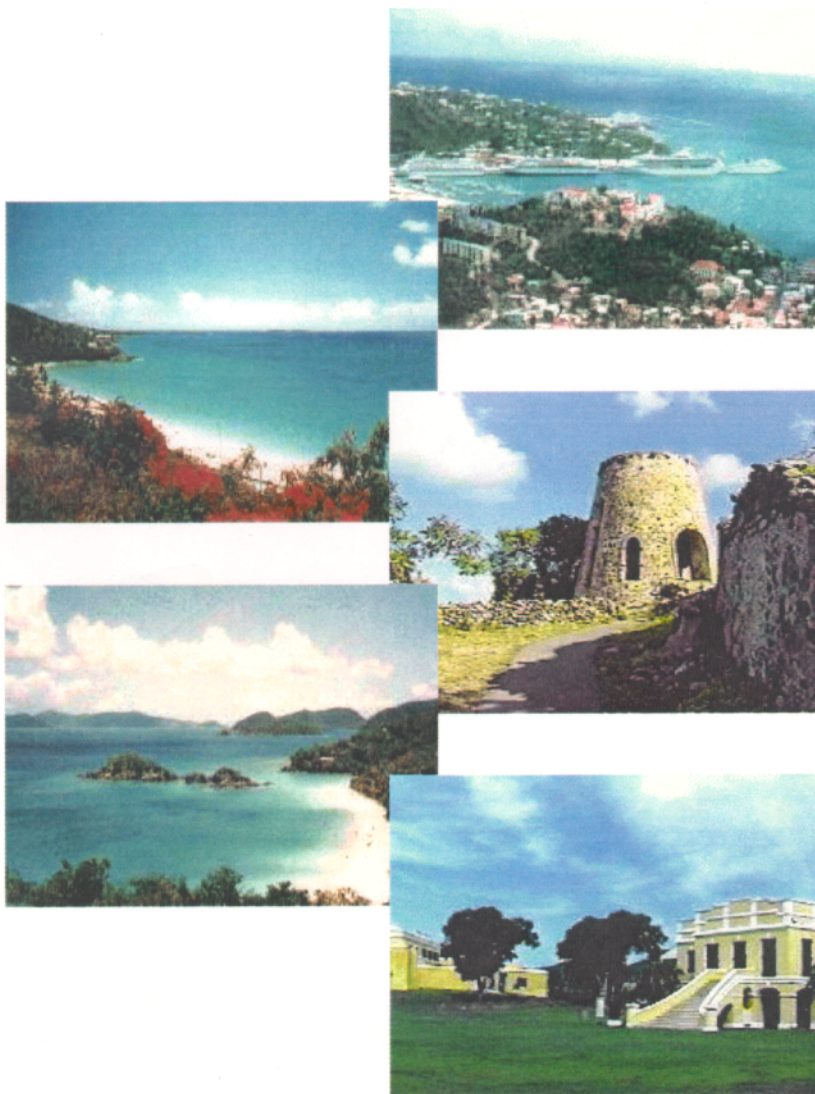




**U.S. Department of the Interior  
Office of Inspector General**

## **Audit Report**

### **Administrative Functions Legislature of the Virgin Islands**



**Report No. 01-I-107  
December 2000**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

DEC 29 2000

Senator Almando Liburd  
President, 23rd Legislature  
Legislature of the Virgin Islands  
Post Office Box 1690  
St. Thomas, Virgin Islands 00804

Subject: Audit Report on Administrative Functions, Legislature of the Virgin Islands,  
Government of the Virgin Islands (Report No. 01-I-107)

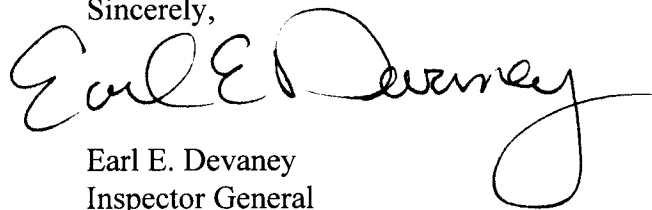
Dear Senator Liburd:

This report presents the results of our audit of administrative functions of the Legislature of the Virgin Islands.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the U.S. Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

Please provide a response to this report by February 2, 2001. The response should provide the information requested in Appendix 3 and should be addressed to our Caribbean Regional Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802.

Sincerely,

  
Earl E. Devaney  
Inspector General

## **EXECUTIVE SUMMARY**

**Administrative Functions,  
Legislature of the Virgin Islands,  
Government of the Virgin Islands  
Report No. 01-I-107  
December 2000**

The Legislature of the Virgin Islands was established through Section 5 of the Revised Organic Act of the Virgin Islands as a unicameral body composed of 15 members elected to 2-year terms. The Legislature operates in two districts, St. Thomas/St. John and St. Croix, and has main offices in Charlotte Amalie, St. Thomas, the capital of the Virgin Islands. The Legislature appropriates and the Office of Management and Budget apportions (allots) available funds to the different branches of government in the Virgin Islands. The Legislature received allotments for its operations from the Government's General Fund of \$15,357,230 in fiscal year 1997; \$15,139,124 in fiscal year 1998; and \$13,350,087 in fiscal year 1999.

The objective of our audit was to determine whether the Legislature carried out its administrative functions related to personnel, procurement, and property management in accordance with applicable laws and regulations.

We found that the Legislature spent \$1.16 million more than was allotted in fiscal year 1999, which contributed to the overall operating deficit of the Government. We also noted that the Legislature used its imprest (petty cash) fund for regular operating expenses totaling about \$1.26 million which would ordinarily be paid by the Department of Finance based on vouchers submitted by the Legislature for payment. The Legislature also allowed personal services contractors to begin working before their contracts were legally executed; paid variable rates for contractors hired to perform similar functions, for example, rates paid for community service workers varied from \$6 to \$25 per hour; hired 22 full-time Government employees as contractors without using a system to track the number of hours worked by the contractors; and did not inform the Government Employees Retirement System that it had hired Government retirees, who therefore improperly continued to receive their retirement annuities while working under contract. We also identified weaknesses related to procurement and property management.

We recommended that the Legislature improve controls over its allotments and imprest fund and over its personal services contracts and adhere to internal operating requirements related to procurement and property management.

## **AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION**

The Legislature concurred with 9 of the report's 12 recommendations but did not concur with 3 recommendations, including the recommendation to limit its expenditure of funds to amounts apportioned (allotted). The Legislature said that it disagreed because it was not apportioned all funds appropriated. Based on the response, four recommendations were considered resolved and implemented, five recommendations were considered unresolved, and additional information was requested for three recommendations.

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## **INTRODUCTION**

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### **BACKGROUND**

The Legislature of the Virgin Islands, which was established through Section 5 of the Revised Organic Act of the Virgin Islands, is a unicameral body composed of 15 members elected to 2-year terms. The Legislature operates in two districts, St. Thomas/St. John and St. Croix, and has main offices in Charlotte Amalie, St. Thomas, the capital of the Virgin Islands.

The Virgin Islands Code generally exempts the Legislature from the personnel, procurement, and property management requirements applicable to the Government's executive branch. However, payroll and vendor payment transactions are processed through the Government's Department of Finance. Legislative employees are unclassified appointees and are not included in the Government's Personnel Merit System.

The Legislature appropriates and the Office of Management and Budget apportions (allots) available funds to the different branches of government in the Virgin Islands. The Legislature received allotments for its operations from the Government's General Fund of \$15,357,230 in fiscal year 1997; \$15,139,124 in fiscal year 1998; and \$13,350,087 in fiscal year 1999. The Legislature issued 272 personal services contracts totaling about \$3 million during fiscal years 1997, 1998, and 1999.

