

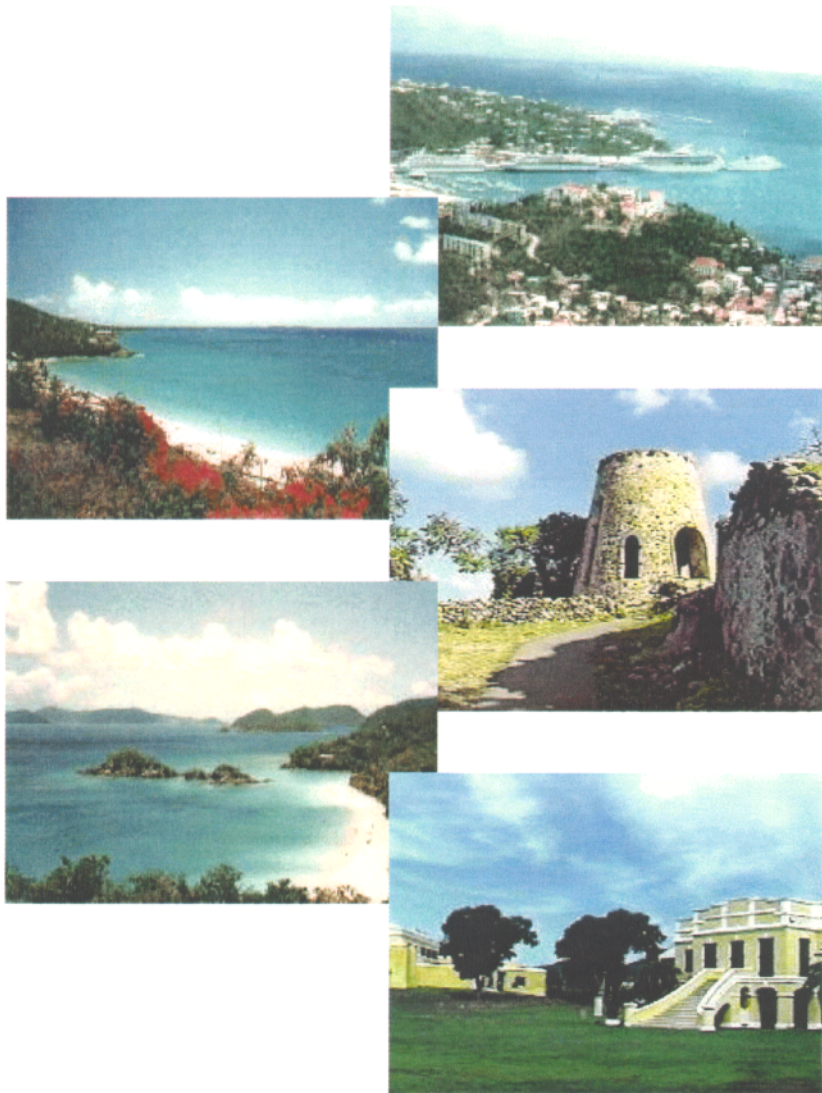


**U.S. Department of the Interior  
Office of Inspector General**

## **Audit Report**

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**Administration and Collection of Excise Taxes  
Bureau of Internal Revenue  
Government of the Virgin Islands**



**Report No. 01-I-291  
March 2001**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

MAR 30 2001

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
No. 21 Kongens Gade  
Charlotte Amalie, Virgin Islands 00802

Subject: Audit Report on Administration and Collection of Excise Taxes, Bureau of Internal Revenue, Government of the Virgin Islands (Report No. 01-I- 291)

Dear Governor Turnbull:

This report presents the results of our audit of the administration and collection of excise taxes by the Bureau of Internal Revenue.

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 May 18, 2001. The response should provide the information requested in Appendix 4 and should be addressed to our Caribbean Regional Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802.

