2015. While these rates appear to be reasonable, it should be noted that the Society of Actuaries updates the generational mortality improvement scales every year, and a more recent scale or annual updates may be more applicable.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-011: Payroll, Related Accruals, and Other Expenditures

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.

Payroll Expenditures

Finding and Recommendation:

The Department of Human Services transitioned to a manual timesheet process in lieu of system generated timesheets after the September 2017 hurricanes caused damage to its ADI Time payroll system, which had also not been adequately backed up. The Department continued to use the manual timesheet process for the year under review. We recommend that the Department transition over to the STATS system (timesheet system), which is currently being utilized by various other agencies and departments. In addition, adequate arrangements should be made for protection of files and use of backup space.

We also noted that the compensated absences schedule includes some redundant data. For instance, there are employees that should not be on the schedule that have accrued balances, negative balances, or zero balances. In addition, we noted one (1) employee which had been selected for further review, was not appropriately paid out for their lump sum compensated absence balance after termination. While deemed insignificant to the overall operations, we recommend that the Government examine the contents and eliminate such information.

During our sampled procedures, we noted several instances where employees in certain labor categories had received overtime payments in excess of annual salaries and this was attributed to staffing shortages. While this was approved, this is an area that is typically susceptible to mishandling given the volume and amounts involved. In addition, we noted two (2) transactions where documentation of approval or pay rate used to calculate overtime were not available for review. We recommend that the Government continue to monitor and adhere to its established written policies and procedures related to the proper review, recording, reporting, and record retention policy of overtime expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Formalize Emergency Payroll Procedures

Finding and Recommendation:

Payroll processing commences with timesheets which are approved by Department heads in the STATS system (timesheet system), which then forms the basis for payroll processing at the Payroll Division.

We recommend that a formal written emergency procedures manual be developed for use by the Government in case of a major disruption to operations, such as the 2017 hurricanes. The hurricanes resulted in a major loss of power and displacement of personnel. Employees could not attend work for days as the roads were rendered inaccessible.

As a result, the recording of timesheets in the STATS system was temporarily shelved. This manual should address the processes to be performed, the key contacts or personnel, and the reconciliations that would be required in such instances.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Transactions with Personnel

Finding and Recommendation:

The Government has policies with respect to executive and/or other employee expense reimbursements indicating that each business expense incurred either by credit cards or advance payments must be substantiated with adequate documentation, such as statement of expense, purchase order, approved Government Travel Request (GTR), travel voucher, and receipts, which, in combination, are sufficient to establish each element of the expenditure.

In some instances, we noted that there was no evidence of adequate independent review or approval of expenses incurred by executives. This area can receive intense scrutiny and as a best practice, we recommend the Government consider instituting a stricter monitoring process to ensure compliance with stated policies and an independent review process.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Reporting for Expenditures

Finding and Recommendation:

During our sampled procedures, we identified twenty five (25) items in which the expenditure tested were not recorded in the proper period. It is recommended that the Government adhere to its established written policies and procedures related to the proper recording and reporting of expenditures. The timely review and reconciliation of expenditures will allow for recording expenditures in the correct period.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-012: Bank Accounts

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.

Strengthen Controls Over Bank Reconciliations

Finding and Recommendation:

During fiscal year 2021, we noted some instances where the bank reconciliation variances were not properly explained or investigated. In addition, there was insufficient documentation to support the reconciliations had been reviewed. There is no capability within the accounting system to formally approve or indicate review of the bank reconciliations. We continue to recommend that bank reconciliations be prepared and reviewed for accuracy and completeness on a timely basis. We recommend that management implement a process to track when bank reconciliations are reviewed and approved. Additionally, we observed the following:

- We noted a significant amount of outstanding checks, some issued as far back as 1998, which are still being carried on the reconciliations and were eventually reclassed to accounts payable at year-end. Outstanding checks and other uncleared reconciling items that are over one year old should be investigated and removed from the bank reconciliations and the original transactions should be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month and from year to year. As an auxiliary step, consideration should also be given to the Territory's unclaimed property laws.

- We noted deposits amounting to $2.6 million that were listed as outstanding items in the bank reconciliation that cleared the bank as of year-end. We also noted several outstanding electronic fund transfer payments for three bank accounts amounting to $40.3 million that cleared the bank during the year.

- We noted a bank-to-bank transfer of $5.0 million that had been incorrectly included in the bank reconciliation adjustment at year-end.

- We noted $22.2 million in checks that were printed in fiscal year 2021 but had not been mailed prior to year-end. These checks were properly reclassified to due to other government. It is best practice to mail checks once they have been printed to avoid confusion as to what invoices are truly outstanding. Further, checks should only be printed once there are enough funds in the account(s) to cover the requisite payment amounts.

- We noted four (4) imprest cash accounts, confirmed by the bank(s), which had not been listed in the imprest cash account report at year-end.

- We noted a balance of $24.2 million in an equity in treasury account that had not been reclassified to the proper liability account at year-end.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Cash Pooling and Allocation(s)

Finding and Recommendation:

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 have a separate bank account for each fund and for each of the cash accounts in the general ledger. Therefore, 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.

We recommend that management enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. More specifically, there should be a clear link between the confirmed cash account balances and the cash balance per fund presented within the year-end financial statements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Check Sequences

Finding and Recommendation:

During procedures performed over the subsequent check registers, we noted several large gaps in the check sequences. We noted that the Government's ERP system does not automatically generate check numbers. Instead, check numbers are entered and tracked manually by Government personnel. We recommend a process should be implemented where the personnel responsible for check runs, review prior and current manual check entries to detect gaps, prior to processing.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-013: Information Technology (IT) Environment

We reviewed various applications and systems which are utilized for the Government's day-to-day processing needs.

User Access and Administration

Finding and Recommendation:

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

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

- Timely removal of system access could not be determined for the following applications:

  Windows Domain:
  - Bureau of Internal Revenue
  - Department of Labor
  - Department of Human Services

  Applications:
  - VIDOLA$
  - VITAX
  - ScanOptics
  - RawData
  - MMIS
  - CARIBS
  - VIBES

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

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

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

- Evidence was not available to demonstrate that there is a formal change management policy on the following operating systems and applications:

  Operating Systems:
  - Department of Finance
  - Department of Labor

  Applications:
  - Timeforce
  - MUNIS
  - VIDOLA$

- For Department of Labor, finance and operations personnel have admin access to Windows.

Inappropriate system modifications to applications can cause incorrect calculations and compromise functionality. The Government may consider evaluating its documentation process to mitigate the risk of any potential change being implemented without the appropriate approval(s). Further, inappropriate or excessive access may result in unauthorized data changes or transactions. The Government may consider evaluating its user access and administration (user addition, modification, and removal) controls in order to ensure that appropriate access is granted and strict adherence to record retention policies.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Proactive Approach to Cybersecurity

Finding and Recommendation:

In today's digital economy, where the number of attacks is increasing with each passing minute, the Government needs a proactive approach to cyber defense to protect its assets. On-going protections against these ever-evolving cyber threats should include:

- A strengthened environment to reinforce against common attacks, like phishing, ransomware, and credential theft.

- Consistent evaluation of controls in place to detect signs of compromise before damage is done.

- Continuous employee trainings, through onboarding, phishing campaigns, and developing periodic security awareness training.

We recommend the Government consider the development of a cybersecurity framework to include a system of standards, guidelines, logs, and best practices to manage risks across all agencies and departments.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-014: Collateral of Depository

Finding and Recommendation:

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.

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. Under collateralization of all cash accounts with depositories could cause a violation of the Code and potential loss of Government assets if a financial institution were to fail. Also, we noted that the Government did not meet the margin levels for one month during the year.

We recommend that the Government implement policies and procedures to ensure all cash accounts for the Government and its component units are in compliance with the stated requirements.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-015: Landfill Consent Decrees

Finding and Recommendation:

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.

During our procedures, we noted that there are a number of noncompliance matters with respect to EPA decrees concerning the Anguilla and Bovoni landfills. These matters are comprised of various health and safety risks, lack of submission of various required reports, and a non-completion of the groundwater monitoring system for the Anguilla landfill perimeter. We also noted that penalties associated with these noncompliance matters will continue to accrue at certain specified rates.

We recommend that the Government consider budgeting funds to pay penalties already accrued. In addition, the Government should take the measures necessary to address immediate noncompliance with the consent decree time tables to avoid future penalties.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-016: Establishment of a Medical Malpractice Trust Fund

Finding and Recommendation:

In lieu of the procurement of a group insurance policy as set forth in subsection (a) of Virgin Islands Code Section 27, the Commissioner of Health is authorized to self-insure health care providers against claims arising out of the rendering of, or failure to render, medical care or services, or against claims for injury or death to patients arising out of the activities of health care providers, upon compliance with the following condition (amongst others):

- Establishment of a Medical Malpractice Risk Management Trust Fund to provide coverage against professional medical malpractice liability, which Fund shall be managed by a licensed broker or brokerage firm. The investment plan of such firm shall be subject to the approval of the Medical Malpractice Action Review Committee; a maximum of 1% of the proceeds of such Fund may be used by the Territorial Office of Risk Management as defined within the Code, for administrative purposes. Interest accruing on such Fund shall be retained or redeposited into such Fund.

We noted that the Government has not set up a separate trust fund. We recommend that the Government continue to monitor the applicable requirements related to professional medical malpractice, to ensure the Government remains in compliance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-017: Procurement Regulations

Finding and Recommendation:

Procurement is governed by *Title 31, Chapter 23, Sections 231 – 251*, of the Virgin Islands Code which states the various types and requirements for procuring goods and services. The Department of Property and Procurement is the agency primarily responsible for all acquisitions of goods and services. Procurement regulations and procedures state that contract files must be maintained documenting the history of the procurement, including requisitions, purchase orders, and solicitations. Per the Procurement Manual, all requisitions must be created following the regulatory guidelines of the Department of Property and Procurement, 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.

We noted the following during our procedures:

- We noted eighty-four (84) purchase orders from thirty-eight (38) different vendors where the files did not contain the requisite documentation to provide evidence that the purchase order met the stated requirements.

- We noted eighty-nine (89) purchase orders from eleven (11) different vendors that appeared to be split purchases orders where adequate supporting documentation were not available to determine if purchase order splitting occurred.

- We noted ten (10) purchase orders from four (4) different vendors where the purchase order met the stated requirements, however corresponding contracts were not in line with Government policies.

- We noted one (1) purchase order was missing from the purchase order sequence in the ERP system without support from management.

- We noted seventy-one (71) instances where executed contract files did not contain requisite documentation to provide evidence that the respective procurement met stated requirements.

- We noted thirty-eight (38) instances where adequate supporting documentation were not available to determine whether the first invoice was generated before the date of contract execution.

We recommend that the Government retain all necessary supporting documentation for purchase orders, contracts, and vendor profiles to ensure that internal policies and regulations are being adhered to.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding 2021-018: Casino Control Commission

Finding and Recommendation:

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

We noted that the Casino Commission is not submitting the requisite reports to the Department of Finance. It is recommended that the Department of Finance maintain proper oversight over the Casino Control Commission and obtain and review the required reports. The reviews should encompass supporting documentation for all financial transactions and a review of compliance with Virgin Islands policies and procedures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit.

Section III – Federal Award Findings and Questioned Costs

Finding Number: **2021-019**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Cost/Cost Principles – Payroll Activities**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN #: 10.551, 10.561
Award #: 4VI400408
Award Year: 10/01/19 – 09/30/20
10/01/20 – 09/30/21

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires the non-federal entities receiving Federal awards (1.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its activities allowed or unallowed, allowable cost/cost principal process.

CFR 200.403(g) states that for costs to be allowed under federal awards, they must be adequately documented. Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records.
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – During our testing of allowable costs for payroll expenditures incurred throughout the year, we sampled and selected 60 of 1,757 payroll disbursements and noted the following:

- 21 instances where DHS did not consistently apply funding allocation in accordance with the Notice of Personnel Action (NOPA).
- 9 instances where hours that should have been charged 100% to federal funds were split 50/50 (local/federal) and 12 instances in which hours that should have been split 50/50 were charged 100% federal funds.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program in fiscal year 2021 were $3,026,031. The amount sampled is $115,905. The known amount of the instances of inconsistent funding allocation is $3,136.

Effect – An ineffective control system related to review of transactions to ensure that only allowable costs are allocated to federal programs can lead to noncompliance with federal statutes, regulations, and the provisions of grant agreements that could ultimately lead to disallowed costs for the major programs.

Cause – DHS does not appear to have adequate policies and procedures to ensure compliance with applicable cost principles and ensure that an appropriate level of review and approval was completed prior to charging costs to a federal program.

Recommendation – We recommend that DHS reevaluate and improve internal controls to ensure adherence to federal regulations related to the fiscal administrative requirement for expending and accounting for payroll and to ensure proper and accurate funding allocation of payroll cost.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-020**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN #: 10.551, 10.561
Award #: 4VI400408
Award Year: 10/01/19 – 09/30/20
10/01/20 – 09/30/21

Criteria – CFR Section 200.303, *Internal Controls*, (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its matching process.

Condition – During the fiscal year, it appears that management's internal controls over matching compliance was not functioning as intended. DHS was unable to readily exhibit and provide its computation of the matching calculation or evidence that it was monitoring compliance with said requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per preview of DHS's compliance with the specified requirements and general compliance principles.

Effect – DHS is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with matching requirements, there is an increased risk that matching will not be properly applied and funding could be jeopardized.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure complete compliance with the matching requirement.

Recommendation – We recommend that DHS deploy resources that are given the responsibility to ensure periodic monitoring and compliance of the matching requirement throughout the fiscal year.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-021**
Prior Year Finding Number: **2020-019**
Compliance Requirement: **Special Tests and Provisions - EBT Card Security**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Human Services (DHS)

Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN #: 10.551, 10.561
Award #: 4VI400408
Award Year: 10/01/19 – 09/30/20
10/01/20 – 09/30/21

Criteria – CFR Section 200.303, *Internal Controls*, Section (a) states DHS must establish and maintain effective internal control over federal awards that provides reasonable assurance that DHS is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award. Management is responsible for establishing and maintaining a system of internal control that should include controls over its EBT Card Security process.

Per 7 CFR Section 274.8(b)(3), System Security, as an addition to or component of the Security Program required of Automated Data Processing (ADP) Systems, the State or Territory agency shall ensure that a certain electronic benefits transfer (EBT) security requirements are established. As such, DHS is required to maintain adequate security over, and documentation/records for EBT cards, to prevent their theft, embezzlement, loss damage, destruction, unauthorized transfer, negotiation, or use.

Condition – DHS contracted with Fidelity National Information Service (FIS) for the issuance and security of the EBT cards; however, it is DHS' ultimate responsibility to ensure the contractor has controls in place to maintain adequate security over, and documentation/records of EBT cards.

We sampled 8 out of 24 monthly card reconciliation and noted the following:

- 3 instances where we noted variances between new/replacements issued cards status report and the actual new/replacements cards issued.
- 1 instance did not contain evidence of review and approval by authorized personnel.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – Without adequate internal controls to ensure compliance with EBT card security requirements, there is an increased risk that the inventory of EBT cards will not be properly maintained and accounted for which can lead to noncompliance with laws, regulations, and the provision of the grant agreement.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure adequate safeguarding and documentation of EBT cards.

Recommendation - We recommend that DHS strengthen formal policies and procedures to maintain adequate security, documentation, and records over EBT Cards to ensure internal controls over EBT cards security are operating effectively.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-022**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Health (DOH)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN #: 10.557
Award #: Various
Award Year: Various

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 48 out of 338 drawdowns and noted that all 48 drawdown requests did not contain evidence of review and approval.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of the DOH's compliance with the specified requirements using a statistically valid sample. Total drawdown requests were $3,733,754 for fiscal year 2021. The amount sampled is $763,038.

Effect – DOH is not in compliance with the stated provisions. Inaccurate information may have been reported to the Federal government in the absence of required reconciliations and reviews.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation – We recommend that 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-023**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

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)

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records:
- Reasonable reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – We sampled and selected 8 out of 76 payroll expenditures and noted the following:

- 1 instance where employee hours reported in timesheet did not agree with the payroll register.
- 1 employee had their salaries charged to a grant project that was not authorized in accordance with the Notice of Personnel Action (NOPA).
- 1 instance where an adjustment to correct the payroll expenditure was not made in the current fiscal year.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of DPNR's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to the program during fiscal year 2021 were $22,188. Total amount sampled is $2,389. The known amount of the exception is $584.

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.

Cause – DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DPNR improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-024**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

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)

Criteria **-** Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 8 out of 21 reports submitted during fiscal year and noted the following:

- 3 reports were prepared and reviewed by the same personnel.
- 2 reports have not been submitted in a timely manner.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the reporting requirements.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of the DPNR's compliance with the specified requirements using a statistically valid sample.

Effect **-** DNPR is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that DPNR reevaluate its policies and procedures to ensure proper 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-025**
Prior Year Finding Number: **2020-025**
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 Year: Various

Government Department/Agency:
Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Further, the grant awards imposes drawdown requirements whereby grant recipients are required to drawdown funds on a reimbursement basis.

Condition – We reviewed 14 out of 43 drawdowns and noted 2 instances where reimbursement request for drawdown was made before the Government paid for the expenditure.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2021 drawdown requests were $3,163,945. Total amount sampled is $2,272,740. The known amount of the exceptions is $540,100.

Effect – The Government is not in compliance with the stated provisions.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation - We recommend that the Government reevaluate its policies and procedures to ensure proper monitoring and continue to be vigilant in following internal procedures to ensure compliance with stated provisions.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-026**
Prior Year Finding Number: **2020-026**
Compliance Requirement: **Equipment and Real Property Management**

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

Criteria – Per 2 CFR section 200.313, *Equipment*, property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and conditions of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Further, a physical inventory of equipment should be taken at least once every 2 years and reconciled to the equipment records along with the usage of an appropriate control system to safeguard and maintain equipment.

Additionally, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) maintains the equipment register for the Government. DPP was unable to provide an accurate and complete property records which met the stated requirements. Further, no physical inventory was taken in fiscal year 2021.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the equipment management compliance requirements.

Questioned Costs – Not determinable.

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

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation – We recommend that 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-027**
Prior Year Finding Number: **2020-027**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development of the Territories
ALN #: 15.875
Award #: Various
Award Year: Various

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 18 out of 92 financial and performance reports and noted the following:

- 2 financial reports and 9 performance reports were not available for review.
- 3 financial reports where sufficient supporting documentation were not available to validate that the respective financial information agreed with the underlying records.

Additionally, the Government did not submit FFATA reports, 2 financial reports, and 2 performance reports for fiscal year 2021. Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of the Government's compliance with the specified requirements using a statistically valid sample.

Effect – The Government is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the Government does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that Government reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-028**
Prior Year Finding Number: **2020-028**
Compliance Requirement: **Activities Allowed or Unallowed**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN #: 17.225
Award #: Various
Award Period: 10/01/2017 – 12/31/2023

Criteria – In accordance with the Uniform Guidance in 2 CFR Section Part 200, a State or Territory must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of Uniform Guidance and extend such policies to all sub-recipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or Territory or its sub-recipients.