### **OBJECTIVE AND SCOPE**

The initial objective of our audit was to determine whether the Legislature carried out its administrative functions related to personnel, procurement, and property management in accordance with applicable laws and regulations. Based on our audit survey, we expanded our objective to also determine whether the Legislature complied with requirements for expenditure of available appropriations. The scope of the audit included a review of the Legislature's administrative transactions that occurred during fiscal years 1997, 1998, and 1999 and policies and procedures in effect at the time of our review. The audit was conducted from October 1999 through April 2000 at the Virgin Islands Legislature, the Department of Finance, the Division of Personnel, and the Government Employees Retirement System.

Our review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

As part of our review, we evaluated the Legislature's system of internal controls for appropriations, allotments, and expenditures; personal services contracts; and property and procurement management. Our review disclosed internal control weaknesses in these areas,

which are discussed in the Findings and Recommendations section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

## **PRIOR AUDIT COVERAGE**

In March 1995, the Office of Inspector General issued the report "Selected Administrative Functions, Legislature of the Virgin Islands, Government of the Virgin Islands" (No. 95-I-648). The report stated that the Legislature did not have adequate controls over appropriations and expenditures, employee time and attendance, and personal services contracts. The Legislature concurred with the report's eight recommendations and provided sufficient information for us to consider all of the recommendations resolved and implemented.

## **FINDINGS AND RECOMMENDATIONS**

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### **A. EXPENDITURES**

Although the Legislature did not spend more than the amount of funds appropriated<sup>1</sup> and allotted for fiscal years 1997 and 1998, it spent \$1.16 million in excess of allotments made by the Office of Management and Budget for fiscal year 1999. Overexpenditures occurred because the Legislature was allotted less than its full appropriation but did not limit expenditures to the amount allotted. We also found that the Legislature used the imprest fund to pay for the costs of regular operations, thus bypassing its own procurement process, because it believed that local vendors would not accept Government purchase requisitions and because of Government delays in paying vendors. Additionally, the Legislature used its imprest fund to pay for day-to-day expenses such as equipment, professional and other services, travel, donations, and other miscellaneous items totaling about \$1.26 million. We also identified four imprest fund payments totaling \$23,000 that were not reimbursed to the fund.

### **Appropriations, Allotments, and Expenditures**

The Legislature appropriated \$15,357,230 in fiscal year 1997 and \$14,982,230 in fiscal year 1998 for its day-to-day operations and received allotments of \$15,357,230 in fiscal year 1997 and \$15,139,124 in fiscal year 1998 from the Government's General Fund. The allotment was greater than the appropriation in fiscal year 1998 because the Legislature received additional funds for health insurance premiums. The Legislature incurred expenditures of \$15,137,942 in fiscal year 1997 and \$14,608,509 in fiscal year 1998, thus underspending its allotments by \$219,288 in fiscal year 1997 and \$530,615 in fiscal year 1998.

For fiscal year 1999, the Legislature appropriated \$14,882,230 for its day-to-day operations but received an allotment of only \$13,350,087, for a difference of \$1,532,143. Fiscal year 1999 expenditures totaled \$14,508,628. Therefore, the Legislature underspent its appropriation by \$373,602 but overspent its allotment by \$1,158,541. The overexpenditures had to be paid from the Government's General Fund, which contributed to the overall operating deficit of the Government.

The Legislature's Director of Business and Financial Management told us that the Legislature adopted the position that it was entitled to its full appropriation because the Legislature believed that the Government's executive branch did not have the authority to reduce its appropriation. The Director cited 33 V.I.C. § 3104(a), which states that "any appropriation available to the legislative branch or the judiciary which is required to be apportioned under section 3103 of this title, shall be apportioned or reapportioned in writing by the officer having administrative control of such appropriation." However, 33 V.I.C. § 3106(b) states that "the provisions of section 3103 of this title do not apply to

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<sup>1</sup>Appropriations acts passed by the Legislature and signed into law by the Governor establish the legal spending limits for the Government's executive, legislative, and judicial branches.

appropriations of the Legislature. . . ." Even though the Virgin Islands Code is not clear on how much of its appropriations the Legislature should receive, it provides clear instructions on controlling expenditures.

Specifically, 33 V.I.C. § 3108 states, "No officer or employee of the Virgin Islands shall authorize or create any obligation or make any expenditure - (1) in excess of an apportionment or reapportionment." We found that the Legislature did not reduce its expenditures to the level of its allotment, even though the Legislature's Director of Business and Financial Management informed the Senate President of the impending overexpenditure of allotments on at least two occasions as follows:

- In a July 16, 1999 letter regarding the Legislature's expenditures and its allotment amount, the Director stated, "I believe this scenario leaves us with no alternative but to bring to an immediate cessation all obligations and expenditures that are not absolutely essential to the scaled down operation of the Legislature for the remaining budget year."

- In a September 17, 1999 letter showing that as of August 31, 1999 the Legislature had an available expenditure balance of \$323,782, the Director stated, "I am again imploring you to implement the cost cutting measures to ensure that the Legislature reduces its level of spending. The realities are that the Legislature cannot continue to spend without regard to the financial woes that the Government is experiencing at this time. Your immediate intervention is needed."

In addition, the Director prepared draft memoranda for the Senate President's signature to achieve cost-cutting measures at the Legislature, but the letters were not signed or approved for issuance by the Senate President as follows:

- A draft July 23, 1999 memorandum from the Senate President to all Senators and Staff of the Legislature proposed to restrict all Committee Chairpersons from obligating legislative funds for the purpose of hosting lunches or dinners on behalf of the respective committees.

- A draft July 23, 1999 memorandum from the Senate President to all Senators and Staff of the Legislature proposed a freeze on all central staff positions.

- A draft July 23, 1999 memorandum from the Senate President to all Senators and Staff of the Legislature proposed that the Director of Business and Financial Management not accept or process any more requisitions for the purchase of goods or services, including equipment and off-island travel. The draft memorandum stated that the Senate President "apologize[s] for any inconvenience this action may cause, however, budgetary constraints demand such action to preserve the fiscal integrity of the Legislature."

At the July 28, 2000 exit conference on the preliminary draft of this report, the Senate President noted that, despite his requests to and assurances from the Governor, the Virgin Islands Office of Management and Budget did not allot the entire amount of the Legislature's

appropriation for fiscal year 1999, which resulted in the reported overexpenditure of allotments (not appropriations) for fiscal year 1999.

## **Imprest Fund**

The Legislature was authorized an imprest fund of \$30,000 in fiscal years 1997 and 1998. The imprest fund was increased to \$75,000 in fiscal year 1999 because, according to the Senate President in his January 26, 1999 letter to the Department of Finance regarding an increase, "our [the Legislature] weak cash flow position has posed considerable challenge in meeting our day to day expenses and paying our vendors." The Senate President further stated that the increase would provide the Legislature "with some flexibility in meeting its operating obligations."

We found that the Legislature used the Department of Finance's "Petty Cash/Imprest Fund Rules and Regulations" as guidance on imprest fund transactions. The "Rules and Regulations" states, "The purpose of a petty cash or imprest fund is to facilitate the purchase of sundry goods and services which, because of their nature and/or the urgency connected with their acquisition, must be paid for outside of the regular disbursement channels or sooner than is practicable by regular disbursement procedures." The "Rules and Regulations" provides examples of imprest fund transactions for items such as postage stamps, taxicab fare, emergency materials or supplies, casual labor, and subscriptions to publications. The "Rules and Regulations" also prohibits imprest fund expenditures for items such as advance salary payments and travel.