Sincerely,

Roger La Rouché  
Assistant Inspector General  
for Audits

cc: Acting Director of Internal Revenue, Government of the Virgin Islands

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# EXECUTIVE SUMMARY

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## BACKGROUND

The Virgin Islands Bureau of Internal Revenue was established under the Virgin Islands Code to administer and enforce the laws imposing a variety of taxes. In accordance with the Code, the Government can assess and collect excise taxes on all merchandise brought into the Virgin Islands for disposition or sale in the course of trade or for any other business purpose, such as processing or manufacturing. Excise tax rates range from 2 percent on clothing, drugs, and medicine to 25 percent on cigarettes. Excise tax payments are due prior to the release of goods by the U.S. Customs Service unless the importer has satisfied bonding requirements with the Bureau. For taxpayers with valid bonds, excise taxes are not due until the 15th day of the month following release of the goods. Excise taxes, which are deposited into the Government's General Fund, totaled \$15.8 million in fiscal year 1998 and \$17.6 million in fiscal year 1999.

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## OBJECTIVE

The objective of the audit was to determine whether the Bureau effectively (1) administered the excise tax laws and (2) collected excise taxes, including applicable penalties.

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## RESULTS IN BRIEF

Although excise tax payments collected by the Bureau of Internal Revenue during fiscal years 1998 and 1999 were appropriately deposited to the Government's General Fund, improvements are needed in the administration of excise taxes to make sure that all taxes due are paid. Specifically, the Bureau should:

- ☐ Ensure that businesses which receive merchandise through the U.S. Post Office file tax declarations and pay taxes.
- ☐ Establish accounts receivable and collect taxes due from merchants whose goods are released under bonds but who do not make subsequent payments.
- ☐ Verify the accuracy of claims for tax credits and taxpayer calculations of excise taxes.
- ☐ Provide computers to field offices and link the computers through the completion of a local network between St. Thomas and St. Croix.

- ☐ Fill the assistant supervisor position for excise taxes on St. Thomas and prepare a budget for other staffing and resource needs.
- ☐ Deposit collections on a daily basis.
- ☐ Use prenumbered tax forms.

We identified similar conditions in our 1987 audit of excise taxes (see Appendix 2).

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## **RECOMMENDATIONS**

We made eight recommendations to the Governor of the Virgin Islands to address the internal control weaknesses disclosed by the audit.

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

The Governor concurred with all eight recommendations and indicated that corrective actions would be taken. Based on the response, we consider the eight recommendations resolved but not implemented.

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# CONTENTS

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<b>EXECUTIVE SUMMARY</b>	.....	1
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<b>INTRODUCTION</b>	Background .....	5
	Objective and Scope .....	5
	Prior Audit Coverage .....	6

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<b>RESULTS OF AUDIT</b>	Administration of Excise Taxes .....	7
-------------------------	--------------------------------------	---

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<b>RECOMMENDATIONS</b>	.....	13
------------------------	-------	----

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<b>APPENDICES</b>	1. Monetary Impact .....	15
	2. Prior Audit Reports .....	16
	3. Response to Draft Report .....	17
	4. Status of Recommendations .....	20



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# INTRODUCTION

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## BACKGROUND

The Virgin Islands Bureau of Internal Revenue was established under the Virgin Islands Code (33 V.I.C. Chapter 20) to administer and enforce the laws imposing the following taxes: corporate and individual income, gross receipts, trade and excise, hotel occupancy, highway users, production, gift, inheritance, and fuel. The Bureau administers the collection of these taxes through five major offices and branches: the Director's Office and the Processing, Delinquent Accounts and Returns, Audit Enforcement, and Computer Operations Branches. The Excise Tax Unit is organized under the Processing Branch.

In accordance with the Virgin Islands Code (33 V.I.C. § 42), the Government can assess and collect excise taxes on all merchandise brought into the Virgin Islands for disposition or sale in the course of trade or for any other business purpose, such as processing or manufacturing. Excise tax rates range from 2 percent on clothing, drugs, and medicine to 25 percent on cigarettes. Excise tax payments are due prior to the release of goods by the U.S. Customs Service unless the importer has satisfied bonding requirements with the Bureau. For taxpayers with valid bonds, excise taxes are not due until the 15th day of the month following release of the goods. For businesses that receive merchandise through the U.S. Postal Service, a monthly tax declaration form must be filed.