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.

Questioned Costs – Not determinable.

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

Effect – Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or Federal reports. A lack of timely preparation of complete and accurate reconciliations results in the absence of adequate control over both cash receipts and disbursements.

Cause – VIDOL does not appear to have adequate policies and procedures in an effort to adequately administer the expending and accounting for all funds.

Recommendation – We recommend that VIDOL improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds. In order to prevent significant errors in the financial records as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-029**
Prior Year Finding Number: **N/A**
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: 10/01/2017 – 12/31/2023

Criteria – Public Law 112-96 Sec. 2101 requires that as a condition of eligibility for regular compensation, a claimant must be able to work, available to work, legally authorized to work in the United States and actively seeking work. Claimants must meet other conditions of eligibility for Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC) and Federal Pandemic Unemployment Compensation (FPUC).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 60 out of 79,222 unemployment claim files and noted the following:

- 40 transactions where the documentation that the claimant met the criteria for participating in the program were not available for review.
- 2 transactions were erroneously charged to the program.

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate claims charged to the program.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total amount of unemployment claims charged to the program during fiscal year were $149,559,544. Total amount sampled is $201,280. The known amount of the exceptions is $154,055.

Effect – Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive.

Cause – VIDOL does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its claimant files.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirming that only eligible participants are receiving benefits they are entitled to.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-030**
Prior Year Finding Number: **N/A**
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: 10/01/2017 – 12/31/2023

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with the program requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 28 out of 136 financial, performance and special reports required to be submitted in order to test compliance with the various reporting requirements. We noted the following:

- 16 reports where supporting documentation were not available for review.
- 3 reports where financial information reported did not agree with the underlying records.

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample.

Effect - VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, VIDOL does not appear to have adequate control over maintenance of the underlying documentation used in preparing various report.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by the appropriate official who would ensure that information reported is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-031**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions - Employer Experience Rating**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: 10/01/2017 – 12/31/2023

Criteria – Per 2 CFR section 200.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

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

Condition – We sampled and selected 40 out of 5,591 tax collections related to the employer experience rating and noted the following:

- For 9 instances, supporting documentation were not available to verify the taxes paid.
- For 1 instance, supporting documentation was not available to verify the tax calculation for the period.
- For 2 instances, supporting documentation were not available to provide evidence of compliance or control over compliance with program requirements.
- For 2 instances, supporting documentation were not available for the tax rate charged to employers.
- For 2 instances, the tax rate calculated by the system did not agree with the approved Annual Rate Notice sent to the employer.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total amount of the tax collections amounted to $17,872,443. Total amount sampled is $355,345. The known amount of the exceptions is $110,499.

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

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

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

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-032**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Tests and Provisions - Match with IRS 940 FUTA Tax Form**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: 10/01/2017 – 12/31/2023

Criteria – Per 2 CFR section 200.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per compliance supplement, States are required to annually certify for each taxpayer the total amount of contributions required to be paid under the state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA tax (26 CFR sections 31.3302(a)-3(a)). In order to accomplish this certification, states annually perform a match of employer tax payments with credit claimed for these payments on the employer's IRS 940 FUTA tax form.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 40 out of 5,591 tax collections related to the FUTA match and noted the following:

- For 9 instances, supporting documentation were not available to verify the taxes paid. As such the FUTA match requirement could not be verified for these taxpayers.
- For 1 instance, supporting documentation was not available to verify the tax calculation for the period. As such, the FUTA match requirement could not be verified for this taxpayer.
- For 2 instances, supporting documentation were not available to provide evidence of compliance or control over compliance with program requirements.
- For 2 instances, the tax rate calculated by the system did not agree with the approved Annual Rate Notice sent to the employer and as such the FUTA match could not be verified for these taxpayers.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total amount of the tax collections amounted to $17,872,443. Total sampled amount is $355,345. The known amount of the exceptions is $102,659.

Effect - VIDOL did not comply with the match with IRS 940 FUTA tax form compliance requirements of the program.

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

Recommendation – We recommend that VIDOL improve its existing internal controls and procedures over maintenance of appropriate documentation to ensure compliance with Federal regulations related to match with IRS 940 FUTA Tax form.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-033**
Prior Year Finding Number: **2020-029**
Compliance Requirement: **Special Tests and Provisions - UI Reemployment Programs (WPRS and RESEA)**

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN: 17.225
Award #: Various
Award Period: 10/01/2017 – 12/31/2023

Criteria – The UI program serves as one of the principal "gateways" to the workforce system. It is often the first workforce program accessed by individuals who need workforce services. The WPRS and RESEA programs service as UI's primary programs that facilitate the reemployment needs of UI claimants.

RESEA is authorized by Section 306 of the Social Security Act and builds on the success of both WPRS and RESEA's predecessor, the former UI Reemployment and Eligibility Assessment (REA) program. RESEA uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. RESEA is a voluntary program and under certain circumstances may be designed to also satisfy WPRS requirements. Operating guidance for the RESEA program is updated annually. UIPL 7-19 provides RESEA operating guidance for FY 2019.

Per 2 CFR section 200.303(a), a nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – VIDOL was unable to provide reconciling information related to the completeness of the RESEA cases of UI claimants as the program was suspended for a period in the fiscal year due to the COVID-19 pandemic. However, VIDOL was unable to provide documentation of the approval from the U.S. Department of Labor for the suspension of the program.

Questioned Costs – Not determinable.

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

Effect – VIDOL was unable to demonstrate that the information put together for UI Reemployment programs was complete. Lack of proper reconciling information can result in noncompliance with laws and regulations along with loss of funding. In addition, suspension of the program without proper approval may have resulted in denying services for UI claimants who are most likely to exhaust their benefits and need reemployment assistance to return to work.

Cause – VIDOL does not appear to have adequate policies and procedures in place to review and reconcile program data, and to ensure maintenance of related documentation.

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

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-034**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of Transportation

Government Department/Agency:
Department of Public Works (DPW)

Highway Planning and Construction Cluster
ALN: 20.205
Award #: Territorial Highway Program Implementation and Stewardship Agreement
Award Period: 10/01/2016 – 9/30/2025

Criteria – Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

In addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 6 out of 54 procurement transactions, we noted 1 transaction where supporting documentation was not available for review.

Further, internal controls over compliance do not appear to be operating effectively to ensure compliance with the procurement compliance requirement.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DPW's compliance with the specified requirements using a statistically valid sample. Total amount of the procurement transactions was $10,238,647. Total sampled amount is $2,336,319. The known amount of the exception is $7,991.

Effect – DPW could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – DPW does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that DPW 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-035**
Prior Year Finding Number: **2020-031**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Treasury

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

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Period: 03/02/2020 – 12/31/2021

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

The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 2 out of the 4 quarterly reports submitted during the fiscal year and noted that OMB was unable to furnish underlying financial records to determine whether the 2 quarterly reports submitted were complete and accurate.

Further, it appears internal controls were not designed to ensure documentation is maintained for the proper time period to substantiate reports submitted to the Federal government.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample.

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

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

Recommendation – We recommend that OMB reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-036**
Prior Year Finding Number: **2020-032**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Treasury

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

COVID-19 - Coronavirus Relief Fund
ALN: 21.019
Award #: N/A
Award Period: 03/02/2020 – 12/31/2021

Criteria **-** Per Compliance Supplement, a pass-through entity (PTE) must:

- ***Identify the Award and Applicable Requirements*** – Clearly identify to the subrecipient:
  (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
  (2) all requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- ***Evaluate Risk*** – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.332(b)). This evaluation of risk may include consideration of such factors as the following:

    1. The subrecipient's prior experience with the same or similar subawards;

    2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;

    3. Whether the subrecipient has new personnel or new or substantially changed systems; and

    4. The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

- ***Monitor*** – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

    1. Reviewing financial and programmatic (performance and special reports) required by the PTE.

2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.

3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – OMB did not implement a formal subrecipient monitoring process for fiscal year 2021.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements and general compliance principles. The total amount of expenditures passed through to subrecipients in fiscal year 2021 were $29,330,350.

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

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

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

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. 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: **2021-037**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Allowable Costs/Cost Principles - Non-Payroll Activities**

Program:
U.S. Department of the Treasury

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

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

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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 – During our testing of 12 out of 39 disbursements, we noted 1 instance where the expenditure was not recorded in the proper accounting period.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. The total amount of non-payroll expenditures charged to the program in fiscal year 2021 were $8,051,618. Total amount sampled is $7,895,080. The known amount of the exception is $244,548.

Effect – Failure to support and record expenditures in proper period can result in noncompliance with laws and regulations along with loss of funding.

Cause – OMB does not appear to have adequate internal controls in place to ensure compliance with required cost principles such as maintenance of records and recording in proper period.

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

Finding Number: **2021-038**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Procurement and Suspension and Debarment**

Program:
U.S. Department of the Treasury

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

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

Criteria – Recipients of Federal awards must have adequate policies and controls in place to ensure that the procedures are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborate compliance with these requirements.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – The Government's Department of Property and Procurement (DPP) is primarily responsible for procurement transactions. In our review of 9 out of 32 procurement transactions, we noted the following:

- 1 procurement transaction did not contain sufficient supporting documentation to validate adherence to the procurement policy.
- 1 procurement transaction where supporting documentation was not available for review.

Further, internal controls over compliance do not appear to be operating effectively to ensure compliance with the procurement compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample. Total amount of procurement transactions was $3,031,443. Total amount sampled is $2,927,922. The known amount of the exceptions is $2,624,511.

Effect – OMB could inadvertently contract or make sub-awards to parties that are suspended or debarred from doing business with the Federal government as well as award contracts to vendors whose contract prices are unreasonable. In addition, contracts may be executed to unqualified vendors.

Cause – OMB does not appear to have a process in place to adequately monitor and maintain completed contract files comprising of all supporting documents.

Recommendation – We recommend that OMB and DPP improve internal controls to ensure adherence to federal regulations relating to the procurement of goods and services and review current records retention policies. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing procurement tasks.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-039**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of the Treasury

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

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

Criteria – 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 addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 3 out of 3 reports submitted during the fiscal year, we noted the following:

- 2 reports did not contain evidence of review and approval prior to submission.
- 1 report where the proof of submission was not available for review.
- 1 report had not been submitted in a timely manner.
- 2 reports where the applicable accounts had not been included in the reports.
- 2 reports where the financial and other information did not agree with underlying records.
- 1 report includes information relating to subrecipient which was not required to be reported.
- 1 report where the sub-award information required to be presented was not included.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements using a statistically valid sample.

Effect – OMB is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, OMB does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that OMB reevaluates its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-040**
Prior Year Finding Number: **2020-036**
Compliance Requirement: **Allowable Costs/Cost Principles - Payroll Activities**

Program:
U.S. Environmental Protection Agency

Drinking Water State Revolving Fund Cluster
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 and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records:
- Reasonable reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – We sampled and selected 8 out of 79 payroll transactions and noted all selections did not have the correct and/or complete project numbers in the Notice of Personnel Action (NOPA) forms.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the allowable costs/cost principles requirements.

Questioned Costs – Not determinable.

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 2021 were $118,901. Total amount sampled and the known amount of the exceptions is $13,524.

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.

Cause - DPNR does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DPNR 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 their salaries and wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should be monitored, retained, and approved by a responsible official of DPNR in a timely manner.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report

Finding Number: **2021-041**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Equipment and Real Property Management**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster (IDEA)
ALN: 84.027A
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 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.

Condition – The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Questioned Costs – Not determinable.

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

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-042**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Special Education Cluster (IDEA)
ALN #: 84.027A
Award #: Various
Award Period: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

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.

Condition – We reviewed the level of effort calculations and noted the following:

- At the Local Education Agency (LEA) level, we noted that 1 out of 2 LEAs did not meet the required financial support thresholds for dollar amount or per child basis based on the level of effort compliance requirement.

- The internal controls identified at the State Education Agency (SEA) and LEA did not appear to be operating at a level of precision to ensure compliance with the level of effort compliance requirements.

Questioned Costs – Not determinable.

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

Effect – VIDE is not in compliance with the stated provisions. Without adequate internal controls to ensure compliance with level of effort requirements, there is an increased risk that level of effort requirements will not be properly applied, and funding could be jeopardized.

Cause – VIDE did not appear to have adequate policies and procedures in place to ensure consistent and systematic monitoring of the requirements.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to federal regulations relating to the level of effort 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 requirements.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number **2021-043**
Prior Year Finding Number **N/A**
Compliance Requirement: **Cash Management**

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (VIDE)

Consolidated Grant to the Outlying Areas
ALN: 84.403A
Award #: S403A170004, S938A180004,
S938A190004, S403A200004
Award Period: 07/01/2017 - 09/30/2020
07/01/2018 - 09/30/2021
07/01/2019 - 09/30/2022
07/01/2020 - 09/30/2021

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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

Condition – We reviewed 21 out of 199 drawdowns and noted 1 drawdown was not performed within the required 24 hours after receipt of the request from the TPFA as required by the DOE.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of the VIDE's compliance with the specified requirements using a statistically valid sample. Total amount of cash drawdowns for the program was $16,391,894. Total amount sampled is $2,945,660. The known amount of the exception is $16,636.

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

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

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

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-044**
Prior Year Finding Number: **N/A**
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 #: S403A170004, S938A180004,
S938A190004, S403A200004
Award Period: 07/01/2017 - 09/30/2020
07/01/2018 - 09/30/2021
07/01/2019 - 09/30/2022
07/01/2020 - 09/30/2021

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 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.

Condition – The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

Questioned Costs – Not determinable.

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

Effect – There is a risk that inadequate recordkeeping or equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause - VIDE does not appear to have adequate policies and procedures in place to adequately monitor equipment acquired with Federal Funds.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all personnel that are responsible for handling and managing such assets as well as monitoring of the performance of the recording of the equipment.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-045**
Prior Year Finding Number: **2020-038**
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 #: S403A170004, S938A180004,
S938A190004, S403A200004
Award Period: 07/01/2017 - 09/30/2020
07/01/2018 - 09/30/2021
07/01/2019 - 09/30/2022
07/01/2020 - 09/30/2021

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – VIDE failed to submit subaward data to fulfill the FFATA reporting requirements for the first tier subawards of $30,000 or more. Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the reporting compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDE's compliance with reporting requirements.

Effect – VIDE is not in compliance with the reporting requirements as it failed to provide evidence of identifying and reporting FFATA reporting requirements.

Cause **-** It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that VIDE should implement policies, procedures and controls that will compliance with all the required laws, guidelines and requirement under the award.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-046**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed and 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 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria - The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records:
- Reasonable reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – For ALN 84.425A, we sampled and selected 60 out of 429 payroll expenditures and noted the following:

- 10 instances where Personnel Activity Report were not available for review.
- 2 instances where timesheets were not available for review.
- 1 instance where Notice of Personnel Action (NOPA)/Notice of Per Diem (NOPD) was not available for review.
- 5 instances where NOPA/NOPD did not have the correct and/or complete project numbers.
- 1 instance where project number per NOPA did not match the project number per payroll register.

Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the activities allowed or unallowed and allowable costs/cost principles compliance requirements.

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of VIDE's compliance with the specified requirements using a statistically valid sample. The total payroll expenditures charged to program in fiscal year 2021 is $604,233. Total amount sampled is $108,318. The known amount of the exceptions is $25,510.

Effect **-** VIDE is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – VIDE does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that VIDE improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work on multiple activities or cost objectives, a distribution of salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents. Such information should also be monitored, retained, and approved by a responsible official of VIDE in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-047**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash 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 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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

Condition – For ALN 84.425H, we sampled and selected 5 out of 6 drawdowns and noted the following:

- 5 instances where drawdowns did not include evidence of review and approval.
- 2 instances where the supporting documentation were not available for review.
- 3 instances where OMB did not provide supporting documentation to ascertain if they are following specific conditions of the U.S. Department of Education.
- 1 instance where we were not able to validate the receipt of funds.

Additionally, we noted cash drawdown of $457,331 where the drawdown was requested before the actual expenditures were incurred.

For ALN 84.425A, we sampled and selected 9 out of 59 drawdowns and noted 8 instances where the bank reconciliations did not include evidence of review and approval. Further, it does not appear that the controls in place are operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of OMB and VIDE's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2021 drawdown requests were $18,552,225.

Effect **-** OMB and VIDE are not in compliance with the stated provisions. Failure to properly review and support drawdown requests can result in noncompliance with laws and regulations along with loss of funding.

Cause – OMB and VIDE do not appear to have adequate policies and procedures in place to ensure compliance with the applicable principles and maintenance of underlying documentation.

Recommendation – We recommend that OMB and VIDE deploy resources that are given the responsibility to ensure periodic review, monitoring, and compliance throughout the fiscal year. Further, we recommend that OMB and VIDE improve its internal controls to ensure adherence to its current retention policies.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-048**
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 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria **-** The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

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 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.

Condition – The VIDE maintains an equipment listing for fixed assets purchased with federal funding. VIDE was unable to provide complete property records which met the stated requirements.

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

Questioned Costs **-** Not determinable.

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

Effect **-** There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

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

Recommendation – We recommend that VIDE improve 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-049**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria - Each State or Territory must file various financial, programmatic and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Specifically for this program, the CARES Act 15011(b)(2) requires institution receiving funds under ESF II-Governor and ESF II-SEA to submit the required quarterly reports to the Secretary at such time and manner and containing such information as the Secretary may require.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 4 out of 6 performance and special reports during the fiscal year and noted the following:

- 1 performance report did not contain evidence of review and approval as well as did not contain the information required per grant agreement.
- 1 performance report was not submitted timely.

Additionally, the OMB and VIDE did not submit 6 performance reports for the fiscal year 2021. We also performed testing over the Transparency Act reporting requirements outlined in the criteria section above. We noted that 2 reports submitted in FSRS did not contain evidence of review and approval. The results of the testing are outlined in the table below:

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
2	0	2	0	0
Dollar Amount of Tested Transactions	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
$7,700,635	0	$7,700,635	0	0

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

Questioned Costs **-** Not determinable.

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

Effect **-** Failure to properly track all reporting requirements, including the due dates of those reports, could result in missed or late reporting. This could also lead to a reduction in funding due to noncompliance with the terms of the Federal award.

Cause – The internal controls established for submission of reporting requirements did not fully operate as designed causing late submission and not in compliance with reporting requirements under the Transparency Act related to the program's subrecipients.

Recommendation – We recommend that OMB and VIDE reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-050**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Subrecipient Monitoring**

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governor)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria - In accordance with the Uniform Guidance Section 200.332(b), 200.332(d), and 200.332(f), *Requirements for Pass-Through Entities*, pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Pass-through entities must also monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Pass-through entity monitoring of the subrecipient must include: (1) reviewing financial and performance reports required by the pass-through entity; (2) following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means; and (3) issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity. Additionally, pass-through entities must verify that every subrecipient is audited as required by Subpart F – Audit Requirements when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Section 200.501.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed one sub-award made by pass-through entity and OMB failed to provide the evidence of monitoring and review of sub-grantee to ensure effective management of sub-awards.