**Actual Disbursements.** We reviewed listings of about 3,800 imprest fund transactions totaling \$1,261,000 that occurred during fiscal years 1997, 1998, and 1999 and found that the fund was used as a revolving expense account to pay the expenses of Senators and the day-to-day operations of the Legislature regardless of dollar amount or purpose. We determined that \$119,000 was incurred for professional services and advance salaries; \$141,000 was incurred for services such as package delivery, cleaning, storage, musical entertainment, and maintenance; \$148,000 was incurred for travel-related items such as airline tickets, hotel accommodations, and per diem; \$227,000 was incurred for equipment and supply items such as laser printers, typewriters, computer desks, cameras, tires, weed cutters, televisions, stereos, and office and cleaning supplies; and \$626,000 was incurred for all other expenditures, including reimbursements to Senators and donations to schools and other organizations.

The Director of Business and Financial Management told us that the Legislature adopted the practice of paying for day-to-day Legislature operations from the imprest fund because local vendors did not always accept Government purchase requisitions and because the Department of Finance did not always process payment requests in a timely manner. In our opinion, the Legislature's use of the imprest fund was not in accordance with the rules and regulations established by the Department of Finance, which specify that imprest funds are to be used for sundry expenditures such as postage stamps, taxicab fare, and emergency materials and supplies.

**Professional Services and Advance Salaries.** Although the Department of Finance's "Petty Cash/Imprest Fund Rules and Regulations" prohibited payments for advances on salaries, the Legislature routinely made these types of payments from its imprest fund. We reviewed advance salary payments of about \$124,000<sup>1</sup> to 38 professional services contractors made from the imprest fund during fiscal years 1997, 1998, and 1999. We found that when checks were issued from the imprest fund for these payments, the imprest fund was generally reimbursed in one of two ways. The payment came directly from a specific Senator's account, or the professional services contractor signed a letter stating that as soon as payment was received from the Department of Finance, the contractor would reimburse the imprest fund. According to the Director of Business and Financial Management, who was the custodian of the imprest fund, the Legislature paid certain contractors in this manner because payment requisitions forwarded to the Department of Finance were not always processed in a timely manner, causing financial hardship to the contractors.

We found four instances in which imprest fund payments totaling \$23,000 were either not reimbursed or were only partially reimbursed. For example:

- A contractor received two payments totaling \$5,500 from the imprest fund, and the imprest fund should have been reimbursed from the accounts of three Senators. However, we found that the imprest fund was not reimbursed. The Director of Business and Financial Management told us that a direct payment from the Department of Finance to the contractor could not be guaranteed because the contractor worked for the previous administration. Therefore, the contractor was paid from the imprest fund.

- A contractor received \$6,000 for a contract that was initiated and completed in 1996. The contractor was not paid by the Senator who contracted the services, and the Director of Business and Financial Management therefore processed the payment through the imprest fund. The imprest fund was not reimbursed for this payment.

We also found four other instances in which contractors who said that they would make payment as soon as they received their checks from the Department of Finance instead made small installment payments to the Legislature. Some payments took up to 9 months to be paid in full and sometimes required collection actions by the Legislature. For example, in one instance, direct deposit payments were discontinued for a contractor because the contractor did not repay an amount advanced to him from the imprest fund. Because contractors were allowed to pay periodic installments, they actually received two payments for the contract work: one from the imprest fund and one from the Department of Finance.

In accordance with "Petty Cash/Imprest Fund Rules and Regulations," the imprest fund should not be used to pay the salaries or advance the salaries of contractors working for individual Senators or the central staff of the Legislature. If it is necessary for contractors

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<sup>2</sup>The amount of \$124,000 for advance salary payments differs from the \$119,000 previously reported for professional services and advance salaries because we found additional invoices in contractor and employee files that were not included in the imprest fund transactions provided to us.

to be hired, the funds that pay their salaries should come from the appropriate professional services accounts.

## **Recommendations**

We recommend that the Legislature of the Virgin Islands:

1. Restrict obligations or expenditures against appropriations to the amount of apportionments or reapportionments (allotments) made by the Office of Management and Budget for each such appropriation.

2. Discontinue, in accordance with the rules and regulations issued by the Department of Finance, the practice of paying from the imprest fund such expenses as salaries or advancing salaries for professional services contracts and other regular operating goods and services that should be acquired through the normal procurement process.

3. Research the four payments totaling \$23,000 for which the imprest fund was never reimbursed to determine whether they should be recovered.

## **Legislature of the Virgin Islands Response and Office of Inspector General Reply**

In the November 23, 2000 response (Appendix 2) to the draft report from the President of the Virgin Islands Legislature, the Legislature concurred with Recommendations 2 and 3 and did not concur with Recommendation 1. Based on the response, we consider Recommendation 3 resolved and implemented and request additional information for Recommendation 2. Additionally, we request that the Legislature reconsider its response to Recommendation 1, which is unresolved (see Appendix 3).

### **Recommendation 1. Nonconcurrence.**

**Legislature of the Virgin Islands Response.** The Legislature said that the Virgin Islands Code (33 V.I.C. § 3104) "prohibits the Director of the Office of Management and Budget . . . from unilaterally reducing the allotment of the Legislature" and that the Code (33 V.I.C. § 3106(b)) exempts the Legislature from the provisions of Section 3103 related to "apportionments and reapportionments" (synonymous with "allotments"). The Legislature also said that it had requested the Governor to give it "the consideration necessary to meet obligations" but that "the additional allotment requested was not given." Lastly, the Legislature said that "in addition to reducing its original budget, while absorbing other costs such as increases in health insurance," it had spent "\$373,602 less than its budget for fiscal year 1999."

**Office of Inspector General Reply.** While we agree that one provision of the Virgin Islands Code (33 V.I.C. § 3106(b)) exempts the Legislature from the apportionment process, the implication is that other provisions of the Code may apply because the Legislature does

receive apportionments from the Office of Management and Budget. In any event, we do not believe that any branch of Government should spend more funds than are available. The Office of Management and Budget makes allotments of appropriations based on the actual revenues received by the Government, and by overexpending the allotments provided by the Office of Management and Budget, the Legislature added to the financial deficit of the Government's General Fund.

## **B. PERSONAL SERVICES CONTRACTS**

The Legislature did not adequately execute or administer personal services contracts. Specifically, personal services contractors were allowed to begin working before their contracts were legally executed and without the prior certification of the availability of funds, hourly rates were not established for specific types of contract work, full-time Government employees were issued simultaneous full-time contracts, and contracts issued to retired individuals were not reported to the Government Employees Retirement System. We attributed these deficiencies to the lack of written policies and procedures to guide the award and administration of personal services contracts. Without guidance for management of the contracts, the Legislature lacked assurance that the best possible rates were paid for contractual services or that contractors actually provided the services for which they were paid. We also noted that five retired individuals were allowed to receive two separate payroll checks totaling about \$162,000 from the Government, and a Senator hired a contractor for his personal staff to be paid \$35,000 from funds earmarked for the Legislature's Business Office to hire a Computer Specialist.

### **Contracting Practices**

Personal services contracts at the Legislature were issued in one of two ways as follows:

- The majority of the contracts (240 of 272) were issued to individuals who did not have business licenses. These individuals, like regular Legislature employees, were placed on the Legislature's payroll, were paid every 2 weeks, and received Wage and Tax Statements (Form W-2) from the Government of the Virgin Islands for income tax purposes. According to the Department of Licensing and Consumer Affairs, contractors who were placed on the payroll were not required to have business licenses because they were not considered to be independent contractors of the Government.