Excise taxes, which are deposited into the Government's General Fund, totaled \$15.8 million in fiscal year 1998 and \$17.6 million in fiscal year 1999. In addition, taxpayers submitted credit claims for excise taxes totaling \$1.5 million in fiscal year 1998 and \$744,300 in fiscal year 1999. In September 1999, the Bureau discontinued the practice of accepting cash for excise tax payments. Accordingly, excise tax payments were subsequently made by check or money order. At the time of the audit, the Bureau's excise tax unit had 16 budgeted positions (including the unit supervisor), but 4 of those positions were vacant.

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## OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Bureau effectively (1) administered the excise tax laws and (2) collected excise taxes, including applicable penalties. The scope of the audit included a review of excise tax transactions that occurred and the policies and procedures that were in effect during fiscal years 1998 and 1999 and other periods as appropriate.

To accomplish our audit objective, we reviewed applicable laws, rules, and regulations for excise taxes as contained in the Virgin Islands Code; excise tax collection and deposit records; excise tax returns; postal declaration letters; and credit claims. In addition, because the Bureau did not maintain a listing of unpaid excise tax returns, we compiled an accounts receivable listing as of May 30, 2000. The audit was conducted from March through October 2000 at the Bureau's St. Thomas and St. Croix branches, the Department of Finance's offices on St. Thomas and St. John, and the U.S. Customs Air Cargo Office on St. Thomas.

Our audit was conducted 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. The "Standards" requires that we obtain sufficient, competent, and relevant evidence to afford a reasonable basis for our findings and conclusions.

As part of our audit, we evaluated the internal controls at the Bureau to the extent we considered necessary to accomplish the audit objective. Internal control weaknesses were identified in the areas of ensuring the payment of excise taxes for merchandise received through the U.S. Postal Service, establishing accounts receivable for delinquent bondholders, validating credit claims, and verifying excise tax calculations. These weaknesses are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas.

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## **PRIOR AUDIT COVERAGE**

The Office of Inspector General has not issued any reports on excise taxes during the past 5 years. However, the Office of Inspector General issued a report on the administration, enforcement, and collection of excise taxes in March 1987 and a followup report on recommendations regarding gross receipts, hotel occupancy, excise, and income taxes in May 1991 (see Appendix 2).



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# RESULTS OF AUDIT

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## ADMINISTRATION OF EXCISE TAXES

Although excise tax payments collected by the Bureau during fiscal years 1998 and 1999 were appropriately deposited to the Government's General Fund, improvements are needed in the administration of excise taxes to make sure that all taxes due are paid. Specifically, the Bureau should:

- ☐ Ensure that businesses which receive merchandise through the U.S. Post office file tax declarations and pay taxes.
- ☐ Establish accounts receivable and collect taxes due from merchants whose goods are released under bonds but who do not make subsequent payments.
- ☐ Verify the accuracy of claims for tax credits and taxpayer calculations of excise taxes.
- ☐ Provide computers to field offices and link the computers through the completion of a local network between St. Thomas and St. Croix.
- ☐ Fill the assistant supervisor position for excise taxes on St. Thomas and prepare a budget for other staffing and resource needs.
- ☐ Deposit collections on a daily basis.
- ☐ Use prenumbered tax forms.

As a result of the lax administration over excise taxes, we concluded that the Bureau did not (1) assess and collect excise taxes in at least 1,111 instances where businesses received merchandise through the U.S. Postal Service; (2) take effective action to collect on 432 excise tax returns totaling \$155,100 which were released on bond; (3) validate at least 34 credit claims totaling \$868,496; and (4) collect at least \$3,500 in excise taxes because of computational errors.