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

Questioned Costs **-** Not determinable.

Context – This is a condition identified per review of OMB's compliance with the specified requirements and general compliance principles. The total amount of expenditures passed through to subrecipients in fiscal year 2021 were $2,500,000.

Effect **-** OMB is not in compliance with the stated provisions. Failure to properly monitor subrecipients can result in noncompliance with laws and regulations along with loss of funding.

Cause – It appears that OMB does not have adequate policies and procedures in place to monitor subrecipients to ensure they are following applicable federal regulations including expending federal awards for allowable expenditures.

Recommendation – We recommend that OMB implement policies, procedures, and controls that will ensure subrecipient monitoring is performed.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

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

Program:
U.S. Department of Education

COVID-19 - Education Stabilization Fund
State Educational Agency (Outlying Areas)
(ESF-SEA)
ALN: 84.425A
Award #: S425A200004, S425A210004
Award Period: 06/22/2020 - 09/30/2021
01/13/2021 - 09/30/2022

COVID-19 - Education Stabilization Fund
Governors (Outlying Areas) (ESF-Governors I and II)
ALN: 84.425H
Award #: S425H200003, S425H210003
Award Period: 06/29/2020 - 09/30/2021
01/13/2021 - 09/30/2022

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

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Per Compliance Supplement, the State or Territory or agency receiving financial assistance under ESF-SEA I and ESF-Governor I, must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an agency, consortium, or entity makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency, consortium, or entity must engage in timely and meaningful consultation with private school officials. Expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served. For the programs under ESF-SEA, ESF II-SEA, ESF-Governor, ESF II- Governor will ensure equitable services will be provided to students and teachers in non-public elementary and secondary schools in the same manner provided under section 8501 of the Elementary and Secondary Education Act (ESEA).

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

- OMB did not implement a formal process for the participation of private school children compliance for FY2021.
- OMB did not conduct a timely consultation with nonpublic schools.

- OMB did not provide documents to support that the educational services that were planned were provided and that the allocation to nonpublic schools are equal on a per-pupil basis for public and private schools.
- Computation by VIDE of amount allocated to nonpublic schools did not contain evidence of review and approval.
- VIDE did not provide the Affirmation of Consultation/Intent to Participate for 9 out of 29 nonpublic schools consulted.

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

Questioned Costs **-** Not determinable.

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

Effect **-** Noncompliance with program requirements could result in disallowances of costs and ineligible schools could be participating in the program.

Cause – OMB and VIDE do not appear to have an effective system in place to ensure consistent and systematic review of documentation and file maintenance.

Recommendation – We recommend that OMB and VIDE implement policies, procedures, and controls that will ensure equitable services are provided to eligible private school children and their teachers and other educational personnel. OMB and VIDE should also review its record retention policies to ensure that complete documentation is maintained, safeguarded, and available for review.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-052**
Prior Year Finding Number: **2020-040**
Compliance Requirement: **Allowable Costs/Cost Principles - Payroll Activities**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN #: 93.356, 93.600
Award #: Various
Award Year: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Control,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Additionally, salaries and wages charged to Federal awards are subject to the standards of documentation as described by 2 CFR Section 200.430(i) and must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization's official records;
- Reasonably reflect the total activity for which the employee is compensated across all grant-related and non-grant related activities (100%); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – We sampled and selected 60 of 3,297 payroll transactions and noted that 2 employees' timesheet was not available for review.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of payroll expenditures charged to the program during fiscal year 2021 were $8,323,089. Total amount sampled is $198,322. Total known amount of the exceptions is $6,498.

Effect - DHS is not in compliance with the stated provisions. Failure to maintain supporting documentation can result in noncompliance with laws and regulations along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures.

Where employees work solely on a multiple activities or cost objectives, distribution of their 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 DHS in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-053**
Prior Year Finding Number: **2020-041**
Compliance Requirement: **Equipment and Real Property Management**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN #: 93.356, 93.600
Award #: Various
Award Year: 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 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.

Condition – The Government's Department of Property and Procurement (DPP) maintains the equipment register for DHS. DPP was unable to provide complete property records which met the stated requirements. Further, no physical inventory of equipment was taken in fiscal year 2021.

Questioned Costs – Not determinable.

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

Effect – There is a risk that inadequate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with Federal regulations resulting in a return of Federal awards received.

Cause – The Government does not appear to have a process in place to adequately monitor equipment acquired with Federal funds.

Recommendation – We recommend that DHS and DPP improve internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. There should be timely coordination and communication amongst all Government departments and/or agencies that are responsible for handling and managing such assets.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-054**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Special Test and Provision – Program Governance**

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

Government Department/Agency:
Department of Human Services (DHS)

Head Start Cluster
ALN #: 93.356, 93.600
Award #: Various
Award Year: Various

Criteria – Per Compliance Supplement, Head Start governing body has a legal and fiscal responsibility for the HAS. 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)).

Condition – DHS was unable to validate that they provided training and technical assistance to the governance board during the fiscal period under review.

Questioned Costs – Not determinable.

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

Effect – There is a risk that lack of compliance with the stated requirements can result in significant fiscal issues that may put the Head Start program they administer at risk along with loss of funding.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with program governance.

Recommendation – We recommend that DHS strengthen and improve internal controls to ensure adherence to Federal regulations related to program governance training and technical assistance to governing body and policy council. There should be regular training that will enable the governing body to perform it's legal, fiscal, and oversight responsibilities.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-055**
Prior Year Finding Number: **2020-042**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

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

Government Department/Agency:
Department of Justice (DOJ)

Child Support Enforcement
ALN #: 93.563
Award #: Various
Award Year: Various

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

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% effort); and
- Support the distribution of employee salary across multiple activities or cost objectives.

Condition – In our review of 60 out of 1,161 payroll transactions, we noted the following:

- 24 instances where the employees' hours reported in the payroll register did not agree to the timesheets.
- 3 instances where retirement benefit was not included in the calculation of net pay.
- 3 instances where retirement benefits deducted were less than the amount that should be deducted based on approved salary.
- 1 instance where profile of resigned employee was not updated/removed from the payroll resulting to inappropriate calculation of health benefits for the resigned employee.
- 2 timesheets were not available for review.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of the DOJ's compliance with the specified requirements using a statistically valid sample. The total amount of payroll expenditures charged to the program in fiscal year 2021 were $2,792,086. Total amount sampled is $159,204. The known amount of the exceptions is $14,924.

Effect **-** DOJ is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause – DOJ does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DOJ improve internal controls to ensure adherence to the Federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work on multiple activities or cost objectives, a distribution of their 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 DOJ in a timely manner.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-056**
Prior Year Finding Number: **2020-051**
Compliance Requirement: **Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities**

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

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN #: 93.667
Award #: 1901VISOSR, 2001VISOSR, 2101VISOSR
Award Year: 10/01/18 – 09/30/20
10/01/19 – 09/30/21
10/01/20 – 09/30/22

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition – We sampled and selected 60 of 1,305 payroll transactions and noted 2 timesheets did not contain evidence of review and approval.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of payroll expenditures charged to the program in fiscal year 2021 were $3,533,047. Total amount sampled is $173,276. The known amount of the exceptions is $6,890.

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

Cause – DHS does not appear to have adequate policies and procedures in place to ensure compliance with applicable cost principles and maintenance of underlying documentation.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to federal regulations related to the fiscal and administrative requirements for expending and accounting for payroll expenditures. Where employees work solely on a multiple activities or cost objectives, a distribution of their 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 DHS in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-057**
Prior Year Finding Number: **2020-053**
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 #: 1901VISOSR, 2001VISOSR, 2101VISOSR
Award Year: 10/01/18 – 09/30/20
10/01/19 – 09/30/21
10/01/20 – 09/30/22

Criteria – A Non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Additionally, the Uniform Guidance in 2 CFR Section 200.344(b), states that unless the federal awarding agency or pass-through entity authorized an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 135 out of 375 and noted 105 expenditures were incurred outside the period of performance and did not contain written approval of the federal awarding agency.

Additionally, internal controls do not appear to be operating at a level of precision to ensure grant expenditures are charged to the correct grant and within the allowable period of performance.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample. Total amount of expenditures charged to the program in fiscal year 2021 were $599,622. Total amount sampled is $113,909. The known amount of the exceptions is $108,757.

Effect - DHS is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

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

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

Finding Number: **2021-058**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

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

Government Department/Agency:
Department of Human Services (DHS)

Social Services Block Grant
ALN #: 93.667
Award #: 1901VISOSR, 2001VISOSR, 2101VISOSR
Award Year: 10/01/18 – 09/30/20
10/01/19 – 09/30/21
10/01/20 – 09/30/22

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.

Most 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' no later than six months following the close of the fiscal year. Further, in accordance with OCS SSSGB Supplemental Terms and Conditions, SSBG is required to submit an interim and final SF-425 report covering Year 1 and the entire 2-year of the project period, 90 days following Year 1 (FFY 1) and 90 days following the end of Year 2 (FFY 2), respectively.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls,* requires the non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonable ensure compliance with Federal statutes, regulations, and other terms and conditions of the Federal Award.

Condition - We sampled and selected 2 out of 2 reports required to be submitted during the fiscal year and noted no evidence of the date the reports were prepared, reviewed, and submitted to the Federal grantor. In addition, we were not able to agree all the data in the report to the underlying records.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect - DHS is not in compliance with the stated provisions. Failure to submit required reports could result in reduction or disallowance of Federal funding.

Cause – It appears that policies and procedures, including oversight over submission of required reports were not functioning as intended.

Recommendation – We recommend that DHS strengthen its process with respect to ensuring proper retention, monitoring, and review of the required reports by an appropriate official who would ensure preparation of reports, information used is complete, accurate, reviewed, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-059**
Prior Year Finding Number: **2020-054**
Compliance Requirement: **Reporting**

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

Government Department/Agency:
Department of Human Services (DHS)

Children's Health Insurance Program
ALN: 93.767
Award #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, in accordance with the Compliance Supplement, the State or Territory is required to submit CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program*, thirty days after the end of the quarter.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 2 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted the following:

- 1 report did not contain evidence of review or approval.
- 2 reports had not been submitted in a timely manner.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-060**
Prior Year Finding Number: **2020-055**
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)

Children's Health Insurance Program
ALN: 93.767
Award #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – 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.

The Agency's control for this requirement is for the commissioners of both DHS and the Department of Property and Procurement (DPP) approve the Medicaid Provider Agreement. Effective April 09, 2021, the signature of DPP Commissioner's signature is no longer required.

Condition – We sampled and selected 60 out of 114 providers receiving payments during the fiscal year and noted 1 provider agreement had not been approved by the Commissioners of DHS and DPP prior to April 09, 2021.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with the stated provisions. Noncompliance with program requirements could result in disallowances of costs and ineligible providers could be participating in the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation.

Recommendation - We recommend that DHS perform regular reviews of the data in its files to ensure accuracy and completeness.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-061**
Prior Year Finding Number: **2020-057**
Compliance Requirement: **Allowable Costs/Cost Principles - Non-Payroll Activities**

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, 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 in order to be allowable under federal awards:

a. Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.

b. Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amounts of cost items.

c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-federal entity.

d. Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost.

e. Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.

g. Be adequately documented."

Condition – We sampled and selected 60 out of 1,696 non-payroll transactions and noted 1 instance where DHS paid a monthly fee for a trailer to store excess furniture and other administrative items that the Medicaid staff no longer needed.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect - DHS is not in compliance with the stated provisions. Failure to properly review and support expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - DHS does not have adequate policies and procedures in place to ensure that expenses are reviewed and approved to ensure reasonability and necessity.

Recommendation – We recommend that DHS improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for non-payroll expenditures.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-062**
Prior Year Finding Number: **2020-058**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – Plan and eligibility requirements must comply with various Federal requirements. The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with the State Plan under Title XIX of the Social Security Act, Section 4.7, *Maintenance of Records,* the Medicaid agency maintains or supervises the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provisions of medical assistance, and administrative costs, statistical, fiscal and other records necessary for reporting and accountability.

Condition – In our review of 60 out of 1,723 participant case files, we noted the following:

- For 1 participant, there was no evidence of a completed application.
- For 6 participants, there was no documentation in the case file supporting the verification of income or resource requirements.
- For 6 participants, there was no evidence that the social security number was verified.
- For 3 participants, there was no evidence that citizenship was verified and no support for a qualified alien.
- For all 60 participants, there was no evidence that a review and approval of the eligibility determination had been performed.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – Noncompliance with program requirements could result in disallowances of costs and program participants could be receiving benefits that they are not entitled to receive.

Cause – DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its participant case files.

Recommendation – We recommend that DHS perform regular reviews of the data in its participant case files to ensure accuracy and completeness and confirming that only eligible participants are receiving the entitled benefits. Additional levels of review by a supervisor or manager can provide more timely quality assurance oversight over the eligibility process.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-063**
Prior Year Finding Number: **2020-060**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

In accordance with the Compliance Supplement, the State or Territory is required to submit CMS-64, *Quarterly Statement of Expenditures for the Medicaid Assistance Program*, thirty days after the end of the quarter.

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 2 out of the 4 quarterly CMS-64 reports submitted during the fiscal year and noted the following:

- 1 report did not contain evidence of review or approval.
- 2 reports had not been submitted in a timely manner.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended.

Recommendation – We recommend that DHS reevaluate its policies and procedures to ensure proper monitoring and review of the required reports by an appropriate official who would ensure the information submitted is complete, accurate, consistent, and submitted within the required timeframe.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-064**
Prior Year Finding Number: **2020-061**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – The State or Territory plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. The State or Territory must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Suspected fraud should be referred to the State or Territory Medicaid Fraud Control Unit (42 CFR part 1007).

The State or Territory Medicaid agency 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 State or Territory Medicaid agency may conduct this review directly or may contract with a quality improvement organization (QIO).

Condition – DHS does not have the necessary controls or procedures to safeguard against unnecessary utilization of care and services and to identify, investigate, and refer suspected fraud cases.

Questioned Costs – Not determinable.

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

Effect – There may be prolonged, ongoing cases of unnecessary utilization and fraud which may be unnoticed and remain unreported by the program. Funds available are possibly being used inappropriately, with no methodology of properly identifying or tracking the amounts.

Cause – DHS does not appear to have an effective system in place to address the program's requirements.

Recommendation – DHS should reconsider whether it would like to be directly responsible for Utilization Control and Program Integrity, or if the use of a QIO would better suit current needs. Once this is decided, DHS should take the necessary steps to ensure compliance with this requirement. The written procedures should reflect the actual actions to be taken. In the event a QIO is used, DHS should be involved throughout, so that it is aware of the program's vulnerabilities and has the opportunity to make the necessary changes for improvement in a timely manner.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-065**
Prior Year Finding Number: **2020-062**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – The State or Territory Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State or Territory Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State or Territory Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State or Territory Plan (42 CFR section 447.253).

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 2021.

Questioned Costs - Not determinable.

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

Effect – Without timely audits of the cost reports, DHS has no assurance that the costs incurred by the medical facilities are actual costs incurred. Further, the difference between costs submitted for reimbursement and the costs actually reimbursed result in the use of local, rather than Federal, dollars to fund Medicaid expenditures.

Cause – DHS does not appear to have adequate policies and procedures in place for the provision of audited cost reports of its participating providers.

Recommendation – We recommend that DHS evaluate and develop policies and procedures to obtain and audit the cost reports. This will allow DHS to reduce the time between the Medicaid expenditures being incurred and the ultimate reimbursement from the Federal government.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-066**
Prior Year Finding Number: **2020-063**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – State or Territory agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State or Territory agencies must perform risk analyses whenever significant system changes occur. State or Territory agencies shall review the ADP system security of 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 State or Territory agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition – DHS did not perform the required ADP Risk Analysis and System Security Review for the systems that support the Medicaid Program.

Questioned Costs - Not determinable.

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

Effect - The absence of policies to ensure these analyses and reviews are performed may lead to physical and data security issues and noncompliance with program requirements. Further, DHS' risk of incomplete or inaccurate data processing, or worse, the risk of fraud, increases.

Cause – DHS' records do not permit a determination as to the sufficiency of the design and operation of key controls surrounding the environment in which the Medicaid claims reside.

Recommendation - We recommend that management should perform and review a risk analysis and system security review for all systems that support the Medicaid program. All issues should be addressed by management. If management becomes aware that such a report will not be available, we recommend that management conduct its own review.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-067**
Prior Year Finding Number: **2020-064**
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 #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria – 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 sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security 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. States must also follow guidance issued in the Medicaid Provider Enrollment Compendium (MPEC) at https://www.medicaid.gov/sites/default/files/2019-12/mpec-7242018.pdf to enroll providers into their Medicaid programs.

The Agency's control for this requirement is for the commissioners of both DHS and the Department of Property and Procurement (DPP) approve the Medicaid Provider Agreement. Effective April 09, 2021, the signature of DPP Commissioner's signature is no longer required.

Condition – We sampled and selected 60 out of 114 providers receiving payments during the fiscal year and noted 1 provider agreement had not been approved by the Commissioners of DHS and DPP prior to April 09, 2021.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of DHS' compliance with the specified requirements using a statistically valid sample.

Effect – DHS is not in compliance with the stated provisions. Noncompliance with program requirements could result in disallowances of costs and ineligible providers could be participating in the program.

Cause - DHS does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of documentation.

Recommendation - We recommend that DHS perform regular reviews of the data in its files to ensure accuracy and completeness.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-068**
Prior Year Finding Number: **2020-065**
Compliance Requirement: **Special Tests and Provisions - Medicaid Fraud Control Unit**

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: Various
Award Period: 10/01/2015 – 09/30/2022

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.
- All final expenditure reports are due 90 days after the end date of the project period of performance.
- 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 3 out of the 5 reports submitted during the fiscal year and noted the following:

- 3 reports did not contain evidence of review and approval prior to submission.
- 3 reports had not been submitted in a timely manner.

Questioned Costs - Not determinable.

Context - This is a condition identified per review of DHS and DOJ's compliance with the specified requirements using a statistically valid sample.

Effect - DHS and DOJ are not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the DHS and DOJ do not have adequate control over maintenance of the underlying documentation used in preparing various reports.

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

Finding Number: **2021-069**
Prior Year Finding Number: **2020-068**
Compliance Requirement: **Special Tests and Provisions – Medicaid National Correct Coding Initiative**

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN: 93.775, 93.778
Award #: Various
Award Period: 10/01/2015 – 09/30/2022

Criteria - States or Territories are required to incorporate six National Correct Coding Initiative (NCCI) methodologies into the state Medicaid Programs pursuant to requirements of Section 6507 of the Affordable Care Act (section 1903(r) of the Social Security Act). The purpose of the NCCI Program is to promote correct coding, prevent coding errors, prevent code manipulation, reduce improper payments and reduce the paid claims improper payment rate.