- The remaining contracts (32 of 272) were issued to individuals who were required to have a business license. These individuals were paid as if they were independent contractors, with lump sum payments provided for services rendered, and were issued Miscellaneous Income Statements (Form 1099) from the Government of the Virgin Islands for income tax purposes.

Contractors were hired by individual members of the Legislature to work on their personal staffs for periods ranging from 1 month to the entire 2-year legislative term. Contracts were stamped as "reviewed and approved for the availability of funds" by the Director of Business and Financial Management, generally on the same day that they were signed by the President of the Legislature, thus making them legally executed and binding.

Of the 272 personal services contracts issued by the Legislature during fiscal years 1997, 1998, and 1999, 48 contracts were properly executed. However, 224 contracts were executed after the work began, including some contracts that were not executed until after the termination date. For example:

- A contract that ended on June 30, 1998 was not executed until November 17, 1998, or about 4 1/2 months after the contract termination date.

- A contract that ended on February 12, 1997 was not executed until March 5, 1997, or about 1 month after the contract termination date.

- A contract with a starting date of February 2, 1998 and an ending date of August 14, 1998 was not executed until July 23, 1998, or 123 working days after the start date and 15 days before the contract end date.

- A contract with a starting date of March 3, 1997 and an ending date of August 26, 1997 was not executed until August 19, 1997, or 121 working days after the start date and 6 days before the contract end date.

## **Contractor Payments**

Contractors were paid at different hourly rates for similar services depending on the Senator who issued the contract. Additionally, contracts were issued to full-time Government employees and retired Government employees whose retirement annuities were not suspended during the time of their employment by the Legislature. These conditions occurred because of the lack of rules and regulations governing personal services contracts at the Legislature.

**Hourly Rates.** Contracts issued by the Legislature were for job positions that included Special Projects Coordinator, Public Relations, Financial Analyst, Special Programs Consultant, Special Consultant, Legal Counsel/Legal Advisor, Community Field Representative, Researcher, Legislative Assistant, Constituent Service Aid, and Community Service Worker. However, because the Legislature had no rules and regulations specifying the amount of money that could be paid for specific types of contract employment, there were large variances in the hourly rates paid by different Senators for similar types of contract work. For example:

- Sixty-seven contracts were issued to contractors working under the job title of Community Service Worker. These individuals were paid from \$6 to \$25 per hour.

- Nine contracts were issued to contractors working under the job title of Public Relations. These individuals were paid from \$9.50 to \$29.50 per hour.

- Seven contracts were issued to contractors working under the job title of Special Projects Coordinator. These individuals were paid from \$12.50 to \$43.40 per hour.

- Seven contracts were issued to contractors working under the job title of Legal Counsel/Legal Advisor. These individuals were paid from \$18.18 to \$86.96 per hour.

At the July 28, 2000 exit conference, the Senate President stated that each Senator was allowed to pay staff employees at rates commensurate with the perceived value of the

individuals' services. However, because of the wide disparity among hourly rates paid for similar positions and to ensure accountability in the use of public funds, we believe that the Legislature should establish and implement guidelines for the amounts to be paid for specific types of employee services.

**Full-Time Government Employees.** Personal services contracts were issued to 22 individuals who already worked full time for the Government. Without guidelines regarding time accounting for contract employment, the Legislature lacked assurance that the contractors actually provided the services for which they were paid. In two extreme cases, the contracts required the full-time Government employee to work an additional 30 to 40 hours each week. Specifically:

- A Government employee who worked 40 hours a week at the Virgin Islands National Guard was hired on a 4-month contract to work an additional 40 hours a week as an Administrative Officer.

- A full-time Government employee who worked 40 hours a week as a teacher at a public elementary school was hired on a 4-month contract to work an additional 30 hours a week as a Project Coordinator.

We believe that professional services contractors who are paid on an hourly basis should be required to document the number of contract hours worked and that these hours should be certified as accurate by an appropriate legislative official for payment purposes.

**Retired Individuals.** The Virgin Islands Code (3 V.I.C. § 706(c)) states:

... any member receiving a service retirement annuity who reenters the service of the government may continue to receive his annuity while in receipt of salary from the Government, either by appointment or on a contractual basis, for a period of time not to exceed 75 days. At the end of such period, the service retirement annuity shall be canceled and the member shall thereupon again become a contributor to the system.

Further, Section 6(f) of the Early Retirement Incentive, Training and Promotion Act of 1994 (Act No. 6007) states that "any member who elects to retire under the provisions of this Act, who reenters the service of government either by appointment or on a contractual basis shall have his annuity canceled and there upon become a contributor to the system."

The Legislature issued nine contracts to six retired individuals during fiscal years 1997, 1998, and 1999. Of the six individuals, two retired under the Early Retirement Act; three retired under the basic retirement law based on age and years of service; and one retired under the Omnibus Authorization Act of 1984, which did not contain restrictions regarding contract employment or the reentry into Government service. The retirement annuities for five of the six individuals should have been canceled. Because the Legislature did not notify the Government Employees Retirement System that these five individuals reentered Government service, they received both a retirement annuity and a fee for contractual

services from the Government that totaled \$103,752 more than their retirement annuities. For example:

- A contractor who retired under the basic retirement law received two contracts from the Legislature totaling \$20,000. In addition, the contractor received \$30,958 (amount received past the 75-day limit) in pension payments, for a total of \$50,958 from the Government.

- A contractor who retired under the provisions of the Early Retirement Act received a contract from the Legislature totaling \$40,000. In addition, the contractor received \$44,903 in pension payments, for a total of about \$84,903 from the Government.

- A contractor who retired under the provisions of the Early Retirement Act received a contract from the Legislature totaling \$15,000. In addition, the contractor received \$22,053 in pension payments, for a total of about \$37,053 from the Government.

The purpose of the Early Retirement Act was to "reduce personnel expenditures by the Government of the Virgin Islands through a reduction in the size of the Government work force while avoiding layoffs." We believe that hiring retired individuals without notifying the Government Employees Retirement System undermined the purpose of the Early Retirement Act. This practice allowed retired individuals who were provided with incentives to leave the Government payroll to also receive money from the Government's General Fund. In our opinion, this practice increased the financial burden on the Government.

At the July 28, 2000 exit conference, the Senate President stated that, in his opinion, the individual retirees should be responsible for informing the Government Employees Retirement System that they, the retirees, had been hired by the Legislature. We believe, however, that greater accountability would be achieved if the Legislature notified the Retirement System about all retirees on the Legislature's payroll.

## **Related Personnel Matters**

During our review of personal services contracts, we found that a Special Programs Consultant had been hired by a Senator on a \$35,000 contract during the period of March through December 1998. The contract was not paid from the Senator's professional services or personal staff allotment but from funds earmarked for the Legislature's Business Office to hire a Computer Specialist. The Director of Business and Financial Management told us that she was instructed to pay for the contract from funds earmarked for the Business Office to hire a Computer Specialist because this was a vacant budgeted position and the Senator who requested the contract had exhausted his allotment for personal services.

At the beginning of each fiscal year, Senators are provided personal allotments from the overall amount appropriated to the Legislature for the purposes of hiring personal staff and financing the operating expenses of their respective offices. Because funds originally earmarked for the Business Office to hire a Computer Specialist were used by a Senator to

hire a Special Programs Consultant, the Legislature did not have the opportunity to fill the Computer Specialist position.