### **Merchandise Delivered to Businesses Through the U.S. Postal Service Not Currently Monitored**

Since December 1999, the Bureau has not monitored the delivery of merchandise to businesses via the U.S. Postal Service. Consequently, there was little assurance that businesses were complying with a monthly filing requirement or that the Bureau

made assessments as provided for in the Virgin Islands Code.<sup>1</sup> Prior to December 1999, the Bureau sent tax enforcement officers to the U.S. Post Offices in the Virgin Islands to examine incoming parcels to determine whether the contents were being imported by a business for resale. Upon determination, the tax enforcement officer would mail a postal declaration form to the business requesting payment of the excise taxes. However, we found that after the initial mailing of the postal declaration forms, no followup collection activity was undertaken.

During the period October 1997 to March 1999, tax enforcement officers sent 1,111 tax declaration forms to businesses for the payment of excise taxes for which no responses were received from the businesses. The value of these 1,111 tax declaration forms could not be determined because the tax enforcement officers were not authorized to open incoming parcels to determine the dollar value of the parcels' contents. In December 1999, the tax enforcement officers discontinued the practice of periodically visiting the U.S. Post Offices to examine incoming parcels because of staff shortages and the lack of vehicles.

#### **Accounts Receivable Not Maintained for Delinquent Bondholders**

The Bureau was not aware of bondholders who had not paid their excise taxes. The Virgin Islands Code (33 V.I.C. § 42c(b)) authorizes the Bureau's Director to release merchandise "without payment of excise taxes upon the giving of a bond to guarantee payment of such taxes within fifteen days after the last day of the month in which the shipment was released." However, the Bureau did not establish an account receivable for excise taxes for merchants who had their merchandise released on bond but who did not remit payment by the 15th day of the following month.

The Bureau maintained a computerized list of excise tax returns released on bond (which the Bureau referred to as the bond program) and a computerized list of payments made for merchandise released on bond (which the Bureau referred to as the paid program), but these two lists were not linked to create an account receivable record. Instead, the Bureau used a manual process to match payments made by bondholders with excise tax returns released on bond. Once matched, the excise tax return was deleted from the bond program, and the payment was entered

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<sup>1</sup>The Virgin Islands Code (33 V.I.C. § 44(a)) requires businesses that receive merchandise through the U.S. Postal Service to file, on a monthly basis, a tax declaration form to declare the dollar value of taxable imports received via the U.S. Postal Service. In addition, the Code (33 V.I.C. § 45(a)) states that if "the excise tax report on United States Postal Service shipments is not received within 30 days after the due date of such report, the Director of the Bureau of Internal Revenue shall make arbitrary determination of the tax for the delinquent taxpayer."

into the paid program. However, as of July 31, 2000, the Bureau had not matched payments made by bondholders with excise tax returns since February 2000. Moreover, tax enforcement officers located at field offices were not in a position to deny the release of merchandise to delinquent bondholders because, for example, a list of delinquent bondholders on St. Thomas had not been prepared since September 1999.

To determine the accounts receivable for excise tax returns on St. Thomas, we manually reviewed the excise tax returns released on bond and the payments for excise tax returns released on bond for the period October 1, 1999 to May 30, 2000. We found that 108 bondholders had 432 outstanding excise tax returns totaling \$136,530. We then applied the applicable penalty<sup>2</sup> of 5 percent per month for a period of up to 90 days and found that the accounts receivable for the 432 outstanding accounts totaled \$155,100, including penalties.

**Tax Credits of \$672,906  
Were Not Adequately  
Supported, and Tax  
Credits of \$195,590 Were  
in Excess of Taxes Paid  
or Were Claimed More  
Than Once**

During fiscal years 1998 and 1999, the Bureau processed 254 credit claims totaling \$2.3 million without verifying the accuracy of the claims. Our review of a judgmental sample of 35 of the credit claims totaling \$1.3 million indicated that tax credits of \$672,906 were not adequately supported and that tax credits of \$195,590 were in excess of taxes paid or were claimed more than once.