Condition – DHS did not have internal controls in place to ensure that the required NCCI methodologies were downloaded. Also, DHS did not provide documentation to verify that the quarterly NCCI edit files were uploaded timely in the system. In addition, DHS did not have the required signed Confidentiality Agreements in place as required by Technical Guidance Manual, sections 7.1.1 and 7.1.2 during fiscal year 2021.

Questioned Costs – Not determinable.

Context - This is a condition identified per review of DHS' compliance with the specified requirements.

Effect - DHS is not in compliance with regulations for the Medicaid National Correct Coding Initiative.

Cause - DHS did not establish internal controls to ensure that the NCCI methodologies were incorporated into the Medicaid program or that the required signed Confidentiality Agreements were in place.

Recommendation - We recommend that DHS establish internal controls to ensure compliance with the requirements of the Medicaid National Correct Coding Initiative and incorporate the NCCI methodologies into the state Medicaid program.

Views of Responsible Officials - The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number:	**2021-070**
	Not used.

Finding Number: **2021-071**
Prior Year Finding Number: **2020-069**
Compliance Requirement: **Matching, Level of Effort, Earmarking**

Program:
U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN #: 97.036
Award #: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Periods: 09/20/2017 – 09/07/2025
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – In accordance with the requirements of the grant agreement(s), the program is required to provide matching funds through cash, third-party in-kind services, materials, or any combination thereof. The Government is required to provide (a) 10% matching funds for most Permanent work project(s); and (b) 10% match for all emergency work completed after the first 180 days after declaration unless a waiver has been granted.

Condition – VITEMA did not meet the stipulated matching requirements during the fiscal year, nor did it obtain a corresponding waiver.

Questioned Costs – Not determinable.

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

Effect – VITEMA is not in compliance with the stated provisions.

Cause – VITEMA does not appear to have adequate policies and procedures in place to ensure a consistent and systematic monitoring of the requirements.

Recommendation – We recommend that VITEMA 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-072**
Prior Year Finding Number: **2020-070**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Homeland Security

Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN #: 97.036
Award #: FEMA-4335-DR, FEMA-4340-DR-VI, FEMA-4513-DR
Award Periods: 09/20/2017 – 09/07/2025
09/07/2017 – 09/16/2025
04/02/2020 – 05/11/2023

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, the Territorial agreement between VITEMA and FEMA dictates that all performance reports must be submitted within 30 days of the end of each quarter. Further, under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 24 out of the 181 reports submitted during the fiscal year and noted the following:

- 6 performance and 5 FFATA reports did not agree to the underlying records.
- 4 performance reports and 1 financial report had not been submitted in a timely manner.
- 11 FFATA reports were not submitted during the fiscal year.
- 16 FFATA reports did not contain evidence of review, approval, and submission.

The results of the testing performed over Transparency Act are outlined in the table below.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
16	0	11	5	0
Dollar Amount of Tested Transactions	**Subaward not reported**	**Report not timely**	**Subaward amount incorrect**	**Subaward missing key elements**
$70,454,425	0	$67,648,427	$2,805,998	0

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – VITEMA is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, VITEMA does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VITEMA reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-073**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

Program:
U.S. Department of Homeland Security

Hazard Mitigation Grant Program
ALN #: 97.039
Award #: FEMA-4335-DR, FEMA-4340-DR-VI
Award Periods: 09/20/2017 – 09/07/2025
09/07/2017 – 09/16/2025

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – A non-federal entity may charge to the Federal award allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Further, the Uniform Guidance in 2 CFR 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 no 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.

Condition – We noted 1 non-payroll transaction amounting to $33,006 was charged to a grant award which the period of performance had ended. There was no grant extension or approval received from the Federal Awarding Agency.

Questioned Costs – $33,006.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements and general compliance principles.

Effect – VITEMA is not in compliance with the stated provisions.

Cause- VITEMA did not appear to have adequate policies and procedures in place to ensure compliance with the required period of performance stipulations.

Recommendation – We recommend that VITEMA strengthen its processes with respect to setting up and charging expenditures between various grant awards. We also recommend that VITEMA enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-074**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Homeland Security

Hazard Mitigation Grant Program
ALN #: 97.039
Award #: FEMA-4335-DR, FEMA-4340-DR-VI
Award Periods: 09/20/2017 – 09/07/2025
09/07/2017 – 09/16/2025

Government Department/Agency:
Virgin Islands Territorial Emergency Management Agency (VITEMA)

Criteria – Each State or Territory must file various financial, programmatic, and special reports. Additionally, the requirements necessitate that all submitted reports should be supported by the underlying performance records and presented in accordance with program requirements.

More specifically for the program, the Territorial agreement between VITEMA and FEMA dictates that all performance reports must be submitted within 30 days of the end of each quarter. Further, under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Further, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We reviewed 8 out of the 16 reports submitted during the fiscal year and noted the following:

- 2 performance reports did not agree to the underlying records.
- 1 performance report had not been submitted in a timely manner.
- 5 performance reports submitted did not contain evidence of review and approval.
- 3 financial reports did not contain evidence of review and approval.
- 3 financial Reports did not have sufficient supporting documentation to validate accounting records agree with the reports.
- FFATA reports had not been prepared and submitted.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VITEMA's compliance with the specified requirements using a statistically valid sample.

Effect – VITEMA is not in compliance with stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, VITEMA does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VITEMA reevaluate its policies and procedures to ensure proper retention, monitoring, and review of the required reports by an appropriate official who would ensure that information submitted is complete, accurate, consistent and submitted within the required timeframe.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-075**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Activities Allowed or Unallowed – Non-Payroll Activities**

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

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Payment for supplemental lost wages is authorized under the "Other Expenses" category of Other Needs Assistance (ONA), in accordance with section 408(e)(2) of the Stafford Act (42 U.S.C. Section 5174(e)(2)) and 44 C.F.R. Section 206.119(c)(6)(ii), to eligible individuals of the U.S. Virgin Islands.

Condition – We sampled and selected 60 out of 8,196 supplemental lost wages transactions and noted 35 instances where VIDOL was not able to provide evidence that payments were made to eligible individuals.

Further, we noted that internal controls identified did not appear to be operating at a level of precision to ensure compliance with the above-mentioned requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total payments made for supplemental lost wages were $7,124,100 in fiscal year 2021. Total amount sampled is $47,400. The known amount of the exceptions is $27,600.

Effect – VIDOL is not in compliance with the stated provisions and payments made have been made for unallowable activities.

Cause – It appears that policies and procedures, including review and approval for eligible recipients were not functioning as intended.

Recommendation – We recommend that VIDOL reevaluates its policies and procedures to ensure regular reviews of data on file. This will help ensure completeness of signatories and verify that information has been reviewed and approved by the appropriate official.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-076**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Cash Management**

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

Criteria – The Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – We sampled and selected 7 out of 20 drawdowns and noted the following:

- 6 drawdowns where supporting documentation were not available for review.
- 1 drawdown did not contain evidence of review and approval.

Further, we noted that internal controls were not operating at a level of precision to ensure compliance with the cash management compliance requirements.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total fiscal year 2021 drawdown requests were $7,213,546. Total amount sampled and known amount of the exceptions is $4,940,580.

Effect – VIDOL is not in compliance with the stated provisions. Inaccurate information may have been reported to the Federal government in the absence of required reconciliations and reviews.

Cause – It appears that policies and procedures, including review over cash management transactions, were not functioning as intended.

Recommendation – We recommend that the VIDOL 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 planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-077**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Eligibility**

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

Criteria – Assistance from FEMA for providing supplemental payments for lost wages to eligible individuals under the ONA program is limited to a $300 per week through the week ending December 27, 2020. The term "eligible individual" means persons who provide self-certification that they are unemployed, partially unemployed, or unable or unavailable to work due to disruptions caused by COVID-19. In addition, the persons must be recipients of at least $100 for any of the following benefits, beginning back to August 1, 2020:

- Unemployment compensation, including Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service members (UCX);
- Pandemic Emergency Unemployment Compensation (PEUC);
- Pandemic Unemployment Assistance (PUA);
- Extended Benefits (EB);
- Short-Time Compensation (STC);
- Trade Readjustment Allowance (TRA); and
- Payments under the Sefl-Employment Assistance (SEA) program.

In addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 60 out of 8,196 claims submitted during the fiscal year, we noted 35 instances where VIDOL was unable to provide the approved self-certifications or that benefits paid were calculated correctly and in compliance with the requirements of the program.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Payments to beneficiaries were $7,124,100 in fiscal year 2021. Total amount sampled is $47,400. The known amount of the exceptions is $27,600.

Effect – Noncompliance with program requirements could result in disallowances of costs and participants could be receiving benefits that they are not entitled to receive.

Cause – VIDOL does not appear to have adequate policies and procedures in place to ensure a consistent and systematic review of the data in its claimant files.

Recommendation – We recommend that VIDOL reevaluate its policies and procedures to ensure proper maintenance and retention of complete program files and confirming that only eligible participants are receiving benefits they are entitled to.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-078**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Period of Performance**

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 – 9/27/2021

Criteria – A non-federal entity may charge to the Federal award allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award, only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

Further, the Uniform Guidance in 2 CFR 200.344(b), states that unless the Federal awarding agency or pass-through entity authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the Federal award no 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.

Condition – We sampled and selected 60 out of 8,196 transactions and noted 30 transactions where sufficient supporting documentation were not available to validate that the expenditures were incurred within the period of performance.

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample. Total program expenditures charged to the program was $7,128,856. Total amount sampled is $47,400. The known amount of the exceptions is $23,700.

Effect – VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

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

Recommendation – We recommend that VIDOL strengthen its processes with respect to setting up and charging expenditures between various grant awards. We also recommend that VIDOL enhance its review process to properly determine the activities of each grant relative to the appropriate period of performance.

Views of Responsible Officials – The Government concurs with the auditor's findings and recommendations. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-079**
Prior Year Finding Number: **N/A**
Compliance Requirement: **Reporting**

Program:
U.S. Department of Homeland Security
Federal Emergency Management Agency

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 – 9/27/2021

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 addition, the Uniform Guidance in 2 CFR Section 200.303, *Internal Controls*, requires that non-federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition – In our review of 10 out of 56 reports submitted during the fiscal year, we noted the following:

- 3 reports were not available for review.
- 3 reports did not contain evidence of review and approval.
- 2 reports were not submitted.
- 2 reports had not been submitted in a timely manner.
- 2 reports where financial information did not agree with underlying records.

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

Questioned Costs – Not determinable.

Context – This is a condition identified per review of VIDOL's compliance with the specified requirements using a statistically valid sample.

Effect – VIDOL is not in compliance with the stated provisions and inaccurate information may have been reported to the Federal government.

Cause – It appears that policies and procedures, including review over reporting procedures were not functioning as intended. Further, the Government does not have adequate control over maintenance of the underlying documentation used in preparing various reports.

Recommendation – We recommend that VIDOL 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. The planned corrective actions are presented in the Government's Corrective Action Plan attached as Appendix B to the Single Audit Report.

Finding Number: **2021-080**
Prior Year Finding Number: **2020-071**
Compliance Requirement: **Data Collection Form and Single Audit Reporting Package**

Program:

ALN # 10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN # 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN # 11.022	Bipartisan Budget Act of 2018
ALN # 15.875	Economic, Social, and Political Development of the Territories
ALN # 17.225	Unemployment Insurance
ALN # 20.205	Highway Planning and Construction Cluster
ALN # 20.507	Federal Transit Cluster
ALN # 21.019	COVID-19 - Coronavirus Relief Fund
ALN # 21.023	COVID-19 - Emergency Rental Assistance Program
ALN # 21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
ALN # 66.468	Drinking Water State Revolving Fund Cluster
ALN # 84.027A	Special Education Cluster (IDEA)
ALN # 84.403A	Consolidated Grant to the Outlying Areas
ALN # 84.425A, 84.425H	COVID-19 - Education Stabilization Fund
ALN # 93.356, 93.600	Head Start Cluster
ALN # 93.563	Child Support Enforcement
ALN # 93.667	Social Services Block Grant
ALN # 93.767	Children's Health Insurance Program
ALN # 93.775, 93.778	Medicaid Cluster
ALN # 97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
ALN # 97.039	Hazard Mitigation Grant Program
ALN # 97.050	COVID-19 - Presidential Declared Disaster Assistance to Individuals and Household - Other Needs

Criteria – The Uniform Guidance in 2 CFR Section 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 – 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, 2021.

Questioned Costs – Not applicable.

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

Effect – The Government could be exposed to a reduction or elimination of funds by the Federal awarding agencies.

Cause – The Government did not have controls in place to ensure that the reporting package was submitted to the FAC within the required timeframe.

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 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 2020-001, 2019-001, 2018-001, 2017-001, 2016-009, 2015-009 and 2014-009: Financial Position

Deficits in Unrestricted Net Position

Current Status: Repeated. Finding 2021-001.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.

Plan Funding Considerations

Current Status: Repeated. Finding 2021-001.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Virgin Islands Public Finance Authority created the Matching Fund Special Purpose Securitization Corporation (Corporation) for the purpose of refunding and restructuring the matching fund bonds of the Government. In addition, the Corporation placed a funding note with GERS secured by a subordinate lien on the matching funds and is projected to pay out $3.8 billion to GERS through 2051.

Government Insurance Fund

Current Status: Repeated. Finding 2021-001.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Commissioner of Finance issued a schedule increasing the premium rates effective in fiscal year 2023. In addition, the Executive and Legislative branches of the Government are collaborating to implement various recommendations by its actuary to increase the base rate in an effort to provide long-term viability of the Fund. Management will also consider embarking on an advisory path to take into account some alternatives that could minimize the severity of any losses.

Finding 2020-002, 2019-002, 2018-002, 2017-003, 2016-001, 2015-001 and 2014-001: Year-End Close Process

Timeliness and Methodology of Close Process

Current Status: Repeated. Finding 2021-002.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: External factors have impacted the Government's closing procedures. A significant reason for this delay is the recovery of the Government from the historic hurricanes of 2017 and the pandemic of 2020. All effort will be made to expedite closing procedures as we move to timely audits. The Government is moving to a quarterly closing of its financial records and concurs that all accounts should be reviewed and reconciled during the fiscal year with adjustments posted during the fiscal year.

Journal Entries

Current Status: Repeated. Finding 2021-002.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: In an effort to maintain a desirable separation of duties, management has updated the policy by implementing controls whereas, the individual that creates a journal entry will not approve or post that journal. This was only available to limited staff at the Department of Finance and the policy has been made effective immediately. We are continuing to find these rare occurrences and restrict employees' access.

Finding 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 2021-003.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: For purposes of interim financial reporting, the Bureau of Internal Revenue, Office of the Lieutenant Governor, and the Department of Finance have begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation.

Optimum Usage of the Real Property Tax System

Current Status: Repeated. Finding 2021-003.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 Lieutenant Governor's office implemented a new real property tax billing and collection system to meet the financial and reporting needs of the Government. The new system addresses the issues noted by generating aged outstanding receivables, revenue and collection reports, and cut-off balances as of any given point in time.

Tax Return Processing Method

Current Status: Repeated. Finding 2021-003.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Bureau has launched its online gross receipts filing system. The Bureau is in the final testing stage of implementing the online income tax filing system.

Real Property Tax

Current Status: Repeated. Finding 2021-003.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: LGO will continue to work with appropriate agencies and review its records to remove from its tax rolls any entities that are exempt from paying taxes. LGO notes that Government agencies are generally not exempt from paying sewer fees which are collected via the tax bill on behalf of the VI Waste Management Authority. Therefore, these entities will receive tax bills for sewer fees only.

Other Revenues

Current Status: Repeated. Finding 2021-003.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. We will conduct spot checks to ensure employees are adhering to this process.

Finding 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 2021-004.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 SEFA is prepared by the Department of Finance via a customized report that extracts information from the ERP system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level.

As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies. Therefore, in an effort to enhance the monthly reconciliation function, the Office of Management and Budget will fully implement the Grants Management Module in the ERP system and will also utilize the capabilities and management information from eCivis, a grant management system.

Given that certain financial data related to the SEFA is provided to the Department of Finance by certain third parties using separate financial systems, the Department of Finance will continue to coordinate with said parties – through the respective department/agency – in order to mitigate the prospect of duplicating entries by documenting the roles, responsibilities, and timelines associated with posting financial data onto the central Government's ERP system.

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Federal Grants and Contributions

Current Status: Repeated. Finding 2021-004.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Finance monitors the federal receivables and provides the agencies with reports showing outstanding drawdowns. In addition, a private firm has been contracted to work directly with the agencies to reconcile the Government's federal receivables.

Finding 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 2021-005.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Finance will review the controls in place and update the necessary manuals to address all of the recommendations set forth.

Reconciliation and Review of Subsidiary Registers

Current Status: Repeated. Finding 2021-005.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: To verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Capital Assets team which comprises of several key individuals within various departments, spearheaded by the Department of Property and Procurement and the Lieutenant Governor's Office will identify land assets and confirm what is on the books. Overall, an update to the policies and procedures will be worked on expeditiously to include how often the policies and procedures are updated and the frequency of working sessions for reconciliations. Revision of the Asset Policy and Procedural Manual is in process along with continued collaboration between the Department of Finance, Department of Property and Procurement, and Department of Public Works relative to the development of the Capital Assets team.

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Construction in Progress (CIP) Monitoring

Current Status: Repeated. Finding 2021-005.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Property and Procurement in collaboration with key individuals in other agencies will provide findings internally for areas where this step was missed, including some accountability. The Capital Assets team has already begun deliberating on how the Government can capture this at the time of final payment. We will also review the policy and update accordingly.

Capital Assets Impairment Process

Current Status: Repeated. Finding 2021-005.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system. There is a project management software that houses all CIP information.

Capital Assets – Business-Type Activities

Current Status: Repeated. Finding 2021-005.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will review the recommendations and collaborate with relevant parties to incorporate for fiscal year 2023.

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Finding 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 2021-006.

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 Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/Records Management staff, to first develop a firm number with regard to the Government's retroactive obligation. This process has already started. The Division of Personnel can only confirm the research that was done based on the Retroactive Wage Commission project.

DOP Information Technology staff is ready to work with the Office of Collective Bargaining/Chief Negotiator, designated as the lead, on the development of a master file that will serve as the clearinghouse for all collective bargaining agreements. To assist with the past retroactive calculation and on-going payments to individuals and their respective survivors, the division is designing a central repository portal that will contain total obligations due and payments made to date.

Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database. It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and the Office of Management and Budget (OMB). OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.

Medical Malpractice Liability

Current Status: Repeated. Finding 2021-006.

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 Health is in the process of submitting an RFP to solicit an actuary to perform the evaluation.

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Accounts Payable

Current Status: Repeated. Finding 2021-006.

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 Finance has begun a dialogue with Tyler Munis, the ERP system, and has explored some system functionality that needs to be voted on and agreed collectively with the central agencies, specifically the Office of Management and Budget. Once a vote has been reached and the preferable next steps, training and updates to policies and procedures will be in effect.

Income Tax Refunds Payable

Current Status: Corrective action was taken. Finding not repeated in the current year.

Landfill Closure and Post Closure Costs Liability

Current Status: Repeated. Finding 2021-006.