## **Recommendations**

We recommend that the Legislature of the Virgin Islands:

1. Ensure that personal services contracts are legally executed and certified for the availability of funds before contract work is allowed to begin.
2. Establish hourly rates for specific types of jobs contracted by the Legislature, such as for a Special Projects Coordinator and a Financial Analyst.
3. Discontinue the practice of awarding contracts to full-time Government employees, require contractors to submit documentation for the number of contract hours worked, and require the certification of these contract hours by an appropriate legislative official for payment purposes.
4. Provide the Government Employees Retirement System with information on contracts issued to retired individuals so that retirement annuities can be appropriately suspended during the contract periods, in accordance with existing law and regulations.
5. Provide the Government Employees Retirement System information on the five individuals who continued to receive their retirement annuities while they received fees for contractual services so that a determination can be made as to whether the payments should be recovered.

## **Legislature of the Virgin Islands Response and Office of Inspector General Reply**

In the November 23, 2000 response (Appendix 2) to the draft report from the President of the Virgin Islands Legislature, the Legislature concurred with Recommendations 1, 4, and 5; did not concur with Recommendation 2; and partially concurred with Recommendation 3. Based on the response, we consider Recommendations 4 and 5 resolved and implemented. We also request that the Legislature provide additional information for Recommendation 1 and that it reconsider Recommendations 2 and 3, which are unresolved (see Appendix 3).

### **Recommendation 1. Concurrence.**

**Legislature of the Virgin Islands Response.** The Legislature said that "all personal service contracts are certified for the availability of funds before contractual work begins" and described the process used by the Legislature to contract for personal services.

**Office of Inspector General Reply.** As indicated by examples cited in the finding, it was common practice for the Legislature to allow prospective contract employees to begin

working before their personal services contracts were properly executed. In fact, we found and reported instances in which the effective period of the contracts had expired before the contracts had been executed. Therefore, we request that the Legislature provide additional information describing how it will ensure compliance with this recommendation.

**Recommendation 2. Nonconcurrence.**

**Legislature of the Virgin Islands Response.** The Legislature said, "It is, and has always been the practice of senators to contract work at whatever rate they deem appropriate. Each Senator determines the value of their contractual staff."

**Office of Inspector General Reply.** We request that the Legislature reconsider the recommendation given the widely disparate rates for similar work and the opportunity to contribute to the improved financial management of limited Government resources.

**Recommendation 3. Partial concurrence.**

**Legislature of the Virgin Islands Response.** The Legislature said, "Just as the private sector hires people who are full time employees in the private sector and they function in an efficient manner, the Legislature can also hire persons who work full time in the Executive Branch of the Government." The Legislature also said that it "does concur with the recommendation to require contracted employees to submit supporting documentation regarding hours of work, and has commenced implementation of this recommendation."

**Office of Inspector General Reply.** While we agree that it is not unusual for individuals to have a job in addition to a primary full-time job, we do not believe it is reasonable to expect that full-time executive branch employees can be efficient in their primary jobs if they are also working full time (that is, 30-40 hours per week) on contract to the Legislature. Therefore, we believe that the Legislature should reconsider its policy in this area and not hire individuals to the Legislature on a full-time basis if they already have a full-time job.

## **C. PROCUREMENT AND PROPERTY MANAGEMENT**

The Legislature did not routinely use its procurement officer to buy goods and did not properly safeguard or account for equipment. As a result, the Legislature lacked assurance that it obtained the most favorable prices, terms, and conditions for 10 purchases that we reviewed totaling \$192,394. Further, based on a physical inspection of Legislature equipment, we were unable to locate 1,470 (41 percent) of 3,531 equipment items and determined that the Legislature's computerized inventory system did not contain accurate, current, and complete information on the condition, status, location, and cost of equipment, which created the potential for misuse of the equipment.

### **Procurement Practices**

The Legislature's Perpetual Inventory Management System Manual states that after the form "Request to Purchase Goods or Services" is initiated by a Legislature employee, the form is to be forwarded to the Business Office for the Procurement Officer to obtain price quotations. The Manual requires the Procurement Officer to obtain at least three price quotations and to select a vendor "based on the lowest price and best quality." However, we found that these procedures were not routinely followed.

We randomly selected for review 12 purchase transactions totaling \$240,745 for 61 equipment items for the Legislature Building on St. Thomas. Equipment items included coffee makers, televisions, portable radios, computer equipment, automobiles, and air conditioning units, with prices ranging from \$35 for a coffee maker to \$38,140 for a photocopier. Of the 12 purchase transactions, we found that for 10 transactions totaling \$192,394, the vendor and the cost of the equipment were determined by the Legislature employee initiating the purchase instead of by the Procurement Officer. For one of the other two purchase transactions, the Procurement Officer determined the vendor and negotiated the \$45,501 cost for 15 workstations.

The Procurement Officer told us that his role in the procurement process was routinely relegated to that of assigning account codes and signing the form "Request to Purchase Goods or Services." We found that the Procurement Officer was aware of the rules and regulations concerning procurement but that he was not in a position to override a procurement decision made on behalf of a Senator's office. We believe that not having the Procurement Officer involved in the procurement process compromised the internal controls over the purchasing function at the Legislature.

### **Legislature Property**

In February 2000, the Legislature provided us with an updated computerized inventory list containing about 6,830 nonexpendable equipment and expendable supply items. For purposes of our review, we focused on a universe of 4,957 nonexpendable equipment items such as computers, desks, and chairs. The list included the property identification number, a description of the property, and a dollar value. However, the dollar value field was not

always entered. We selected for review 3,531 of the 4,957 equipment items. In total, we were able to physically locate 2,061 of the 3,531 equipment items but were not able to locate the remaining 1,470 items. In addition, we physically identified 369 equipment items that did not have property identification tags, 262 equipment items that had property identification tags but that were not included in the Legislature's computerized inventory list, and 397 equipment items that were listed as being assigned to Senators who were no longer in office.

**Missing Equipment.** We could not locate 1,470 equipment items that were included in the Legislature's computerized inventory list, including computers, desks, chairs, typewriters, paper shredders, air conditioners, and telephones. The Inventory Control Officer told us that the computerized inventory list included items lost or damaged during Hurricane Marilyn in September 1995 and items such as the telephone system, computer equipment, and air conditioning units that were replaced or upgraded but that had not been deleted from the computerized inventory system. However, we could not verify the accuracy of the list because the Inventory Control Officer was unable to provide us with disposition records for any of these items, although the Legislature's Perpetual Inventory Management System Manual states, "If the property is sold, or otherwise permanently removed from the Legislature, the bar-code number, which indicates that the property is owned by the Legislature, must be removed prior to its disposition and the appropriate forms to dispose the property must be filled out." Furthermore, because the computerized inventory list was not periodically updated, we were unable to determine whether items we classified as missing had been disposed of or had been misappropriated.

**Property Identification Tags.** We found 369 equipment items such as chairs, telephones, computers, computer stands, copiers, desks, and fans that did not have property identification tags. This occurred because Legislature employees directly purchased and received equipment items without informing the Inventory Control Officer, although the Perpetual Inventory Management System Manual states, "**Rightfully - only the Inventory Control Officer should receive goods**; however, if the item requires direct delivery to an office, the Inventory Control Officer must coordinate with the vendor and be present at delivery." (Emphasis in original.)

In one instance, a Senator purchased two computers directly from the manufacturer and had the computers delivered directly to his office. In another example, two chairs were purchased by the Post Audit Division and picked up for delivery to the Division by a Post Audit employee. In both instances, the Inventory Control Officer was not included in the purchase process or informed of the equipment purchases. Accordingly, because these equipment items did not have property identification tags and were not included in the Legislature's computerized inventory list, internal controls over equipment items were compromised and the equipment was subject to theft and misuse. Based on our audit, the Inventory Control Officer affixed property identification tags to the equipment items.