The Virgin Islands Code (33 V.I.C. § 42d) provides for issuing refunds, or credits, where merchandise is subsequently sold to purchasers who take delivery and actual possession of the merchandise outside the U.S. Virgin Islands. We also found that the Bureau issued credit claims when merchandise was exempted but excise taxes were paid in error, merchandise was later returned to the exporter, or duplicate payments were inadvertently made by taxpayers for merchandise released on bond.

To determine whether the Bureau maintained sufficient documentation to approve a credit claim, we reviewed a judgmental sample of 35 credit claims totaling \$1,318,793. We found that one claim totaling \$66,110 contained the required documents necessary to validate the claim. However, for 17 claims totaling \$672,906, the Bureau either was lacking one or

<sup>2</sup>The Virgin Islands Code (33 V.I.C. § 45(a)) states that any taxpayer who fails to pay the total amount of tax within the time required is subject to the payment of a penalty at the rate of 5 percent per month, not to exceed 25 percent in the aggregate.

more of the required documents to validate the claim or did not provide the claim for our review.<sup>3</sup> For the remaining 17 credit claims totaling \$579,777, we reduced the claims by \$195,590 to \$384,187 because we found that the taxpayer requested a credit claim in excess of the original excise tax payment or because the taxpayer submitted the same excise tax return more than once to request a credit.

**Verification of Excise Tax Calculations Not Documented by Tax Enforcement Officers**

There was no indication on the Excise Tax Returns (Form 721 V.I.) that a tax enforcement officer had verified the tax calculation. In accordance with the "Performance Tasks" for tax enforcement officers, which the Bureau prepared and provided to us in April 2000, tax enforcement officers are responsible for verifying the amount of taxes calculated by the taxpayer on Form 721 V.I. and for inserting the word "verified," followed by the tax enforcement officers' initials, in the lower right hand corner of the form. However, we found that the tax enforcement officers did not insert both the word "verified" and their initials in the lower right hand corner to indicate that they had checked the calculations. To test the accuracy of excise tax calculations, we selected a judgmental sample of 852 excise tax returns processed during fiscal years 1998, 1999, and 2000 (through June 30). We found that 55 (about 6 percent) of the 852 returns had some type of computational error, which resulted in a total of \$3,500 being underpaid and a total of \$1,140 being overpaid by the taxpayers.

**Excise Tax Unit Not Adequately Computerized**

The excise tax units on St. Thomas and St. Croix each had two computer terminals. One terminal was used to input excise tax returns, and one terminal was used to input excise tax payments. However, these two terminals were not integrated to conduct any type of analyses on excise taxes. Moreover, we found that none of the field offices had computer terminals to process excise tax returns. The supervisor of the excise tax unit told us that the Bureau was in the process of computerizing the excise tax unit and establishing a local area network between the St. Thomas and St. Croix offices. However, a plan for completing these efforts had not been developed.

<sup>3</sup>To obtain a credit against future excise taxes, the taxpayer must submit Form 843 EX-V.I. This form must be accompanied by a copy of the excise tax return that the taxpayer provided at the time the merchandise was released. For merchandise subsequently sold to purchasers who accepted delivery of the merchandise outside the Virgin Islands, the following documents must be attached: a copy of the purchase invoice for the merchandise, a copy of the sales invoice, and a signed certificate of export by the exporter and the captain of the vessel on which the merchandise was laden.

**Excise Tax Unit on  
St. Thomas Not  
Adequately Supervised**

The supervisor of the excise tax unit resided on St. Croix. This individual was required to travel to St. Thomas at least twice a month to visit both the main office and field offices on St. Thomas because the assistant supervisor position on that island was not filled. At the January 22, 2001 exit meeting on the preliminary draft of this report, the Bureau's Acting Director told us that the assistant supervisor position had been dropped from the Bureau's budget. Additionally, the Acting Director stated that the excise tax unit needed six additional tax enforcement officers to be considered fully staffed. We believe that the position of assistant supervisor should be reinstated to the Bureau's budget and filled because such action would enhance the operations of the excise tax unit on St. Thomas. Consideration should also be given to providing the Bureau with the level of staffing and other resources necessary for it to effectively carry out its tax administration and collection responsibilities.