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 Government is working with its consultants to review the work and write a report to implement monitoring controls and ensure that all calculations are reviewed timely.

Quality of Census Data

Current Status: Repeated. Finding 2021-006.

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: A request for proposal is currently being advertised to obtain a vendor who will provide a census data management system to assist with maintaining current and accurate records.

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Finding 2020-007, 2019-007, 2018-007, 2017-008, 2016-006, 2015-006 and 2014-007: Management of the Medicaid Program

Cost Report Audits and System Security Review

Current Status: Repeated. Finding 2021-007.

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: For the cost report audits, the Medicaid Assistance Program continues to work with the selected vendor to complete the requirements. For the Eligibility System, a vendor has been selected and the contract is in process. Additionally, the Medicaid Program will work closely to ensure all information is provided relative to the environment for the claims.

Finding 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 2021-008.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Virgin Islands Department of Labor (VIDOL) hired a Financial Analyst to reconcile the Unemployment Insurance Trust Fund. The Trust Fund is in good standing and being reconciled daily.

Finding 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 2021-009.

Reason for Recurrence: The Department of Finance will collaborate with VIDOL to consider the recommendations set forth. The newly implemented claims software will assist in resolving the issues mentioned.

Corrective Action Plan: The Department of Finance will collaborate with VIDOL to consider the recommendations set forth. The newly implemented claims software will assist in resolving the issues mentioned.

Finding 2020-010, 2019-010 and 2018-010: Other Postemployment Benefits Obligation

Administration and Recordkeeping

Current Status: Repeated. Finding 2021-010.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Finance has already began working with the Division of Personnel on this matter. Going forward, we will continue to establish a process that will address the findings noted. The Division of Personnel can account for the receivables and payables of the Health Insurance Retiree Fund as an employee was hired as of January 2020, to monitor and track the accounting of the fund for the Group Health Insurance Unit.

Update of Mortality Tables

Current Status: Repeated. Finding 2021-010.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: For consistency, the mortality assumption (and other demographic assumptions) used in the valuation are the same as those used in the Government Employees' Retirement System (GERS) of the Virgin Islands' pension valuations. Updated assumptions will be implemented when the next experience study is performed for GERS.

Finding 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 2021-011.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 we have begun to utilize the STATS system in fiscal year 2021, the Department of Finance will collaborate with the Department of Human Services to determine and consider the recommendations set forth.

Additionally, the Department of Finance - Payroll Division will monitor overtime and work with the various agencies to ensure that it is appropriate and within the laws and collective bargaining agreements. In some cases, a state of emergency, overrides the normal overtime regulations appropriately.

Formalize Emergency Payroll Procedures

Current Status: Repeated. Finding 2021-011.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: With infrastructure improvements due to climate change and technology advances in remote capabilities due to the global pandemic, the Government has made great strides in its controls to ensure continuation of normal operating procedures under the most stressful of circumstances. Protocols for emergency payroll processing are continuously updated.

Transactions with Personnel

Current Status: Repeated. Finding 2021-011.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Finance implemented a government credit card program in fiscal year 2021 that includes training and an active P.O. for card issuance. The Department will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor so that all other reimbursements are made in compliance with policies.

Reporting for Expenditures

Current Status: Repeated. Finding 2021-011.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the approval process, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module.

Finding 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 2021-012.

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: The Commissioner of Finance will enforce Title 33, Subtitle 3, Chapter 115, Subchapter III, Subsection 3261 which outlines the procedures for unpaid checks. Also, the Director of Treasury will ensure that bank reconciliations are prepared and reviewed on a timely basis. The Government will also work with the Munis consultants regarding implementation of a process tracking to determine when bank reconciliations are reviewed and approved.

Cash Pooling and Allocation(s)

Current Status: Repeated. Finding 2021-012.

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: The Director of Treasury, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure that bank reconciliations are prepared timely as we continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.

Check Sequences

Current Status: Repeated. Finding 2021-012.

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: The ERP system does automatically generate check numbers for some accounts. To ensure controls are in place over the sequence of checks, controls will be established on the check series used and check series not used.

Finding 2020-013, 2019-013, 2018-013, 2017-013, 2016-012, 2015-012 and 2014-012: Information Technology Environment

User Access and Administration

Current Status: Repeated. Finding 2021-013.

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: Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway. Additionally, the MIS Director currently participates in regular meetings with the Bureau of Information Technology during which the implementation of a government-wide framework is being established.

Proactive Approach to Cybersecurity

Current Status: Repeated. Finding 2021-013.

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 BIT Team has implemented mandatory training for all staff in order to provide security awareness and to also strengthen the environment to reinforce against common attacks.

Finding 2020-014 and 2019-014: Collateral of Depository

Current Status: Repeated. Finding 2021-014.

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: Collateral reports are specific to the financial institution and may not include all quasi-governmental or component unit accounts if not identified as a government account when established at the financial institution. The Government will work with its banks to ensure any accounts identified are included on the collateral report of the related institution.

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Finding 2020-015, 2019-015, 2018-014, 2017-014, 2016-013 and 2015-013: Landfill Consent Decrees

Current Status: Repeated. Finding 2021-015.

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 of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.

Finding 2020-016, 2019-016, 2018-015, 2017-015, 2016-014 and 2015-014: Establishment of a Medical Malpractice Trust Fund

Current Status: Repeated. Finding 2021-016.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Department of Health management team will set up a separate trust fund and continue to monitor the applicable requirements related to professional medical malpractice to ensure the Government's compliance.

Finding 2020-017, 2019-017, 2018-016, 2017-016 and 2016-015: Procurement Regulations

Current Status: Repeated. Finding 2021-017.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government will continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders, contracts, and profiles to ensure that internal policies and regulations are being adhered to.

Finding 2020-018, 2019-018, 2018-017 and 2017-017: Casino Control Commission

Current Status: Repeated. Finding 2021-018.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Government has requested and is receiving the requisite reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code.

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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 #: 1VI400409, 1VI400408
Award Year: 10/01/2018 – 09/30/2019
10/01/2019 – 09/30/2020

Finding 2020-019, 2019-022, 2018-029 and 2017-031: Special Tests and Provisions – EBT Card Security

Current Status: Repeated. Finding 2021-021.

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: SNAP is in the stages of finalizing the Electronic Benefit Transfer Standard Operating Policy and Procedures (SOPP) which will be subsequently submitted to FNS' Northeast Regional Office for final approval. Additionally, DHS is in the process of hiring a Director of Support Services to be tasked with oversight responsibilities. In the interim, Management continues to review established memos with the EBT Staff highlighting the varying aspects of the draft SOPP.

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 #: 1VI700708
Award Year: 10/01/17 - 09/30/20

Finding 2019-023, 2018-036 and 2017-036: Equipment/Real Property Management

Current Status: Corrective action was taken. Finding not repeated in current year.

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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-15-2-1000, W9127P-20-2-1000
Award Year: 10/01/2017 - 09/30/2020

Finding 2020-020, 2019-025 and 2017-077: Allowable Costs/Cost Principles – Payroll Activities

Current Status: On-going implementation. OTAG has developed new policies and procedures to address pre-award costs and the 90 days close out process. New policies and procedures have also been created to address the validation of payroll process activities. In addition, an Employee Relations Coordinator has been in place to ensure validation input. The Director of Administration and Business Management certifies, and the Agency Head approves of allowable cost/cost principles payroll activities.

Finding 2020-021, 2019-026, 2017-078, 2016-045 and 2015-051: Cash Management

Current Status: On-going implementation. OTAG developed a new Policies and Procedures Manual to address the preparation and submission of the SF-270 report. In addition, a Chief Financial Officer has been put in place to ensure separation of duties in financial reporting.

Finding 2020-022, 2019-027, 2017-079, 2016-046 and 2015-052: Matching, Level of Effort, Earmarking

Current Status: On-going implementation. The master cooperative agreements through the appendices identifies the cost share and what is required by persons performing management functions. In addition, OTAG has developed a new policies and procedures manual which includes tracking the match fulfillment for each expenditure.

Finding 2020-023, 2019-028, 2017-080 and 2016-047: Period of Performance

Current Status: On-going implementation. OTAG has developed new policies and procedures to address pre-award costs and the 90 days close out process.

Finding 2020-024, 2019-029, 2017-081, 2016-048, 2015-053 and 2014-049: Reporting

Current Status: On-going implementation. OTAG developed a new Policies and Procedures Manual to address the preparation and submission of the SF-270 report. In addition, a Chief Financial Officer has been put in place to ensure separation of duties in financial reporting.

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Program:
U.S. Department of the Interior

Government Department/Agency:
Various

Economic, Social, and Political Development
of the Territories
ALN #: 15.875
Award #: Various
Award Year: Various

Finding 2020-025, 2019-030, 2017-074, 2015-062 and 2014-051: Cash Management

Current Status: Repeated. Finding 2021-025.

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: The Government endeavors to exercise due diligence in requesting and reconciling all Federal funds consistent with the governing requirements. Every effort is being made by the responsible parties to ensure full compliance in the future.

Finding 2020-026, 2019-031, 2017-075, 2015-063 and 2014-053: Equipment/Real Property Management

Current Status: Repeated. Finding 2021-026.

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: The DPP created the Division of Asset Reporting and Management in March 2021. The division is conducting physical inventory of the fixed assets for the Government of the Virgin Islands (GVI) agencies.

Fixed Assets are tagged and maintained in the Tyler Munis Resource Planning (ERP), which includes serial numbers, model numbers, acquisition dates, cost of equipment, and agency that received the items. Periodic meetings will be held with the fixed-asset employees throughout the GVI to detail and refresh agencies on the processes. Additionally, the Division will conduct quarterly audits, ensure compliance with applicable laws, conduct cycle counts, and conduct an annual inventory of current and newly acquired assets of the GVI. Staffing levels will be augmented to fulfill the duties of the Asset Team.

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Finding 2020-027 and 2019-032: Reporting

Current Status: Repeated. Finding 2021-027.

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: The Government will monitor closely every report submitted for completeness, accuracy, dates, and consistency with specified guidelines/policies and procedures promulgated by the Cognizant Agency.

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Unemployment Insurance
ALN #: 17.225
Award #: Various
Award Year: 10/01/2016 – 12/31/2022

Finding 2020-028, 2019-033, 2018-038, 2017-071, 2016-057, 2015-065 and 2014-054: Activities Allowed or Unallowed

Current Status: Repeated. Finding 2021-028.

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: VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. VIDOL seeks to improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds.

Finding 2020-029: Special Tests and Provisions: UI Reemployment Programs: RESEA

Current Status: Repeated. Finding 2021-033.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: VIDOL will review and update internal controls to ensure program data is properly reconciled, monitored, and retained. VIDOL is preparing to launch digital Case Management Software that would improve efficiency in reconciliations, monitoring and retention of program data.

Program:
U.S. Department of the Treasury

Coronavirus Relief Fund
ALN #: 21.019
Award #: N/A
Award Year: 03/02/2020 – 12/31/2021

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

Finding 2020-030: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2020-031: Reporting

Current Status: Repeated. Finding 2021-035.

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: OMB has included an additional layer in the review process to ensure that all reported information coincides with the information in the General Ledger.

Finding 2020-032: Subrecipient Monitoring

Current Status: Repeated. Finding 2021-036.

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 OMB has conducted training and revised its checklist to include a standard risk assessment form for all potential subrecipients.

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Program:
U.S. Environmental Protection Agency

Government Department/Agency:
Department of Public Works

Construction Grants for Wastewater Treatment Works
ALN #: 66.418
Award #: Various

Finding 2020-033: Cash Management

Current Status: Corrected.

Finding 2020-034: Reporting

Current Status: Ongoing implementation. The Department continues to reinforce policies and procedures with staff. Additionally, periodic internal audits of reports and trainings are completed to ensure compliance.

Finding 2020-035: Special Tests and Provisions – Wage Rate Requirements

Current Status: Corrected.

Program:
U.S. Environmental Protection Agency

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Drinking Water State Revolving Fund Cluster
ALN #: 66.468
Award #: FS98235211, FS98235212, FS98235213, FS98235214, FS98235215, FS98235216, FS98235217
Award Year: 10/01/13 - 09/30/21, 10/01/14 - 09/30/21, 10/01/15 - 09/30/22, 10/01/16 - 09/30/23

Finding 2020-036 and 2019-036: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2021-040.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DPNR has already taken steps to adhere to the federal regulations and continues to be vigilant when preparing NOPAs to ensure that all funding sources relative to the distribution of payroll expenses are included on the NOPAs. DPNR plans to hire fiscal staff, update Standard Operating Policies & Procedures, provide training to staff, and enforce approved policies & procedures.

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The Department of Planning & Natural Resources has experienced a substantial loss of staff, which contributed to the inability to prepare and maintain the necessary documentation to update NOPA's. To address this issue, the Department is taking steps to hire the staff needed to ensure that the Program's documentation is updated as required.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (DOE)

Consolidated Grant to the Outlying Areas
ALN #: 84.403A
Award #: S403A160004, S403A170004, S403A180004, S403A190004
Award Periods: 07/01/2016 – 09/30/2019
07/01/2017 – 09/30/2020
07/01/2018 – 09/30/2021
07/01/2019 – 09/30/2022

Finding 2020-037: Period of Performance

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2020-038: Reporting

Current Status: Repeated. Finding 2021-045.

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: DOE will implement policies and procedures to ensure that the FFATA reporting requirements are performed accurately and timely. In addition, the Federal Grants Office will review the reports to ensure completeness before final submission within the required timeframe.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (DOE)

Immediate Aid to Restart School Operations
ALN #: 84.938A
Award #: S938A180004
Award Periods: 05/14/2018 – 09/30/2021

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Finding 2020-039: Allowable Costs/Cost Principles – Indirect Cost Activities

Current Status: Ongoing implementation. DOE's State Fiscal and Business Office continue to work collaboratively to ensure that indirect cost is applied timely to actual expenditures incurred in the appropriate period.
DOE has already revised its indirect cost calculation frequency and posting from monthly to weekly. DOE's third-party fiduciary agent (TPFA) prepares the indirect cost calculation and submits to DOE for review and approval via the ERP system. This calculation is based on the prior week's expenditures, which ensures they are based on valid expenses and recorded in the accounting system in the appropriate period.

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 #: 02CH010576-01, 02CH010576-02,
02CH10576-03, 02TD000024-01, 02TD000034-01,
02TD000111-01
Award Periods: 07/01/2018 – 06/30/2019
07/01/2019 – 06/30/2020
07/01/2020 – 06/30/2021
03/01/2019 – 02/28/2021
05/01/2019 – 04/30/2021
05/01/2020 – 04/30/2022

Finding 2020-040: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2021-052.

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: DHS has transitioned from a manual payroll process to the GVI electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee.

Finding 2020-041, 2019-052, 2018-049, 2017-041, 2016-021, 2015-030 and 2014-028: Equipment/Real Property Management

Current Status: Repeated. Finding 2021-053.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the 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 DPP will adhere to the recommendation by ensuring the federal regulations related to equipment management, timely recording of assets, and communicating with GVI agencies are followed. An internal asset listing at DHS is maintained. However, the Department of Human Services is working collaboratively with the Department of Property and Procurement to ensure adherence to Federal regulations related to equipment and its related maintenance.

The DPP created the Division of Asset Reporting and Management in March 2021. The Division is conducting physical inventory of the fixed assets for the Government of the Virgin Islands (GVI) agencies. Fixed Assets are tagged and maintained in the Tyler Munis Resource Planning (ERP), which includes serial numbers, model numbers, acquisition dates, cost of equipment, and the agency that received the items. Additionally, the Division will conduct quarterly audits, ensure compliance with applicable laws, conduct cycle counts, and conduct an annual inventory of current and newly acquired assets of the GVI. Staffing levels will be augmented to fulfill the duties of the Asset Team.

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

Government Department/Agency:
Department of Justice (DOJ)

Child Support Enforcement
ALN #: 93.563
Award #: 2001VICSES, 1901VICES
Award Year: 10/01/2019 – 09/30/2020

Finding 2020-042, 2019-041, 2017-063 and 2016-038: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2021-055.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: The Human Resources Division will work closely with Division of Personnel and Department of Finance during they payroll allocation setup for each federal funded NOPA each fiscal year. A review of all NOPAs upon issuance will be performed to ensure all payroll codes are coded with the 66/34 federal/local match percentages and the correct retirement calculations are coded to each employee profile. Upon retirement of any staff, their payroll profiles will be updated as inactive to ensure no further payroll expenditures are made to the grant expense account. To ensure all timesheets can be provided during any audit, DOJ will printout timesheets for each employee on a bi-weekly basis and store them internally for easy retrieval.

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Finding 2020-043: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Corrective action was taken. Finding not repeated in current year.

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

Government Department/Agency:
Department of Human Services (DHS)

CCDF Cluster
ALN #: 93.575
Award #: 1701VICCDF, 1801VICCDF, 1901VICCDF
Award Year: 10/01/2016 – 09/30/2022

Finding 2020-044 and 2019-045: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Corrected.

Finding 2020-045 and 2019-046: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrected.

Finding 2020-046 and 2019-047: Eligibility

Current Status: Ongoing implementation. The process for determining eligibility, including the required documentation for different categories of participants, is outlined in the Office of Child Care and Regulatory Services Subsidy Resource and Referral Program Policies and Procedures Manual.

Finding 2020-047 and 2019-048: Matching, Level of Effort, Earmarking

Current Status: Corrected.

Finding 2020-048 and 2019-049: Period of Performance

Current Status: Corrected.

Finding 2020-049 and 2019-050: Special Tests and Provisions – Health and Safety Requirements

Current Status: Corrected.

Finding 2020-050 and 2019-051: Special Tests and Provisions – Fraud Detection and Repayment

Current Status: Corrected.

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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 #: 1701VISOSR, 1801VISOSR, 1901VISOSR-01
Award Year: 10/01/2017 – 09/30/2019
10/01/2018 – 09/30/2020
10/01/2019 – 09/30/2021

Finding 2020-051: Allowable Costs/Cost Principles – Payroll Activities

Current Status: Repeated. Finding 2021-056.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS has transitioned from a manual payroll process to the GVI electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee.

Finding 2020-052 and 2019-053: Cash Management

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2020-053: Period of Performance

Current Status: Repeated. Finding 2021-057.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Ongoing implementation. As part of the close-out process, all open purchase orders are now submitted to the Department of Finance to be closed. Additionally, the grant close out process has now shifted to the OMB to ensure the grant is no longer available for transactions entries or liquidations.

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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 #: 1905VQ5R21, 1905VQ5021
Award Year: 10/01/2018 – 09/30/2019
10/01/2018 – 09/30/2020

Finding 2020-054, 2019-056, 2018-056, 2017-059 and 2016-032: Reporting

Current Status: Repeated. Finding 2021-059.

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: With the proper personnel in place, reports are reviewed prior to submission. Additionally, time extensions are requested via email and will be attached as part of the permanent record.

Finding 2020-055: Special Tests and Provisions - Provider Eligibility

Current Status: Repeated. Finding 2021-060.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS utilizes a checklist to confirm the review of provider enrollment applications by Provider Relations staff; also ensure all necessary signatures are affixed.