We also conducted a separate review of computer equipment purchased under the Government's Year 2000 (Y2K) Compliance Program. Of the \$31.1 million borrowed by the Government to ensure that its computer systems and equipment were Y2K compliant,

\$474,000 was allotted to the Legislature. As of April 21, 2000, the Legislature had spent \$466,469 on computer software, 85 desktop computers, 16 color printers, 6 network servers, 4 laptop computers, 3 laptop computers with docking stations, 3 17-inch computer monitors, a digital camera, and 90 uninterruptible power supply (UPS) units. We found 23 computers and 27 UPS units that did not have property identification tags. The Inventory Control Officer said that the UPS units did not have property identification tags because of his practice of placing tags on equipment items after they were distributed to a legislative office. Therefore, prior to distribution, equipment items were stored in the Legislature's Management Information System Office but were not marked as Legislature-owned property. In our opinion, property identification tags should be affixed to equipment items upon receipt to ensure proper accounting and safeguarding.

**Equipment Not Inventoried.** We found 262 equipment items at the 36 Legislature offices we visited that were not included in the computerized inventory list, although they had property identification tags. These items included computers, chairs, videocassette recorders, televisions, file cabinets, and printers.

The Inventory Control Officer told us that the computerized inventory system created in 1995 had a "glitch" that prevented the system from differentiating between inventory items located on St. Thomas and St. Croix. The Officer also told us that when computer programmers made the necessary changes to correct the problem, items previously recorded were inadvertently deleted from the system. Moreover, a physical inventory had not been conducted since 1998 to ensure that all of the Legislature's equipment was included in the computerized inventory list. We also found instances where equipment items were recently purchased and marked with property identification tags but were not entered into the computerized inventory system. Because physical inventories were not conducted on a periodic basis and all equipment items purchased by the Legislature were not included in the computerized inventory system, there was no assurance that the computerized inventory list was accurate, current, or complete and that internal controls over Legislature equipment were not compromised. In addition, the Legislature had no reliable source of information regarding the condition, status, location, or cost of equipment. The Inventory Control Officer updated the Legislature's computerized inventory list based on the results of our physical inspection.

**Physical Inspections.** The Legislature's Perpetual Inventory Management System Manual states that "if an employee dies or [if an employee] leaves the Legislature without prior/appropriate notification the Inventory Control Officer [has] to make sure that all items that were assigned to that individual is there." The Manual also states, "These items should be stored by the Inventory Control Officer pending reassignment or if a new employee has been identified, these items should be transferred via the Equipment Assigned Inventory Master form." Further, the Manual requires the Inventory Control Officer to "conduct periodic inspections or audits as deemed necessary to verify the accuracy of the recording of the respective offices." However, we found that the Inventory Control Officer had not conducted a physical inspection of the inventory or updated the inventory records since 1998. As a result, the computerized inventory list that was provided to us in February 2000 contained 397 equipment items assigned to Senators who were no longer in office. Although

the Manual does not specify the frequency of inspections, in our opinion, physical inspections should be performed at least 2 months prior to and 2 months after each legislative term to improve controls over Legislature equipment.

## **Recommendations**

We recommend that the Legislature of the Virgin Islands:

1. Ensure that the Procurement Officer, in accordance with the Legislature's Perpetual Inventory Management System Manual regarding the procurement of goods and services, is involved in the purchasing process by obtaining at least three price quotations and selecting a vendor based on the lowest price and best quality of the goods and services.

2. Ensure that only the Inventory Control Officer, in accordance with the Legislature's Perpetual Inventory Management System Manual regarding the management of Legislature property, receives equipment items or is made aware of all equipment purchases; equipment items are affixed with property identification tags upon receipt; and a comprehensive physical inspection is conducted 2 months prior to and 2 months after each legislative term so that the inventory list will be accurate, current, and complete. The Legislature should also be provided with a reliable source of information on the condition, status, location, and cost of the equipment.

3. Update the computerized inventory list for equipment items by deleting items classified as lost, damaged, replaced, or upgraded; complete and maintain necessary equipment disposition records; and reconcile the updated computerized inventory list based on scheduled physical inspections of equipment.

4. Consider separating nonexpendable equipment items and expendable supply items into different computerized inventory lists and provide more stringent controls over the movement of nonexpendable equipment items among legislative offices.

## **Legislature of the Virgin Islands Response and Office of Inspector General Reply**

In the November 23, 2000 response (Appendix 2) to the draft report from the President of the Virgin Islands Legislature, the Legislature concurred with Recommendations 1, 2, 3, and 4. Based on the response, we consider Recommendation 1 resolved and implemented and request additional information for Recommendations 2 and 3. Additionally, we revised Recommendation 4 and request that the Legislature consider the revised recommendation, which is unresolved (see Appendix 3).

### **Recommendation 3. Concurrence.**

**Legislature of the Virgin Islands Response.** Although the Legislature concurred with the recommendation, it said that "missing items were items that were lost during

Hurricanes Hugo and Marilyn" and that these items "include but are not limited to; garbage cans blown away by hurricanes; hundreds of session law books that were ruined in hurricanes and have already been replaced with Federal Funds; calendar bases made obsolete by wear and tear; stamp racks, tape dispensers, appointment books, hole punchers, ledger books, index cards and many other miscellaneous items that should not have been identified as equipment but as miscellaneous supplies." The Legislature also said that the Business Office "is presently redefining the items that should be determined as inventoried and those items that should be determined as expenses with a useful life of one year or less."

**Office of Inspector General Reply.** The response suggests that the 1,470 items mentioned in the finding as having been missing were low cost, expendable items that should more properly be classified as "supplies." However, the 1,470 missing items cited in the finding included office furniture, computers, and other nonexpendable items that would normally have a useful life of more than 1 year. These items should have been controlled and properly accounted for at the time of a change to a new Legislature.

#### **Recommendation 4. Concurrence.**

**Legislature of the Virgin Islands Response.** The Legislature said that "the cost to maintain a listing of expendable and nonexpendable equipment will far outweigh the cost of replacement. We will however maintain and exercise more stringent controls over the movement of equipment among legislative offices."

**Office of Inspector General Reply.** The purpose of the recommendation was to suggest that the Legislature maintain separate inventory lists for nonexpendable equipment items and expendable supply items. At the time of the audit, the Legislature had a single computerized list that combined nonexpendable equipment and expendable supply items. The only action required by the recommendation is for the Legislature to separate the items into two distinct inventory lists for better identification of those nonexpendable items that should be under more stringent accountability and control.

**CLASSIFICATION OF MONETARY AMOUNTS**

<u>Finding Area</u>	<u>Funds To Be Put To Better Use*</u>	<u>Questioned Costs*</u> (Cost Exceptions)
A. Budgetary Control		
Appropriations, Allotments, and Expenditures	\$1,158,541	
Imprest Fund		\$23,000
B. Personal Services Contracts		
Retired Individuals		103,752
Related Matters	<u>35,000</u>	<u>          </u>
Total	<u>\$1,193,541</u>	<u>\$126,752</u>

\* The amounts represent local funds.