**Excise Tax Collections Not  
Deposited Timely**

We found that it took as many as 6 days for collections to be transmitted from the Bureau's field offices to the Bureau's main office and that it took as many as 4 days for these funds to be deposited into the Government's bank account. Consequently, the Bureau was losing up to 10 days of interest because of delays in depositing taxes collected at the field offices. Bureau officials told us that a lack of available employees prohibited the daily retrieval and transfer of records and funds from the field offices to the main office. The Government's Accounting Manual (Section 310.4) stipulates that collectors deposit daily, through the use of the night depository, all collections made by them during the day.

**Excise Tax Returns Did  
Not Have Preprinted  
Control Numbers**

We reviewed 16,892 excise tax returns processed during fiscal years 1998 and 1999 that were stored at the U.S. Customs Air Cargo Office on St. Thomas. The purpose of our review was to ensure that returns processed by the U.S. Customs Service were also processed by the Bureau and that taxes collected were remitted to the Bureau. Nothing came to our attention which would indicate that excise tax returns processed by the U.S. Customs Service were not also processed by the Bureau. However, we did find that in 334 instances the tax enforcement officer duplicated the control number that the officer manually assigned to the excise tax return and that in 7 instances the tax enforcement officer used the same control number three times. The tax enforcement officers processed at least 800 excise tax returns each month, and the officers were responsible for

manually assigning a number to each excise tax return. We believe better control would exist over excise tax returns if they were prenumbered.

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# RECOMMENDATIONS

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## TO THE GOVERNOR OF THE VIRGIN ISLANDS

We recommend that the Governor of the Virgin Islands:

1. Reinstate to the Bureau's budget the position of assistant supervisor for the excise tax unit on St. Thomas and provide the Bureau with the staffing and resources necessary for it to effectively carry out its tax administration and collection responsibilities.

We recommend that the Governor of the Virgin Islands direct the Director of Internal Revenue to:

2. Establish a process to ensure that the provisions of the Virgin Islands Code (33 V.I.C. § 44(a) and 45(a)) are complied with regarding the monthly filing of tax declaration forms by businesses that receive merchandise through the U.S. Postal Service or the assessment of excise taxes by the Bureau. In addition, action should be taken to follow up on the status of the 1,111 postal declaration forms mailed to taxpayers.

3. Establish and maintain accounts receivable records for delinquent excise taxpayers to initiate timely collection efforts, assessment of penalties, and preparation of a list of delinquent bondholders for use by the field offices.

4. Establish procedures for the tax enforcement officers to validate requests for credit claims. These procedures should ensure that all required documents are submitted for each credit claim, an excise tax form is not used for more than one credit claim, and supporting documentation is maintained for a specified period of time.

5. Require the tax enforcement officers to insert the word "verified," followed by the officers' initials, in the lower right hand corner of each excise tax return, as required by the "Performance Tasks" for tax enforcement officers. This action will provide documentation that excise tax calculations performed by taxpayers have been verified as correct by the tax enforcement officers.

6. Develop a plan of action to upgrade the computers in the excise tax unit, install computers in the field offices, and establish a local area network between the St. Thomas and St. Croix excise tax units.

7. Ensure that excise tax records and collections are retrieved from the field offices and brought to the main office on a daily basis and that collections are deposited on a daily basis in accordance with the Government's Accounting Manual.

8. Use prenumbered excise tax returns.

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**GOVERNOR OF THE  
VIRGIN ISLANDS  
RESPONSE**

The March 13, 2001 response (Appendix 3) to the draft report from the Governor of the Virgin Islands concurred with the eight recommendations and indicated that corrective actions would be taken.