Finding 2020-056: Special Tests and Provisions – Refunding of Federal Share of CHIP Overpayments to Providers

Current Status: Corrective action was taken. Finding not repeated in current year.

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

Government Department/Agency:
Department of Human Services (DHS)

Medicaid Cluster
ALN #: 93.775, 93.778
Award #: Various
Award Year: 10/01/2015 – 09/30/2022

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Finding 2020-057, 2019-057 and 2018-057: Allowable Costs/Cost Principles – Non-Payroll Activities

Current Status: Repeated. Finding 2021-061.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS will update its policies and procedures to detail its current process of reviewing and approving to ensure the implementation of changes in laws and regulations. The excess furniture was surveyed out as part of the inventory process and properly disposed of in fiscal year 2022 and the agreement terminated.

Isolated occurrence while the MAP program was being transitioned from one building to another. As the equipment could not be used at the new location, it was stored for future use. The Director of Asset Management has oversight of the storage of inventory to avert future occurrences.

Finding 2020-058, 2019-058, 2018-060, 2017-046, 2016-024 and 2015-035: Eligibility

Current Status: Repeated. Finding 2021-062.

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: DHS staff will work with PMO, hired to assist with the Public Health Emergency Unwind and establish SOPPs on certification and recertification processes and procedures. DHS is also in the process of hiring a Program Integrity Director and MEQC staff, whose responsibility will be to review completed case files.

Finding 2020-059, 2019-059, 2018-061 and 2017-047: Matching, Level of Effort, Earmarking

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2020-060, 2019-060, 2018-064 and 2017-049: Reporting

Current Status: Repeated. Finding 2021-063.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: With the proper personnel in place, reports are reviewed prior to submission. Additionally, time extensions are requested via email and will be attached as part of the permanent record.

Finding 2020-061, 2019-061, 2018-065, 2017-055, 2016-028, 2015-040, 2014-033, 2013-018 and 12-15: Special Tests and Provisions - Utilization Control and Program Integrity

Current Status: Repeated. Finding 2021-064.

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: DHS has recruited a candidate as a full-time Director of Program Integrity position who will establish the Quality Control Unit, which will work with Medicaid Fraud Control Unit (MFCU) on behalf of the Medicaid Program and enforce the necessary controls and procedures to safeguard against unnecessary utilization of care and services and to identify, investigate, and refer suspected fraud cases.

Finding 2020-062, 2019-062, 2018-066, 2017-052, 2016-025, 2015-036, 2014-035, 2013-019 and 12-16: Special Tests and Provisions - Inpatient Hospital and Long-Term Care Facility Audits

Current Status: Repeated. Finding 2021-065.

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: DHS will continue to work with the contractor to ensure the report is completed.

Finding 2020-063, 2019-063, 2018-067 and 2017-054: Special Tests and Provisions – ADP Risk Analysis and System Security Review

Current Status: Repeated. Finding 2021-066.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is currently working through the procurement process with DPP in order to identify a new vendor to perform the mandated services.

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Finding 2020-064, 2019-064, 2018-068 and 2017-051: Special Tests and Provisions – Provider Eligibility

Current Status: Repeated. Finding 2021-067.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS is now utilizing a checklist to confirm the review of provider enrollment applications by Provider Relations staff.

Finding 2020-065, 2019-065, 2018-069, 2017-053, 2016-026, 2015-038, 2014-034, 2013-022 and 12-21: Special Tests and Provisions - Medicaid Fraud Control Unit

Current Status: Finding 2021-068.

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: DOJ is responsible for staffing the Medicaid Fraud Control Unit to ensure proper objective oversight and separation of duties from the Medicaid program. DOJ assigned a full time Assistant Attorney General with oversight of the Medicaid Fraud Control Unit at the end of fiscal year 2020. Additionally, a Special Agent/Investigator was added to the Unit. The Unit also receives support from DOJ's Investigators funded with local government funds. The Medicaid Fraud Control Unit is now fully staffed and able to monitor the various requirements. The DOJ MFCU will prepare SF-425 as required.

Finding 2020-066, 2019-066, 2018-070 and 2017-050: Special Tests and Provisions – Federal Financial Participation Refunds

Current Status: Corrective action was taken. Finding not repeated in current year.

Finding 2020-067: Special Tests and Provisions – Refunding of Federal Share of Medicaid Overpayments to Providers

Current Status: Corrective action was taken. Finding not repeated in current year.

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Finding 2020-068: Special Tests and Provisions – Medicaid National Correct Coding Initiative

Current Status: Repeated. Finding 2021-069.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: DHS will work towards implementing internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid Program.

Although DHS stated that the documentation supporting DHS download and incorporation of the NCCI methodologies were available for review and the MMIS has the methodologies built into the system. OMB recommends that the documentations that DHS will implement internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid Program.

Program:	***Government Department/Agency:***
U.S. Department of Homeland Security	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
Award Year: 09/20/2017 – 09/07/2025
09/07/2017 – 09/16/2025

Finding 2020-069: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2021-071.

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: Ongoing implementation. VITEMA will implement policies and procedures and deploy the required resources to ensure periodic monitoring and compliance of the matching requirements throughout the fiscal year. VITEMA will also strive to ensure that supporting documents are available to support the local match.

Finding 2020-070, 2019-068 and 2018-073: Reporting

Current Status: Repeated. Finding 2021-072.

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Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

Corrective Action Plan: Additional program staff has been dedicated to assist with completing the Performance reports within the 30 days of the quarter ending; and completing the FFATA reporting and maintain monthly reports as evidence of the awards filed.

Program:

ALN # 10.551, 10.561	Supplemental Nutrition Assistance Program Cluster (SNAP)
ALN # 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
ALN # 12.401	National Guard Military Operations and Maintenance (O&M) Projects
ALN # 15.875	Economic, Social, and Political Development of the Territories
ALN # 17.225	Unemployment Insurance
ALN # 20.205	Highway Planning and Construction Cluster
ALN # 20.500, 20.507	Federal Transit Cluster
ALN # 66.468	Drinking Water State Revolving Fund Cluster
ALN # 84.403A	Consolidated Grant to the Outlying Areas
ALN # 84.938A	Immediate Aid to Restart School Operations
ALN # 93.563	Child Support Enforcement
ALN # 93.575	CCDF Cluster
ALN # 93.600	Head Start
ALN # 93.667	Social Services Block Grant
ALN # 93.767	Children's Health Insurance Program
ALN # 93.775, 93.778	Medicaid Cluster
ALN # 97.030	Community Disaster Loans
ALN # 97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Finding 2020-071, 2019-069, 2018-074 and 2017-088: Data Collection Form and Single Audit Reporting Package

Current Status: Repeated. Finding 2021-080.

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 is working with the audit team to improve on timely responses from agency leadership. Proactive measures have been implemented with the agency's point of contact and training of staff is currently taking place.

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Program:
U.S. Department of Agriculture

Government Department/Agency:
Department of Education (DOE)

Child Nutrition Cluster
ALN #: 10.555, 10.559
Award #: 1VI300308
Award Year: 10/01/2017 – 09/30/2018

Finding 2018-030, 2017-019, 2016-068, 2015-068 and 2014-058: Allowable Costs/Cost Principles – Indirect Cost Activities

Current Status: On-going implementation. The Special Nutrition Programs continues to use its indirect cost log to ensure consistent tracking and all indirect cost expenditures have been posted promptly. DOE's State Nutrition Office prepares the indirect cost calculation and submits it to DOE's Business Office Director for review and approval via the ERP system. Any discrepancy identified is communicated in a timely manner to the responsible entity in DOE to have the adjustment (s) or other necessary action (s) made to the correct account before the respective grant award expiration and subsequent liquidation period.

Finding 2018-031, 2017-020, 2016-069, 2015-069 and 2014-059: Cash Management

Current Status: On-going implementation. DOE has implemented procedures to address the drawdown process. DOE continues tracking and recording all payments and drawdowns to ensure that drawdowns occur within the specified timeframe in accordance with GVI's CMIA agreement. GVI's CMIA Agreement is dated 2019. DOE remains available to work with DOF in updating this policy that captures DOE's practices.

Finding 2018-032, 2017-021, 2016-070, 2015-070 and 2014-060: Equipment/Real Property Management

Current Status: On-going implementation. DOE will improve its internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. DOE will revise the process for creating new assets in the accounting system to include a description of the property, a serial number or other identification numbers, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use, and condition of the property, and disposition information. This will allow DOE to provide a complete equipment listing.

Finding 2018-033 and 2017-022: Matching, Level of Effort, and Earmarking

Current Status: On-going implementation. The missing information was not provided due to the storage area being damaged and files destroyed during the Hurricanes occurred in 2017. To minimize the risk of payroll documents being destroyed by natural disasters or other means, DOE's Payroll team scans documents to the Department's server.

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Finding 2018-034, 2017-023, 2016-071: Period of Performance

Current Status: On-going implementation. The program continues to exercise due diligence in ensuring all transactions and costs involving Federal funds comply with the terms and conditions of the federal grant and are recorded appropriately. DOE continues to reevaluate its policies and procedures to ensure that all grant requirements are met timely.

Finding 2018-035 and 2017-024: Procurement/Suspension and Debarment

Current Status: On-going implementation. The State agency successfully worked with the DPP and DOE's Procurement Division to include all necessary and required language in contracts.

Program:
U.S. Department of Transportation

Government Department/Agency:
Department of Public Works (DPW)

Highway Planning and Construction Cluster,
ALN #: 20.205
Award #: Name: Territorial Highway Program Implementation and Stewardship Agreement
Award Year: 10/01/2016 – 09/30/2020

Finding 2018-042, 2017-070, 2016-050 and 2015-055: Equipment/Real Property Management

Current Status: On-going implementation. DPW will continue to work with the Department of Property & Procurement so that all equipment is registered, properly tagged, and reviewed by DPP.

Program:
U.S. Department of Education

Government Department/Agency:
Department of Education (DOE)

Special Education – Grants to States (IDEA, Part B)
ALN #: 84.027
Award #: H027A150004-15A, H027A160004, H027A170004, H027A180004
Award Periods: 07/01/2015 – 09/30/2016
07/01/2016 – 09/30/2017
07/01/2017 – 09/30/2018
07/01/2018 – 09/30/2019

Finding 2018-044: Matching, Level of Effort, Earmarking

Current Status: Repeated. Finding 2021-041.

Reason for Recurrence: The Government is focused on improving its procedures. There are areas that were addressed and other areas that are still in the process of implementing new internal controls and procedures. Further, various employee transition issues have impacted the continued progression towards completed remediation.

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Corrective Action Plan: On-going implementation. DOE will implement policies and procedures to ensure that the Level of effort monitoring requirements are performed accurately. In addition, the IDEA State Office will conduct a preliminary review and the Budget Control Office will perform the final review and approval for submission within the required timeframe. Evidence of completion of verification will be documented by the signature of both reviewers.

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

Government Department/Agency:
Department of Health (DOH)

Epidemiology and Laboratory Capacity for Infectious Diseases
ALN #: 93.323
Award #: CK000377-03
Award Year: 08/01/2014 – 07/31/2019

Finding 2017-060: Cash Management

Current Status: The Agency did not respond and provide the current status.

Finding 2017-061: Equipment/Real Property Management

Current Status: The Agency did not respond and provide the current status.

Finding 2017-062: Reporting

Current Status: The Agency did not respond and provide the current status.

Program:
U.S. Environmental Protection Agency

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Performance Partnership Grants
ALN #: 66.605
Award #: Various
Award Year: 10/01/2009 - 03/31/2019

Finding 2017-082: Allowable Costs/Cost Principles – Indirect Cost Activities

Current Status: On-going implementation. DPNR maintains regular contact with USEPA and obtains written approval for the use of any indirect cost agreement that isn't current. Additionally, indirect cost calculations are reviewed and approved by the Internal Auditor and Business Director to ensure accuracy.

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Finding 2017-083: Cash Management

Current Status: On-going implementation. DPNR is making a conscientious effort to ensure that drawdowns are carried out within the timeframe of the Cash Management Improvement Act Agreement.

Finding 2017-084: Equipment/Real Property Management

Current Status: On-going implementation. The DPNR maintains its own listing of equipment and collaborates with DPP to ensure that property records are reconciled. Every effort is being made to ensure that all vehicles are properly maintained and secured.

Finding 2017-085: Matching, Level of Effort, Earmarking

Current Status: On-going implementation. The Department of Planning and Natural Resources has updated its Standard Operating Procedures to address internal control measures regarding proof of review and approval. In addition, local funding for the Program is tracked via spreadsheet with all incurred expenditures.

Finding 2017-086: Procurement/Suspension and Debarment

Current Status: Corrected.

Finding 2017-087: Reporting

Current Status: On-going implementation. As per DPNR Standard Operating Procedures, all Divisional Directors review and approve reports before submission. Consequently, the Director of Environmental Protection reviews and signs all program reports for the Program.

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

Government Department/Agency:
Department of Human Services (DHS)

Aging Cluster
ALN #: 93.044, 93.045, 93.053
Award #: 1601VISOSR, 1501VISOSR, 1401VISOSR
Award Year: 10/01/2015 - 09/30/2018
10/01/2014 – 09/30/2017
10/01/2013 – 09/30/2016

Finding 2016-034: Cash Management

Current Status: On-going implementation. The Program has hired a Federal Grant Financial Analyst and a Federal Accounts Payables Specialist. This has strengthened its internal control. Check runs are monitored and the respective draws are conducted accordingly.

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Finding 2016-035: Eligibility

Current Status: Corrected.

Finding 2016-037: Subrecipient Monitoring

Current Status: On-going implementation. The DHS continues to work on the development of standard internal policies and procedures in monitoring subrecipients.

Program:
U.S. Department of Labor

Government Department/Agency:
Department of Labor (VIDOL)

Employment Service Cluster
ALN #: 17.207, 17.801
Award #: ES260501455A78, ES275221555A78, ES294431655A78, ES275221555A78, ES260501455A78, ES246501355A78, DV64, 266241555578
Award Year: 07/01/2014 – 09/30/2017
07/01/2015 – 09/30/2018
07/01/2016 – 07/01/2019
07/01/2015 – 09/30/2018
07/01/2014 – 09/30/2017
07/01/2013 – 09/30/2016
10/01/2015 – 09/30/2016

Finding 2016-064: Cash Management

Current Status: On-going implementation. DOL will enforce its policy that all drawdowns are thoroughly reviewed and approved before request is submitted.

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

Government Department/Agency:
Department of Human Services (DHS)

Temporary Assistance for Needy Families Cluster
ALN #: 93.558
Award #: 1501VITANF
Award Year: 10/01/2014 - 09/30/2015

Finding 2015-020 and 2014-018: Activities Allowed or Unallowed

Current Status: Corrected.

Finding 2015-023 and 2014-020: Eligibility

Current Status: On-going implementation. The DHS continues to operationalize the process. The implementation plan is slated to include new procedures to determine participants' eligibility and provide consistent monitoring of the programs.

Finding 2015-024: Equipment/Real Property Management

Current Status: On-going implementation. The Department continues to collaborate with the Department of Property and Procurement in stashing and maintaining an active inventory registry.

Finding 2015-026 and 2014-022: Special Tests and Provisions - Child Support Non-Cooperation

Current Status: On-going implementation. The TANF Program continues its efforts to strengthen its internal controls to ensure adequate file maintenance.

Finding 2015-027 and 2014-023: Special Tests and Provisions - Penalty for Refusal to Work

Current Status: On-going implementation. The TANF Program continues its efforts to strengthen its internal controls to ensure adequate record maintenance.

Finding 2015-028, 2014-025, 2013-017 and 12-14: Special Tests and Provisions - Income Eligibility and Verification System

Current Status: On-going implementation. While a memorandum of understanding was established, work between the 2 agencies continue to establish a set reporting standard.

Program:
U.S. Department of Commerce

Coastal Zone Management Administration Awards
ALN #: 11.419
Award #: Various
Award Year: 10/01/2014 - 09/30/2015

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2015-042 and 2014-040: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrected.

Finding 2015-043 and 2014-041: Equipment/Real Property Management

Current Status: On-going implementation. The DPNR maintains its own listing of equipment and collaborates with DPP to ensure that property records are reconciled.

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Finding 2015-045: Reporting

Current Status: On-going implementation. The Fiscal and Program staff of DPNR are working together to ensure that all reports are completed and submitted by their due dates.

Program:
U.S. Department of Commerce

Coral Reef Conservation Program
ALN #: 11.482
Award #: NA11NOS4820004/NA13NOS4820011
Award Year: 10/01/2014 – 09/30/2015

Government Department/Agency:
Department of Planning and Natural Resources (DPNR)

Finding 2015-046 and 2014-044: Allowable Costs/Cost Principles - Payroll Activities

Current Status: Corrected.

Finding 2015-047: Equipment/Real Property Management

Current Status: On-going implementation. The DPNR maintains its own listing of equipment and collaborates with DPP to ensure that property records are reconciled.

Finding 2015-048 and 2014-045: Matching, Level of Effort, Earmarking

Current Status: Corrected.

Corrective Action Plan

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DEPARTMENT OF FINANCE

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
	2021-001: Financial Position			
38	• Deficits in Unrestricted Net Position	The Governor's Financial Team	On-going	The Government is continuing with its recovery efforts of working with federal partners, attracting new industries, improving financial controls, monitoring cash flows, and rebuilding equity.
38	• Plan Funding Considerations	The management team of the Department of Finance, Virgin Islands Public Finance Authority, and Government Employees' Retirement System of the U.S. Virgin Islands	April 2022	The Virgin Islands Public Finance Authority created the Matching Fund Special Purpose Securitization Corporation (Corporation) for the purpose of refunding and restructuring the matching fund bonds of the Government. In addition, the Corporation placed a funding note with GERS secured by a subordinate lien on the matching funds and is projected to pay out $3.8 billion to GERS through 2051.
39	• Government Insurance Fund	The Governor, V.I. Legislature, and the Commissioners of the Department of Finance and Department of Labor	On-going	The Commissioner of Finance issued a schedule increasing the premium rates effective in fiscal year 2023. In addition, the Executive and Legislative branches of the Government are collaborating to implement various recommendations by its actuary to increase the base rate in an effort to provide long-term viability of the Fund. Management will also consider embarking on an advisory path to take into account some alternatives that could minimize the severity of any losses.