*Legislature of the Virgin Islands*  
*Office of the President*  
*Vargrave A. Richards*

**Committee Member:**

Education

Rules

Youth & Human Services

St. Croix Legislature

No. One Lagoon St. Complex

Frederiksted, St. Croix 00840

Capitol Building

P. O. Box 1690

St. Thomas, U.S.V.I. 00804

Mr. Roger LaRouche  
Acting Assistant Inspector General  
For Audits  
Office of the Inspector General  
Washington, D.C. 20240

November 23, 2000

Subject: The Legislature of the Virgin Islands response to the Office of the  
Inspector General Audit Report on Administrative Functions -  
Legislature of the Virgin Islands (Assignment No. V-IN-VIS-  
0041-00-R)

Dear Mr. LaRouche:

Attached is the response to the above captioned audit. Your report has been carefully reviewed, and as President of the 23<sup>rd</sup> Legislature of the Virgin Islands, it is my intention to comply with all accepted recommendations in a timely manner. The appropriate mechanism has been developed and the areas addressed by the audit will be carefully monitored to meet suggested requirements.

Sincerely,

A handwritten signature in cursive script that reads "Vargrave Richards".

Vargrave Richards  
Senate President, 23<sup>rd</sup> Legislature

**RESPONSE TO DRAFT AUDIT REPORT ON ADMINISTRATIVE  
FUNCTIONS, LEGISLATURE OF THE VIRGIN ISLANDS,  
GOVERNMENT OF THE VIRGIN ISLANDS**

**EXPENDITURES**

**RECOMMENDATION NO 1.** *Restrict obligations or expenditures against appropriations to the amount of apportionments or reapportionments (allotments made for each such appropriation, in accordance with 33 V.I. C. s 3107.*

**RESPONSE:** The Legislature **does not concur** with this audit finding. Title 33, Chapter 11, Section 3104, et.seq. of the Virgin Islands Code prohibits the Director of the Office of Management and Budget (OMB) from unilaterally reducing the allotment of the Legislature. Only the Legislature, as a separate branch of Government can reduce its appropriation. Moreover, the provisions of Title 33, Virgin Islands Code, Section 3103 do not apply to the Legislature (See: Title 33, Virgin Islands Code, Section 3106(b)). However, in the spirit of cooperation, and with an understanding of the financial position of the Government of the Virgin Islands, I wrote the Honorable Governor Charles Turnbull requesting that the Legislature be given the consideration necessary to meet obligations and remain within a reasonable ceiling. The additional allotment requested was not given even though the amount requested was less than the appropriation. (See attached letter dated August 27, 1999) Please note that in addition to reducing its original budget, while absorbing other costs such as increases in health insurance, the Legislature spent \$373,602 less than its budget for fiscal year 1999.

**RECOMMENDATION NO. 2** *Discontinue, in accordance with the rules and regulations issued by the Department of Finance, the practice of paying from the Imprest Fund such expenses as salaries or advancing for professional services contracts and other regular operating goods and services that should be acquired through the normal procurement process.*

**RESPONSE:** The Legislature concurs with this audit finding. In a letter written to the Commissioner of Finance, the Honorable Bernice Turnbull (see attached), a request was made and approved by the Governor to increase the Imprest Fund from \$30,000 to \$70,000. The rationale for the increase was to provide the Legislature with the flexibility of meeting its operational expenses, and to reduce the frequency with which documents were being submitted to the Department of Finance for reimbursement to the Imprest Fund. The Legislature has ceased to pay for professional services contracts and advancing salaries with the Imprest Fund.

As a separate branch of Government, the Legislature of the Virgin Islands can establish its own guidelines as to what can be paid by its Imprest Fund. The Department of Finance merely acts as a conduit for the Legislature. Currently, there are no written rules governing the recommended payments paid by the Imprest Fund. The Legislature, however, recognizes the need for a documented procedure and is in the process of formulating such guidelines to be used in the administering of the Imprest Fund.

**RECOMMENDATION NO. 3** *Research the four payments totaling \$23,000, for which the Imprest Fund was never reimbursed to determine whether they should be recovered.*

**RESPONSE:** The Legislature concurs with this recommendation. As outlined herein, we have instituted specific action to recover questionable payments and have established guidelines to ensure that similar incidents will not occur. When an expense is incurred by either Central or a senatorial staff it may be charged directly against the Imprest Fund. When this occurs, the appropriate account is debited for the cost incurred and the Imprest Fund is also debited. This action correctly reduces the allotment to the account and also reduces the amount in the Imprest Fund. Because the Imprest

Fund is a revolving fund, when the amount of the fund reaches a certain level, the expenses are forwarded to the Department of Finance for a check to be written.

Secondly, on occasion, due to unavoidable administrative delays in the forwarding of documents to the Department of Finance for reimbursement, the Legislature finds that most small contractors, and personal services contractors who render services to the Legislature request that they be reimbursed from the Imprest fund until such time that the Department of Finance issues a check. When this occurs, a check is cut from the Imprest Fund and paid to the Vendor or contractor with the understanding that once the Department of Finance pays the vendor, the check must then be turned over to the Legislature's Imprest Fund where it is deposited into the Imprest Fund as a reimbursement.

As recommended by the audit, the four questionable payments totaling \$23,000 have been researched and are being resolved in the following manner:

1. Incident one (1) occurred during the 21<sup>st</sup> Legislature (11/27/96). An investigation is being conducted and the appropriate action will be taken. Implementation is pending the outcome of this investigation. Amount of payment is \$5,000.00.
2. Incident two (2) occurred during the 21<sup>st</sup> Legislature (10/25/96). The payment was approved and properly paid by the 23<sup>rd</sup> Legislature. Amount of this payment is \$5,000.00.
3. Incident three (3) occurred during the 23<sup>rd</sup> Legislature. An investigation was conducted and the Imprest Fund was reimbursed for this expense. Amount of this payment was \$5,531.00. No further action will be taken relative to this contractor.
4. Incident four (4) occurred during the 22<sup>nd</sup> and 23<sup>rd</sup> Legislature. An investigation was conducted and the Imprest Fund was reimbursed for this expense. However, the Office of Business and Financial Management was charged this expenditure. The adjustment has been made and the Office of Business and Financial Management account was credited and the appropriate senatorial account was debited for this expenditure. The amount of this transaction was \$5,163.00.

## **PERSONAL SERVICES CONTRACT**

***RECOMMENDATION NO. 1*** *Ensure that personal services contracts are legally executed and certified for the availability of funds before work is allowed.*

**RESPONSE:** **The Legislature concurs** with your recommendation. All personal services contract are certified for the availability of funds before contractual work begins. Before a contract can be executed and mobilized, the Office of Business and Financial Management must first verify the availability of funds. A verbal authorization is given and the contract is then prepared and sent to Office of Legal Counsel for legal sufficiency. Additionally, all senators and central staff division heads receive monthly responsibility statements both to ensure availability of funds and also to ensure that all entries are correct as recorded. Therefore, senators are aware of the amount of funds, which are available for spending before any contract for personal services may be executed. The executed contract is again forwarded to the Office of Business and Financial Management for final verification and processing.

***RECOMMENDATION NO. 2*** *Establish set hourly rates for specific types of jobs contracted by the Legislature, such as for a Special Projects Coordinator and a Financial Analyst.*

**RESPONSE:** **The Legislature does not concur** with this recommendation. It is, and has always been the practice of senators to contract work at whatever rate they deem appropriate. Each Senator determines the value of their contractual staff. These individuals are generally part-time employees who work mostly outside the Senators office. Central staff does not engage employees on a contractual basis.