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**OFFICE OF  
INSPECTOR  
GENERAL  
REPLY**

Based on the response, we consider the eight recommendations resolved but not implemented (see Appendix 4).



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## APPENDIX 1 - MONETARY IMPACT

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<b>FINDING AREAS</b>	<u>Unrealized Revenues*</u>	<u>Funds To Be Put To Better Use*</u>
Administration of Excise Taxes		
Accounts Receivable	\$155,100	
Credit Claims		
In Excess of Taxes Paid		\$195,590
Not Adequately Supported		672,906
Excise Tax Calculations	<u>3,500</u>	<u>          </u>
Totals	<u>\$158,600</u>	<u>\$868,496</u>

\* Amounts represent local funds.

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## APPENDIX 2 - PRIOR AUDIT REPORTS

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### OFFICE OF INSPECTOR GENERAL REPORTS

The March 1987 report "Administration, Enforcement, and Collection of Excise Taxes, Government of the Virgin Islands" (No. V-TG-VIS-13-86) stated that the Bureau of Internal Revenue did not (1) have adequate internal controls to ensure that all taxes collected by enforcement officers in the field were properly accounted for and promptly deposited, (2) maintain a current accounts receivable ledger for excise taxes and assess penalties and interest for delinquent taxes in a consistent manner, and (3) have established guidelines or written procedures to provide for an effective system of internal controls over the administration of excise taxes. Although the Bureau generally concurred with the report's 13 recommendations, the Bureau provided sufficient information for us to consider only 6 of the 13 recommendations resolved and implemented.

The May 1991 report "Followup of Recommendations Regarding Gross Receipts, Hotel Occupancy, Excise, and Income Taxes, Government of the Virgin Islands" (No. 91-I-791) stated, with regard to excise taxes, that 6 of the 13 prior recommendations had been implemented. Of the remaining seven recommendations, Bureau officials concurred with two recommendations and did not concur with three recommendations. We withdrew the two remaining recommendations because conditions had changed and the recommendations were no longer valid.

Based on our current review, we concluded that internal control weaknesses still existed with regard to the maintenance of accounts receivable records, the assessment of penalties, and the timely collection and deposit of excise taxes.

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## APPENDIX 3 - RESPONSE TO DRAFT REPORT



### THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR  
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802  
340-774-0001

March 13, 2001

Mr. Arnold van Beverhoudt, Jr.  
Office of the Inspector General  
Caribbean Regional Office  
Federal Building, Room 207  
St. Thomas, V.I. 00802

Dear Mr. van Beverhoudt:

Attached is the Bureau of Internal Revenue's response to Draft Audit Report No. V-IN-VIS-004-00-M. This report is an audit of the Administration and Collection of Excise Taxes.

This audit report generated eight (8) recommendations of findings. The Bureau of Internal Revenue concurs with all the recommendations and has indicated corrective action plans that will all be completed by December 30, 2001. Please note these corrective actions will also address recommendations not resolved from a prior audit in May 1991. It is important that you recognize that the efforts of this Administration are to comply with all the audits, and to implement corrective actions that will satisfy all audit findings.

I extend my appreciation for the assistance your office provides the Government through these audit findings, and I look forward to a continued pleasant working relationship. Should you have any questions or require additional information, please contact Mr. Alric Simmonds of my staff at 693-4315.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Turnbull".  
Charles W. Turnbull  
Governor

**Director's Office**

TEL: (809) 774-4572  
FAX: (809) 776-4037

**GOVERNMENT OF  
THE VIRGIN ISLANDS OF THE UNITED STATES**

**VIRGIN ISLANDS  
BUREAU OF INTERNAL REVENUE**

9601 Estate Thomas  
Charlotte Amalie, St. Thomas, U.S.V.I. 00802

March 6, 2001

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
No. 21 Kongens Gade  
Charlotte Amalie, Virgin Islands 00802