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	2021-002: Year-End Close Process			
40	• Timeliness and Methodology of Close Process	The management team of the Department of Finance; specifically, the Assistant Commissioner and the Directors of Accounting, Treasury, and Payroll	Immediately	External factors have impacted the Government's closing procedures. A significant reason for this delay is the recovery of the Government from the historic hurricanes of 2017 and the pandemic of 2020. All effort will be made to expedite closing procedures as we move to timely audits. The Government is moving to a quarterly closing of its financial records and concurs that all accounts should be reviewed and reconciled during the fiscal year with adjustments posted during the fiscal year.
41	• Journal Entries	Directors of Accounting and Management Information Systems	Immediately	In an effort to maintain a desirable separation of duties, management has updated the policy by implementing controls whereas, the individual that creates a journal entry will not approve or post that journal. This was only available to limited staff at the Department of Finance and the policy has been made effective immediately. We are continuing to find these rare occurrences and restrict employees' access.
	2021-003: Revenue and Receivables			
42	• Reconciliation of Subsidiary Registers	Assistant Chief of Processing, Tax Collector, and designated staff in collaboration with Director of Treasury and as needed, the Director of Accounting	On-going	For purposes of interim financial reporting, the Bureau of Internal Revenue, Office of the Lieutenant Governor, and the Department of Finance have begun quarterly reconciliation meetings to reduce end of year adjustments, reconcile NSF checks in timely manner, and implement internal safeguards to allow for more efficient reconciliation.

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42	• Optimum Usage of the Real Property Tax System	The management team of the Department of Finance and Office of the Lieutenant Governor, specifically, the Director of Accounting, Tax Assessor, Tax Collector, and the Chief of Staff	June 2022	The Lieutenant Governor's office implemented a new real property tax billing and collection system to meet the financial and reporting needs of the Government. The new system addresses the issues noted by generating aged outstanding receivables, revenue and collection reports, and cut-off balances as of any given point in time.
43	• Tax Return Processing Method	The management team of the Bureau of Internal Revenue; specifically, the Computer Operations and Processing Branches	June 2024	The Bureau has launched its online gross receipts filing system. The Bureau is in the final testing stage of implementing the online income tax filing system.
43	• Real Property Tax	The management team of the Office of the Lieutenant Governor; specifically, the Tax Assessor, Tax Collector, and the Chief of Staff	On-going	LGO will continue to work with appropriate agencies and review its records to remove from its tax rolls any entities that are exempt from paying taxes. LGO notes that Government agencies are generally not exempt from paying sewer fees which are collected via the tax bill on behalf of the VI Waste Management Authority. Therefore, these entities will receive tax bills for sewer fees only. Additionally, LGO's new billing and collection system that went live in June 2022, addresses all of the other findings.
44	• Other Revenues	Department of Finance management, specifically the Director of Treasury	Immediately	In an effort to provide adequate supporting documentations for sampled items, the Government will ensure that the procedures to attach the documents are fully adhered to. We will conduct spot checks to ensure employees are adhering to this process.
	2021-004: Grants Management			

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45	• Control Systems Over the Schedule of Expenditures of Federal Awards	For the Grants Management Module, the Director, Office of Management and Budget and with respect to the SEFA, the Commissioner, Department of Finance	Immediately	The SEFA is prepared by the Department of Finance via a customized report that extracts information from the ERP system. However, the reconciliation of grant expenditures is ostensibly decentralized at the departmental/agency level. As such, departments/agencies are primarily responsible for performing the reconciliation function between grant expenditures and federal financial reports; which, in the long run, will improve the reliability of the SEFA and reporting to grantor agencies. Therefore, in an effort to enhance the monthly reconciliation function, the Office of Management and Budget will fully implement the Grants Management Module in the ERP system and will also utilize the capabilities and management information from eCivis, a grant management system. Given that certain financial data related to the SEFA is provided to the Department of Finance by certain third parties using separate financial systems, the Department of Finance will continue to coordinate with said parties – through the respective department/agency – in order to mitigate the prospect of duplicating entries by documenting the roles, responsibilities, and timelines associated with posting financial data onto the central Government's ERP system.
46	• Federal Grants and Contributions	Department of Finance management, specifically the Director of Treasury	On-going	The Department of Finance monitors the federal receivables and provides the agencies with reports showing outstanding drawdowns. In addition, a private firm has been contracted to work directly with the agencies to reconcile the Government's federal receivables.
47	• Federal Grants Accounting	Director of Treasury and Executive Assistant	On-going	The Government will ensure strict adherence to its reconciliation process to differentiate federal funding from other funding

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		Commissioner, Department of Finance		sources. Additional reconciliations will be performed and relevant adjustments will be made.
	2021-005: Capital Assets and Related Expenditures			
48	• Record Keeping	The Commissioner, Department of Finance, Director of Accounting, and Fixed Assets Coordinator	Immediately	The Department of Finance will review the controls in place and update the necessary manuals to address all the recommendations set forth.
49	• Reconciliation and Review of Subsidiary Registers	Various designated individuals within the Department of Property and Procurement, Lieutenant Governor's Office, the Department of Public Works, and the Department of Finance to formulate a Capital Assets team	Fiscal Year 2023	To verify that all assets in the subsidiary register are reviewed and updated with sufficient descriptions, corrected acquisition dates, and recalculated accumulated depreciation, the Capital Assets team which comprises of several key individuals within various departments, spearheaded by the Department of Property and Procurement and the Lieutenant Governor's Office will identify land assets and confirm what is on the books. Overall, an update to the policies and procedures will be worked on expeditiously to include how often the policies and procedures are updated and the frequency of working sessions for reconciliations.
				Revision of the Asset Policy and Procedural Manual is in process along with continued collaboration between the Department of Finance, Department of Property and Procurement, and Department of Public Works relative to the development of the Capital Assets team.

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49	• Construction in Progress (CIP) Monitoring	The Commissioner, Department of Property & Procurement	Immediately	The Department of Property and Procurement in collaboration with key individuals in other agencies will provide findings internally for areas where this step was missed, including some accountability. The Capital Assets team has already begun deliberating on how the Government can capture this at the time of final payment. We will also review the policy and update accordingly.
50	• Capital Assets Impairment Process	Various designated individuals within the Department of Property and Procurement and the Department of Public Works to formulate a Capital Assets team	Immediately	In an effort to implement a formal process whereby a periodic impairment assessment is conducted and to ensure that all disposals and retirements are consistently processed, the Government will identify key personnel from various departments and agencies to form a Capital Assets team in addition to full implementation of the fixed assets module within the ERP system. There is a project management software that houses all CIP information.
51	• Capital Assets – Business-Type Activities	Department of Finance, Director of Accounting and Financial Reporting and Capital Asset Coordinator	Fiscal Year 2023	The Government will review the recommendations and collaborate with relevant parties to incorporate for fiscal year 2023.
	2021-006: Recording of Liabilities			
52	• Retroactive Pay Liability	The management team of the Division of Personnel; specifically, the Information Technology Manager, Personnel	On-going	The Division of Personnel (DOP) will work with the Office of Collective Bargaining (OCB) to develop a master file that will serve as a clearinghouse for collective bargaining agreements and negotiated pay rates for unionized public sector workers. The Government's Chief Negotiator will take the lead in developing

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		Records Supervisor, OMB Director, and Budget Analysts		the master file containing negotiated pay rates. OCB management will coordinate with the Division of Personnel's staff, to include the Director and Information Technology/Records Management staff, to first develop a firm number with regard to the Government's retroactive obligation. This process has already started. The Division of Personnel can only confirm the research that was done based on the Retroactive Wage Commission project.
				DOP Information Technology staff is ready to work with the Office of Collective Bargaining/Chief Negotiator, designated as the lead, on the development of a master file that will serve as the clearinghouse for all collective bargaining agreements. To assist with the past retroactive calculation and on-going payments to individuals and their respective survivors, the division is designing a central repository portal that will contain total obligations due and payments made to date.
				Additionally, on a bi-annual basis, the team will meet in order to compare negotiated employee salary rates to those contained in the official personnel records within the ERP system database.
				It must be noted that DOP functions as a facilitator with regard to the hiring process and relies on official financial information from OCB and the Office of Management and Budget (OMB). OCB negotiates and interprets contract language for unionized public sector workers while OMB certifies the availability of funding for the purpose of wage implementation. DOP then reviews, audits, and implements newly negotiated wages.
52	• Medical Malpractice Liability	The Commissioner, Department of Health	Fiscal Year 2024	The Department of Health is in the process of submitting an RFP to solicit an actuary to perform the evaluation.

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
53	• Accounts Payable	The management team of the Department of Finance; specifically, the Assistant Commissioner and Director of Accounting	On-going	The Department of Finance has begun a dialogue with Tyler Munis, the ERP system, and has explored some system functionality that needs to be voted on and agreed collectively with the central agencies, specifically the Office of Management and Budget. Once a vote has been reached and the preferable next steps, training and updates to policies and procedures will be in effect.
54	• Landfill Closure and Post Closure Costs Liability	Waste Management Authority Management Team	Fiscal Year 2023	The Government is working with its consultants to review the work and write a report to implement monitoring controls and ensure that all calculations are reviewed timely.
54	• Quality of Census Data	The management team of the Government Employees' Retirement System Department of Finance and Division of Personnel; specifically, Administrator, Director, Member Services, and Director of Information Technology	Fiscal Year 2023	A request for proposal is currently being advertised to obtain a vendor who will provide a census data management system to assist with maintaining current and accurate records.
	2021-007: Management of the Medicaid Program			
55	• Cost Report Audits, System Security Review, and Approvals	The Commissioner, Department of Human Services, Chief Financial Officer, and the Program Administrator	On-going	For the cost report audits, the Medicaid Assistance Program continues to work with the selected vendor to complete the requirements. For the Eligibility System, a vendor has been selected and the contract is in process. Additionally, the Medicaid Program will work closely to ensure all information is provided relative to the environment for the claims.

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	2021-008: Unemployment Insurance Trust Fund			
56	• Account Reconciliation Process	Commissioner, Virgin Islands Department of Labor	On-going	The Virgin Islands Department of Labor (VIDOL) hired a Financial Analyst to reconcile the Unemployment Insurance Trust Fund. The Trust Fund is in good standing and being reconciled daily.
	2021-009: Workers Compensation Program			
57	• Plan Valuation Methodology	Executive Assistant Commissioner, Director of Accounting and Reporting, and Agency Head	On-going	The Department of Finance will collaborate with VIDOL to consider the recommendations set forth. The newly implemented claims software will assist in resolving the issues mentioned.
	2021-010: Other Postemployment Benefits Obligation			
59	• Administration and Recordkeeping	Executive Assistant Commissioner, Department of Finance and Division of Personnel	On-going	The Department of Finance has already began working with the Division of Personnel on this matter. Going forward, we will continue to establish a process that will address the findings noted. The Division of Personnel can account for the receivables and payables of the Health Insurance Retiree Fund as an employee was

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				hired as of January 2020, to monitor and track the accounting of the fund for the Group Health Insurance Unit.
59	• Update of Mortality Tables	Executive Assistant Commissioner, Department of Finance	Performance of next experience study	For consistency, the mortality assumption (and other demographic assumptions) used in the valuation are the same as those used in the Government Employees' Retirement System (GERS) of the Virgin Islands' pension valuations. Updated assumptions will be implemented when the next experience study is performed for GERS.
	2021-011: Payroll, Related Accruals, and Other Expenditures			
61	• Payroll Expenditures	The management team of the Division of Personnel, Department of Finance; specifically, Director of Payroll, and Departments and Agencies' payroll personnel	On-going	While we have begun to utilize the STATS system in fiscal year 2021, the Department of Finance will collaborate with the Department of Human Services to determine and consider the recommendations set forth. Additionally, the Department of Finance - Payroll Division will monitor overtime and work with the various agencies to ensure that it is appropriate and within the laws and collective bargaining agreements. In some cases, a state of emergency, overrides the normal overtime regulations appropriately.
61	• Formalize Emergency Payroll Procedures	The management team of the Division of Personnel and Department of Finance; specifically, Director of Payroll	On-going	With infrastructure improvements due to climate change and technology advances in remote capabilities due to the global pandemic, the Government has made great strides in its controls to ensure continuation of normal operating procedures under the most stressful of circumstances. Protocols for emergency payroll processing are continuously updated.

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62	• Transactions with Personnel	The management team of the Office of the Governor and Department of Finance, specifically, Credit Card Administrator	On-going	The Department of Finance implemented a government credit card program in fiscal year 2021 that includes training and an active P.O. for card issuance. The Department will coordinate with the Office of the Governor to strengthen, recommunicate, and monitor so that all other reimbursements are made in compliance with policies.
62	• Reporting for Expenditures	The Department of Finance, Executive Assistant Commissioner and Director of Accounting	On-going	We will continue to enforce the Standard of Operating Procedures and Policies (SOPP) that all invoices are attached in the ERP system and closely examine the invoice approval process. As part of the approval process, invoices will be closely reviewed to ensure expenditures are recorded in the proper period and are supported in the Accounts Payable module.
	2021-012: Bank Accounts			
63	• Strengthen Controls Over Bank Reconciliations	The management team of the Department of Finance; specifically, the Director of Treasury	On-going	The Commissioner of Finance will enforce Title 33, Subtitle 3, Chapter 115, Subchapter III, Subsection 3261 which outlines the procedures for unpaid checks. Also, the Director of Treasury will ensure that bank reconciliations are prepared and reviewed on a timely basis. The Government will also work with the Munis consultants regarding implementation of a process tracking to determine when bank reconciliations are reviewed and approved.
64	• Cash Pooling and Allocation(s)	The management team of the Department of Finance; specifically, the	Fiscal Year 2023	The Director of Treasury, with oversight from the Assistant Commissioner, will enhance the documentation provided to support the pooling and subsequent allocation of the cash accounts. Additional human capital has been provided to ensure

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		Deputy Commissioner and Director of Treasury		that bank reconciliations are prepared timely as we continue to strive to improve the link between the confirmed cash account balances and cash balance per fund presented within the year-end financial statements.
64	• Check Sequences	The management team of the Department of Finance; specifically, the Deputy Commissioner and Directors of Treasury and MIS	Fiscal Year 2023	The ERP system does automatically generate check numbers for some accounts. To ensure controls are in place over the sequence of checks, controls will be established on the check series used and check series not used.
	2021-013: Information Technology (IT) Environment			
65	• User Access and Administration	The management team of the Bureau of Internal Revenue (including the Director of Processing and IT), Office of Lieutenant Governor, Department of Labor, specifically, the IT Director, the management team of Division of Family Assistance of the Department of Human Services, and the Department of Finance	On-going	Several enhancements have been made in alignment with correspondences to end users. Continuation of improvements is well underway. Additionally, the MIS Director currently participates in regular meetings with the Bureau of Information Technology during which the implementation of a government-wide framework is being established. Only members of the Computer Operations Group are Administrators on the Bureau of Internal Revenue domain. Also, a password lockout and complexity policy is in effect. All users must take part in the Bureau of Internal Revenue annual Disclosure and Computer Awareness training.

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66	• Proactive Approach to Cybersecurity	BIT Director and Assistant Director to include all MIS Team leaders	On-going	The BIT Team has implemented mandatory training for all staff in order to provide security awareness and to also strengthen the environment to reinforce against common attacks.
68	2021-014: Collateral of Depository	The Commissioner of Finance	Fiscal Year 2023	Collateral reports are specific to the financial institution and may not include all quasi-governmental or component unit accounts if not identified as a government account when established at the financial institution. The Government will work with its banks to ensure any accounts identified are included on the collateral report of the related institution.
69	2021-015: Landfill Consent Decrees	Office of the Governor, Chief of Staff and the Waste Management Authority Management Team	On-going	The Government of the Virgin Islands is currently seeking funding, through the Virgin Islands Legislature, to address the funding concerns and to organize the work flow to timely complete reports to meet EPA decrees concerning the various issues.
70	2021-016: Establishment of a Medical Malpractice Trust Fund	The management team of the Department of Health; specifically, the Chief Financial Officer and Commissioner	On-going	The Department of Health management team will set up a separate trust fund and continue to monitor the applicable requirements related to professional medical malpractice to ensure the Government's compliance.
71	2021-017: Procurement Regulations	Department of Property and Procurement Management Team	On-going	The Government will continue to take necessary measures to address noncompliance and perform periodic reviews of purchase orders, contracts, and profiles to ensure that internal policies and regulations are being adhered to.
72	2021-018: Casino Control Commission	The Department of Finance and Director of Accounting	Fiscal Year 2022	The Government has requested and is receiving the requisite reporting from the Casino Control Commission on a quarterly basis as covered by the V.I. Code.

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73	2021-019: Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer and Deputy Commissioner of Human Resources and Labor Relations	January 2024	DHS has transitioned from a manual payroll process to the GVI electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee. Payroll will now generate automatically based on coding established with the issuance of each Notice of Personnel Action.
75	2021-020: Matching, Level of Effort, Earmarking	Chief Financial Officer	On-going	The internal control policies references monthly internal reports which were not readily available. However, these reports are comprised of transposing information from the ERP to Excel sheets. In lieu of the reports, the ERP system contains various reports that are now utilized to prepare quarterly financial reports. Federal accounts and the required local matches are housed in separate accounts with different coding. These reports are meshed and the FFR utilizing such. The internal control memos will be updated to reflect the new methodologies.
76	2021-021: Special Tests and Provisions – EBT Card Security	SNAP Administrator	May 2024	An EBT Standard Operating Policy and Procedure (SOPP) Manual will form part of the EBT Program Standard Operating Policy and Procedure Manual which will be inclusive of secured storage/dual custody, escalation protocols, retention periods of reports, review, and approval authority signatures (example EBT Supervisor and Program Administrator), etc. The vacant position of Director of Support Services will also be advertised for hiring of a suitable candidate.
				SNAP is in the stages of finalizing the Electronic Benefit Transfer SOPP which will be subsequently submitted to FNS' Northeast

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				Regional Office for final approval. Additionally, DHS is in the process of hiring a Director of Support Services to be tasked with oversight responsibilities. In the interim, Management continues to review established memos with the EBT Staff highlighting the varying aspects of the draft SOPP.
78	2021-022: Cash Management	WIC Program Director, Office Manager and Fiscal Administrative staff.	July 2024	Staff reviewing the supporting documentation will initial/sign showing evidence of review and approval before the completion of the drawdown for example paid invoice report, invoice entry proof or purchase order liquidation report will initial/sign showing evidence of review and approval before the completion of the drawdown.
79	2021-023: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Federal Grants Manager and Director-Business Administration	On-going	The Department of Planning & Natural Resources has Policies and Procedures in place relative to reconciliation and payroll adjustments. The discrepancy was identified during reconciliation and is being adjusted. The DPNR will work with the Department of Finance to ensure that adjustments are posted in the current year. Moreover, Department of Finance has implemented a cutoff date for adjustments to be posted within the fiscal year.
81	2021-024: Reporting	Director, Coastal Zone Management and Director, Fish and Wildlife	April 2024	The Federal Grants Managers will work with the Division Director/Program Manager to ensure that the performance progress reports are submitted to NOAA in a timely manner.
82	2021-025: Cash Management	Respective Agency Heads throughout the Government	Fiscal Year 2024	The Government endeavors to exercise due diligence in requesting and reconciling all Federal funds consistent with the governing requirements. Every effort is being made by the responsible parties to ensure full compliance in the future.