**RECOMMENDATION NO. 3**

*Discontinue the practice of awarding contracts to full-time Government employees, require contractors to submit documentation of the number of contracts hours worked, and require the certification of these contract hours by an appropriate Legislative official for payment purposes.*

**RESPONSE:**

The Legislature **does not concur** with this recommendation. Just as the private sector hires people who are full time employees in the public sector and they function in an efficient manner, the Legislature can also hire persons who work full time in the Executive Branch of Government. As previously indicated, each Senator must determine the value which each contracted employee brings to his or her office. Contracted employees are hired to meet specific needs or to complete specific goal-oriented tasks, and as such are may not be prorated on an hourly basis. This is left to a Senator's discretion. However, the Legislature does concur with the recommendation to require contracted employees to submit supporting documentation regarding hours of work, and has commenced implementation of this recommendation.

**RECOMMENDATION NO. 4**

*Provide the Government Employees Retirement System with information on contracts issued to retired individuals so that the retirement annuities can be appropriately suspended during the contract periods, in accordance with existing law and regulations.*

**RESPONSE:**

**The Legislature concurs** with this recommendation. However, while the Legislature does have the responsibility to provide the Government Employees Retirement System with information on contracts issued to retired individuals, it is not a unilateral responsibility. Likewise, the individual is also responsible to notify the Retirement System of the contractual relationship with the Legislature. The Legislature will provide notification to the Retirement System and the individual.

**RECOMMENDATION NO. 5** *Provide the Government Employees Retirement System with information on the five individuals who continued to receive their retirement annuities while they received fees for contractual services so that a determination can be made as to whether the payments were made improperly and therefore should be recovered.*

**RESPONSE:** The Legislature concurs  
with this recommendation. (See response to audit recommendation number four herein.)

### **PROCUREMENT AND PROPERTY MANAGEMENT**

**RECOMMENDATION NO. 1** *Ensure that the Property Officer, in accordance with the Legislature's Perpetual Inventory Management System Manual regarding the procurement of goods and services, is involved in the purchasing process by obtaining at least three price quotations and selecting a vendor based on the lowest price and best quality*

**RESPONSE:** The Legislature concurs  
with this recommendation. The Property Officer in accordance with the Legislature's Perpetual Inventory Management System Manual does, whenever possible, require and receives the appropriate three bids to ensure the lowest price and the best quality. There are times, when due to the lack of available vendors, goods and services may not be achievable by more than one entity. Also, because of the poor payment history of the Government of the Virgin Islands, vendors have either refused to conduct business with government entities or will not perform through the requisition process. There are also many Senators who reserve the right to choose their own vendors.

These varying scenarios make it difficult at times to adhere to the three quotations process. Records may not always indicate that this procedure has been followed since selection of vendors may be conducted via telephone and via telephone and there are no supporting documents indicating that the procedure has been followed. The Procurement Officer has been advised in writing to indicate on the "Request to Purchase Goods and Services" the total number of vendors contacted when there is no written documented quotes.

**RECOMMENDATION NO. 2** *Ensure that only the Inventory Control Officer, in accordance with the Legislature's Perpetual*

*Management System Manuel regarding the management of Legislature property, receives equipment items or is made aware of all equipment purchases: equipment items are affixed with a property identification tag upon receipt: and a comprehensive physical inspection is conducted 2 months prior to and 2 months after each legislative term so that the inventory list will be accurate, current and complete. The Legislature should also be provided with a reliable source of information on the condition, status, location and cost of equipment.*

**RESPONES:**

**The Legislature concurs**

with this recommendation. In accordance with the Legislature's Perpetual Inventory Management System Manuel all equipment received are being affixed with a property identification code. This procedure was being followed in principle but there were instances when a senatorial or central staff office would receive equipment and the Office of Business and Financial Management office is not notified. All offices have been informed in writing that when goods have been received that the Business Office be notified in those rare instances when this occurrence takes place.

Effective since the 21<sup>st</sup> Legislature, the Office of Business and Financial Management has conducted announced and sometimes unannounced inventory checks. Particular attention is given to non-returning senators to ensure that all legislative property remains in place at the end of each Senator's term.

The inventory system used by the Legislature does indicate the condition, status, location of all equipment but the cost is not indicated on the system. The Inventory Control Officer has been instructed to update the inventory to include cost of all inventoried items. This process will take about 3 to 6 months to be completed.

**RECOMMENDATION NO. 3**

*Update the computerized inventory list for equipment items by deleting items classified as lost, damaged, replaced or upgraded; complete and maintain necessary equipment disposition records: and reconcile the updated computerized inventory list based on scheduled physical inspections of equipment.*

**RESPONSE:**

**The Legislature concurs**

with this recommendation. All inventory items has been updated to reflect items that are obsolete, deleted and lost. The Legislature has been able to account for

all inventory items. Items indicated as missing were items that were lost during Hurricanes Hugo and Marilyn. These items have been replaced and have been purged from the system. They include but are not limited to; garbage cans blown away by hurricanes; hundreds of session law books that were ruined in hurricanes and have already been replaced with Federal Funds; calendar bases made obsolete by wear and tear; stamp racks, tape dispensers, appointment books, hole punchers, ledger books, index cards and many other miscellaneous items that should not have been identified as equipment but as miscellaneous supplies.

The Business Office is presently redefining the items that should be determined as inventoried items and those items that should be determined as expenses with a useful life of one year or less.

The Inventory Control Officer is currently cataloging items that should have been tagged and not included in inventory. The inventory has already been updated to reflect those items that are tagged and not in inventory to have them included in inventory. This process was initiated even before the audit of the administrative functions of the Legislature commenced.

**RECOMMENDATION NO. 4** *Consider maintaining separate computerized lists for expendable supply items and nonexpendable equipment items, and exercise more stringent controls over the movement of equipment among legislative offices.*

**RESPONSE:**

**The Legislature concurs**

with this finding in principle. However, the cost to maintain a listing for expendable and nonexpendable equipment will far outweigh the cost of replacement. We will however maintain and exercise more stringent controls over the movement of equipment among legislative offices.

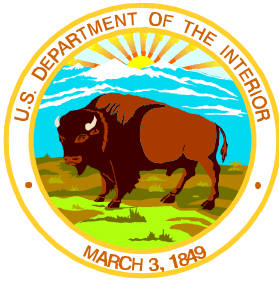
*Attachments*

[NOTE: ATTACHMENTS NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL.]

## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
A.1	Unresolved.	Reconsider the recommendation, and provide a response that indicates the action to be taken to limit expenditures to available funds.
A.2	Management concurs; additional information requested.	Provide a plan of action that includes the target date and the title of the official responsible for completing the development of guidelines for use of the Legislature's imprest fund. When completed, a copy of the guidelines should be provided to the Office of Inspector General.
A.3	Implemented.	No further action is required.
B.1	Management concurs; additional information requested.	Provide a plan of action that includes the target date and the title of the official responsible for ensuring that contract employees do not begin working until their personal services contracts have been fully executed.
B.2	Unresolved.	Reconsider the recommendation, and provide a response that indicates the action to be taken to ensure that contract employees are compensated at hourly rates that are consistently applied for similar types of work.

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
B.3	Unresolved.	Reconsider the recommendation, and provide a response that indicates the action to be taken to ensure that individuals who have full-time jobs are not also contracted to work for the Legislature on a full-time basis.
B.4 and B.5	Implemented.	No further action is required.
C.1	Implemented.	No further action is required.
C.2 and C.3	Management concurs; additional information requested.	Provide documentation to the Office of Inspector General to show that the equipment inventory records have been completely updated.
C.4	Unresolved.	Provide a response to the revised recommendation that states concurrence or nonconcurrence. If concurrence is indicated, an action plan that includes a target date and the title of the official responsible for implementation should be provided.



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## Mission Statement

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