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83	2021-026: Equipment and Real Property Management	Director of Asset Management	Immediately	The DPP created the Division of Asset Reporting and Management in March 2021. The division is conducting physical inventory of the fixed assets for the Government of the Virgin Islands (GVI) agencies. Fixed Assets are tagged and maintained in the Tyler Munis Resource Planning (ERP), which includes serial numbers, model numbers, acquisition dates, cost of equipment, and agency that received the items. Periodic meetings will be held with the fixed-asset employees throughout the GVI to detail and refresh agencies on the processes. Additionally, the Division will conduct quarterly audits, ensure compliance with applicable laws, conduct cycle counts, and conduct an annual inventory of current and newly acquired assets of the GVI. Staffing levels will be augmented to fulfill the duties of the Asset Team.
85	2021-027: Reporting	Respective Agency Heads throughout the Government	Fiscal Year 2023	The Government will monitor closely every report submitted for completeness, accuracy, dates, and consistency with specified guidelines/policies and procedures promulgated by the Cognizant Agency.
87	2021-028: Activities Allowed or Unallowed	Acting Director	Immediately	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. VIDOL seeks to improve internal controls to ensure adherence to Federal regulations related to the fiscal and administrative requirements for expending and accounting for all funds.
88	2021-029: Eligibility	Acting Director	On-going	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary

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				documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
90	2021-030: Reporting	Acting Director	On-going	VIDOL understands the need to revamp and update the reporting system. The agency is in the process of identifying adequate financial resources to enhance the reporting system, get technical assistance, and have additional updates. This update will leverage technology to convert some of the current manual tasks and build out a business intelligence module that will provide the system with automated reporting.
92	2021-031: Special Tests and Provisions: Employer Experience Rating	Acting Director	Immediately	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested data. In addition, VIDOL will review and implement internal controls and procedures over maintenance of appropriate documentation to ensure compliance with Federal regulations related to employer experience rating.
94	2021-032: Special Tests and Provisions – Match with IRS 940 FUTA Tax Form	Acting Director	Immediately	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested data. In addition, VIDOL will review and implement internal controls and procedures over maintenance of appropriate documentation to ensure compliance with Federal regulations related to match with IRS 940 FUTA Tax form.
96	2021-033: Special Tests and Provisions: UI Reemployment Programs (WPRS and RESEA)	Acting Director	Fiscal Year 2024	VIDOL will review and update internal controls to ensure program data is properly reconciled, monitored, and retained. VIDOL is preparing to launch digital Case Management Software that would improve efficiency in reconciliations, monitoring and retention of program data.

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98	2021-034: Procurement and Suspension and Debarment	Chief Procurement Officer/Deputy Commissioner of Procurement - DPW	Immediately	The DPP will employ the use of its technological advancements in order to adhere to federal regulations relating to procurement and record retention policies. The DPW will reinforce policies and procedures with staff. Additional training will be conducted along with periodic (quarterly) internal audits of the files to ensure compliance. The Chief Procurement Officer will ensure that contract files are comprised of all supporting documents in compliance with the federal guidelines. The DPP has already deployed an e-Procurement solution, which serves as the system of record for all formal solicitations and contracts. The system tracks all procurement activities from solicitation through contract execution and is the repository for all draft and final documents including addenda, amendments, and vendor documents. Additionally, the Department has developed and continues to update its Procurement Manual and Standard Operating Procedures to ensure the proper administration and management of all procurement tasks.
100	2021-035: Reporting	Federal Grants Manager - OMB	Immediately	The Office of Management and Budget will implement internal controls to ensure all future reporting is supported and done in a timely manner. This control will include the federal grant reporting calendar, more than one employee having access to submit reports, and the Director certifying reports before submission. OMB has included an additional layer in the review process to ensure that all reported information coincides with the information in the General Ledger.

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102	2021-036: Subrecipient Monitoring	Federal Grants Manager, OMB	Immediately	The OMB has conducted training and revised its checklist to include a standard risk assessment form for all potential subrecipients.
104	2021-037: Allowable Costs/Cost Principles – Non-payroll Activities	Federal Grants Manager, OMB	Fiscal Year 2023	The Office of Management and Budget will implement procedures to ensure that all transactions are entered in the correct reporting period and all supporting documents are available for each transaction.
106	2021-038: Procurement and Suspension and Debarment	Federal Grants Manager, OMB and Deputy Commissioner of Procurement	Immediately	The OMB has conducted training and has created a procurement checklist. The OMB will also communicate with DPP to ensure adherence to the federal regulations. The DPP has already deployed an e-Procurement solution which serves as the system of record for all formal solicitations and contracts. The system tracks all procurement activities from solicitation through contract execution and is the repository for all draft and final documents to include addenda, amendments, and vendor documents. Additionally, the Department has developed and continues to update its Procurement Manual and Standard Operating Procedures to ensure the proper administration and management of all procurement tasks.
108	2021-039: Reporting	Federal Grants Manager, OMB	Immediately	The OMB has created a reporting schedule to ensure that all reports are reviewed and submitted in a timely manner.
110	2021-040: Allowable Costs/Cost Principles – Payroll Activities	Director, Business & Admin Services Assistant Director, Business & Admin Services	On-going	DPNR has already taken steps to adhere to the federal regulations and continues to be vigilant when preparing NOPAs to ensure that all funding sources relative to the distribution of payroll expenses are included on the NOPAs. DPNR plans to hire fiscal staff, update

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		Internal Auditor, Business & Admin Services		Standard Operating Policies & Procedures, provide training to staff, and enforce approved policies & procedures. The Department of Planning & Natural Resources has experienced a substantial loss of staff, which contributed to the inability to prepare and maintain the necessary documentation to update NOPA's. To address this issue, the Department is taking steps to hire the staff needed to ensure that the Program's documentation is updated as required.
112	2021-041: Equipment and Real Property Management	DOE Director of Asset Management	March 2024	DOE will improve the internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. DOE will revise the process for creating new assets in the accounting system to include description of the property, a serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and disposition information. This will allow DOE to provide a complete equipment listing.
113	2021-042: Matching, Level of Effort, Earmarking	State Director of Special Education	April 2024	DOE will implement policies and procedures to ensure that the Level of effort monitoring requirements are performed accurately. In addition, the IDEA State Office will conduct a preliminary review and the Budget Control Office will perform the final review and approval for submission within the required timeframe. Evidence of completion of verification will be documented by the signature of both reviewers.

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115	2021-043: Cash Management	DOE Director of Federal Grants	February 2024	DOE will exercise due diligence in performing drawdown requests within 24 hours of receipt of the written notice from the Third-Party Fiduciary Agent (TPFA) as required by the United States Department of Education. Additionally, a backup person has been identified to receive notifications of the TPFA draw request, and every effort will be made by the responsible parties to ensure full compliance in the future.
117	2021-044: Equipment and Real Property Management	DOE Director of Asset Management	March 2024	DOE will improve the internal controls to ensure adherence to Federal regulations related to equipment and its related maintenance. DOE will revise the process for creating new assets in the accounting system to include description of the property, a serial number or other identification number, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use and condition of the property, and disposition information. This will allow DOE to provide a complete equipment listing.
118	2021-045: Reporting	DOE Director of Federal Grants	March 2024	DOE will implement policies and procedures to ensure that the FFATA reporting requirements are performed accurately and timely. In addition, the Federal Grants Office will review the reports to ensure completeness before final submission within the required timeframe.
120	2021-046: Activities Allowed or Unallowed and Allowable Costs/Cost	Deputy Commissioner, Fiscal & Administration, Payroll Director, Human Resources Director, Federal Grants Projects Director	Immediately	VIDE's Payroll Division will work with Human Resources to ensure NOPAs are accurate and the Fiscal Division to ensure payroll expenditures and record-keeping accounting procedures align with Federal Regulations.

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	Principles – Payroll Activities			
122	2021-047: Cash Management	Federal Grants Manager, OMB Deputy Commissioner, Fiscal and Administration and Federal Grants Project Director	Immediately	GVI recognizes the deficiencies and has addressed the issues with the implementation of the Third-Party Fiduciary. VIDE recognizes the importance of reconciling bank accounts promptly to ensure proper control over cash and has already made changes to address the deficiency. Every completed monthly cash reconciliation report is reviewed and approved to confirm the absence of questionable transactions. A Senior Grants Accountant and Compliance Manager are responsible for preparing bank reconciliations. Once completed, the bank reconciliations are signed and dated by the Project Manager for evidence of review and approval.
124	2021-048: Equipment and Real Property Management	Federal Grants Manager, OMB Deputy Commissioner, Fiscal and Administrative and Director of Fixed Asset Management	Immediately June 2024	GVI will work with the TPFA to improve controls to adhere to the federal regulation. VIDE will improve its internal controls to ensure adherence to federal regulations related to equipment and its maintenance. DOE will revise the process for creating new assets in the accounting system to include a description of the property, a serial number or other identification numbers, source of property, titleholder, acquisition date, cost of the property, percentage of Federal participation, location, use, and condition of the property, and disposition information. This will allow DOE to provide a complete equipment listing.
126	2021-049: Reporting	Federal Grants Manager, OMB	Immediately	GVI will work with the TPFA to improve controls to adhere to the federal regulation.

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		Deputy Commissioner, Fiscal and Administration and Federal Grants Project Director	Immediately	DOE will implement policies and procedures to ensure that the FFATA and other required quarterly reporting requirements are performed accurately and timely. In addition, the reports will be adequately supported, reviewed, and approved by the appropriate officials to ensure completeness and timeliness before the final submission.
128	2021-050: Subrecipient Monitoring	Federal Grants Manager	Fiscal Year 2023	OMB has conducted training and revised its checklist to include a standard risk assessment form for all potential subrecipients.
130	2021-051: Special Tests and Provisions – Participation of Private School Children	Federal Grants Manager Deputy Commissioner, Fiscal and Administration and Federal Grants Project Director	Immediately Immediately	GVI will work with the TPFA to improve controls to adhere to the federal regulation. DOE will formalize its documentation to include evidence of review and approval. Furthermore, DOE will streamline its electronic record retention procedures and ensure comprehensive documentation is maintained.
132	2021-052: Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer, DHS	January 2024	DHS has transitioned from a manual payroll process to the GVI electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee.
134	2021-053: Equipment and Real Property Management	Commissioner of Property and Procurement and Director of Asset Management	Immediately	The DPP will adhere to the recommendation by ensuring the federal regulations related to equipment management, timely recording of assets, and communicating with GVI agencies are followed.

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				An internal asset listing at DHS is maintained. However, the Department of Human Services is working collaboratively with the Department of Property and Procurement to ensure adherence to Federal regulations related to equipment and its related maintenance. The DPP created the Division of Asset Reporting and Management in March 2021. The Division is conducting physical inventory of the fixed assets for the Government of the Virgin Islands (GVI) agencies. Fixed Assets are tagged and maintained in the Tyler Munis Resource Planning (ERP), which includes serial numbers, model numbers, acquisition dates, cost of equipment, and the agency that received the items. Additionally, the Division will conduct quarterly audits, ensure compliance with applicable laws, conduct cycle counts, and conduct an annual inventory of current and newly acquired assets of the GVI. Staffing levels will be augmented to fulfill the duties of the Asset Team.
135	2021-054: Special Tests and Provisions – Program Governance	Program Administrator	Immediately	The Governing Board transitioned to virtual meetings due to the Pandemic which pre-empted the FY21 training and has incorporated electronic voting from board members into its procedures. Therefore, regular training will occur that will enable the governing body to perform its legal, fiscal, and oversight responsibilities.
137	2021-055: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Federal Grants Coordinating Specialist, Human Resources Division and Program Director	February 2024	The Human Resources Division will work closely with Division of Personnel and Department of Finance during they payroll allocation setup for each federal funded NOPA each fiscal year. A review of all NOPAs upon issuance will be performed to ensure all payroll codes are coded with the 66/34 federal/local match percentages and the correct retirement calculations are coded to each employee profile. Upon retirement of any staff, their payroll

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				profiles will be updated as inactive to ensure no further payroll expenditures are made to the grant expense account. To ensure all timesheets can be provided during any audit, DOJ will printout timesheets for each employee on a bi-weekly basis and store them internally for easy retrieval.
139	2021-056: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Payroll Activities	Chief Financial Officer, DHS	January 2024	DHS has transitioned from a manual payroll process to the GVI electronic Timeforce (STATS) system. All time and attendance are now vetted and approved through the various levels of applicable management, ultimately being approved by the Agency Head or designee.
140	2021-057: Period of Performance	Chief Financial Officer, DHS	October 2023	As part of the close-out process, all open purchase orders are now submitted to the Department of Finance to be closed. Additionally, the grant close out process has now shifted to the OMB to ensure the grant is no longer available for transactions entries or liquidations.
142	2021-058: Reporting	Chief Financial Officer, DHS		The Agency did not respond and provide the corrective action plan.
144	2021-059: Reporting	Chief Financial Officer	Immediately	With the proper personnel in place, reports are reviewed prior to submission. Additionally, time extensions are requested via email and will be attached as part of the permanent record.
146	2021-060: Special Tests and Provisions - Provider Eligibility	Medicaid Director	August 2023	DHS utilizes a checklist to confirm the review of provider enrollment applications by Provider Relations staff; also ensure all necessary signatures are affixed.

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147	2021-061: Allowable Costs/Cost Principles - Non-Payroll Activities	Medicaid Director	Fiscal Year 2022	DHS will update its policies and procedures to detail its current process of reviewing and approving to ensure the implementation of changes in laws and regulations. The excess furniture was surveyed out as part of the inventory process and properly disposed of in fiscal year 2022 and the agreement terminated. Isolated occurrence while the MAP program was being transitioned from one building to another. As the equipment could not be used at the new location, it was stored for future use. The Director of Asset Management has oversight of the storage of inventory to avert future occurrences.
149	2021-062: Eligibility	Director of Operation and Medicaid Director	March 2024	DHS staff will work with PMO, hired to assist with the Public Health Emergency Unwind and establish SOPPs on certification and recertification processes and procedures. DHS is also in the process of hiring a Program Integrity Director and MEQC staff, whose responsibility will be to review completed case files.
151	2021-063: Reporting	Chief Financial Officer	Immediately	With the proper personnel in place, reports are reviewed prior to submission. Additionally, time extensions are requested via email and will be attached as part of the permanent record.
153	2021-064: Special Tests and Provisions - Utilization Control and Program Integrity	Medicaid Director	On-going	DHS has recruited a candidate as a full-time Director of Program Integrity position who will establish the Quality Control Unit, which will work with Medicaid Fraud Control Unit (MFCU) on behalf of the Medicaid Program and enforce the necessary controls and procedures to safeguard against unnecessary utilization of care and services and to identify, investigate, and refer suspected fraud cases.
155	2021-065: Special Tests and	Medicaid Director	May 2024	DHS will continue to work with the contractor to ensure the report is completed.

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	Provisions - Inpatient Hospital and Long-Term Care Facility Audits			
156	2021-066: Special Tests and Provisions – ADP Risk Analysis and System Security Review	MIS Manager and Medicaid Director	March 2024	DHS is currently working through the procurement process with DPP in order to identify a new vendor to perform the mandated services.
157	2021-067: Special Tests and Provisions – Provider Eligibility	Medicaid Director	Immediately	DHS is now utilizing a checklist to confirm the review of provider enrollment applications by Provider Relations staff.
158	2021-068: Special Tests and Provisions - Medicaid Fraud Control Unit	Department of Justice and Medicaid Fraud Control Unit (MFCU) Director	July 2023	DOJ is responsible for staffing the Medicaid Fraud Control Unit to ensure proper objective oversight and separation of duties from the Medicaid program. DOJ assigned a full time Assistant Attorney General with oversight of the Medicaid Fraud Control Unit at the end of fiscal year 2020. Additionally, a Special Agent/Investigator was added to the Unit. The Unit also receives support from DOJ's Investigators funded with local government funds. The Medicaid Fraud Control Unit is now fully staffed and able to monitor the various requirements. The DOJ MFCU will prepare SF-425 as required.
159	2021-069: Special Tests and	Medicaid Director	April 2024	DHS will work towards implementing internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid

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	Provisions – Medicaid National Correct Coding Initiative			Program. Although DHS stated that the documentation supporting DHS download and incorporation of the NCCI methodologies were available for review and the MMIS has the methodologies built into the system. OMB recommends that the documentations that DHS will implement internal controls to ensure that the NCCI methodologies are incorporated in the Medicaid Program.
161	2021-071: Matching, Level of Effort, Earmarking	Director of VITEMA and Public Assistance Officer	On-going	VITEMA will implement policies and procedures and deploy the required resources to ensure periodic monitoring and compliance of the matching requirements throughout the fiscal year. VITEMA will also strive to ensure that supporting documents are available to support the local match.
162	2021-072: Reporting	Territorial Public Assistance Officer	On-going	Additional program staff has been dedicated to assist with completing the Performance reports within the 30 days of the quarter ending; and completing the FFATA reporting and maintain monthly reports as evidence of the awards filed.
164	2021-073: Period of Performance	Hazard Mitigation Leadership with administrative staff and Territorial Hazard Mitigation Team	On-going	An improved tracking mechanism to ensure that we receive official written responses to key request to FEMA for allowances, time extension, policy changes etc.
165	2021-074: Reporting	Territorial Hazard Mitigation Officer, Hazard Mitigation	On-going	A more structured approach to both the FFR and QPR is being developed which will include specific timelines to allow for review and time efficiency within the different levels of review. FFR review process has changed with the transition of the HMGP grant

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Page Number	Finding	Contact	Estimated Completion Date	Corrective Action
		Deputy, Account Supervisor		funding to the Office of Disaster Recovery. The FFR reports are compiled by the Account Supervisors using the FEMA PMS Smartlink report for drawdown confirmation along with supporting documentation from the ERP to capture payments/reimbursements processed. The individual Account Specialist will draft the financial federal form for each project and the Account Supervisor prepares the summary FFR. The summary for the individual disaster The Accounting team provides the team with the financial information that needs to be captured in the QPR except for the Sub- Recipient Expenditures to date which is addressed by the sub-recipients. This process will be streamlined and improved to minimize or avoid errors with the transfer of data to the QPR document. Submission to FEMA will be done by the THMO or designee (Administrative Assistant or Deputy) through the most efficient way. Initially this was done via zipped files sent to FEMA via email. Currently the submission is done using a SharePoint maintained by a FEMA consultant. Timelines/Deadlines will be added to the process to allow for more time for properly review and identify issues.
167	2021-075: Allowable Costs/Cost Principles – Non-Payroll Activities	Acting Director	On-going	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
168	2021-076: Cash Management	Acting Director	Immediately	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary

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				documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
169	2021-077: Eligibility	Acting Director	On-going	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
171	2021-078: Period of Performance	Acting Director	Immediately	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
172	2021-079: Reporting	Acting Director	On-going	VIDOL will identify and dedicate adequate human resources to work with the auditors to provide requested and all necessary documentation. In addition, VIDOL is seeking resources to digitize the eligibility process, making for a more efficient process and aide with auditable data.
174	2021-080: Data Collection Form and Single Audit Reporting Package	Director of OMB and OMB Compliance Unit	On-going	The Government remains committed to and is focusing its efforts towards timely submission of the Data Collection Form and Reporting Package. Proactive measures have been implemented with the agency's point of contact and training of staff is currently taking place.