Subject: Audit Report "Administration and Collection of Excise Taxes, Bureau of Internal Revenue, Government of the Virgin Islands" (Assignment No. V-IN-VIS-004-00-M)

Dear Governor Turnbull:

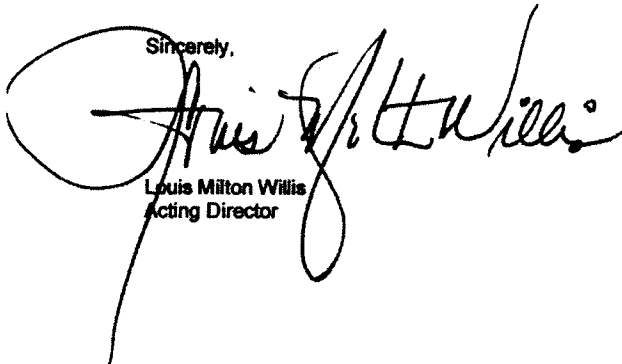
In response the above reference, we concur with each finding and recommendation. The following represents our proposed actions:

Issue	Concurrence	Recommendation	Actions
Merchandise delivered to businesses through the U.S. Postal Service not currently monitored.	Yes	Ensure that businesses which receive merchandise through the U.S. Postal Office file tax declarations and pay taxes.	Concur. IRB will hire additional excise officers to collect revenues due by merchandized imported through U.S Postal Services. Estimated completion date: September 15, 2001
Accounts Receivable not maintained for delinquent bondholders.	Yes	Establish accounts receivable and collect taxes due from merchants whose goods are released under bonds but who do not make subsequent payments.	Concur. IRB will establish AR for taxpayers, track bond and monitor accounts receivable for subsequent payments. IRB will establish a procedure to collect against delinquent taxpayers. Estimated Completion Date: September 30, 2001
Tax credits of \$872,906 were not adequately supported and tax credits of \$195,590 were in excess of taxes paid or were claimed more than once.	Yes	Verify the accuracy of claims for tax credits and taxpayer calculations of excise taxes.	Concur. Procedure for verification of data will be established. Estimated Completion Date: September 30, 2001
Verification of excise tax calculations not documented by tax enforcement officers.	Yes	Verify the accuracy of claims for tax credits and taxpayer calculations of excise taxes.	Concur. Procedure for verification of data will be established. Estimated Completion Date: September 30, 2001

- 2 -

Issue	Concurrence	Recommendation	Actions
Excise tax unit not adequately computerized.	Yes	Provide computers to field offices and link the computers through the completion of a local network between St. Thomas and St. Croix.	Concur. This will be accomplished as part of IRB's modernization project. Information will be integrated and appropriate management reports will be generated to insure efficiency. December 31, 2001.
Excise tax unit on St. Thomas not adequately supervised.	Yes	Fill the assistant supervisor position for excise taxes on St. Thomas and prepare a budget for other staffing and resource needs.	Concur. IRB will hire more supervisors and quality assurance procedures will be implemented. Estimated Completion Date: September 30, 2001
Excise tax collections not deposited timely.	Yes	Deposit Collections on a daily basis.	Concur. IRB will implement procedure for timely deposits. Estimated Completion Date: April 15, 2001.
Excise tax returns did not have preprinted control numbers.	Yes	Use prenumbered tax forms	Concur. Estimated Completion: April 15, 2001.

Sincerely,

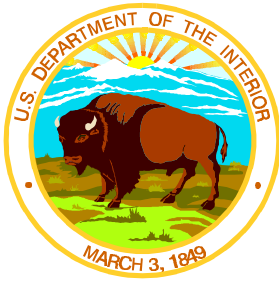


Louis Milton Willis  
Acting Director

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## APPENDIX 4 - STATUS OF RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1 - 8	Resolved; not implemented.	Provide this office supporting documentation upon completion of the corrective actions.



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## Mission Statement

The Office of Inspector General conducts and supervises audits and investigations of Department of the Interior and insular area government programs and operations to:

- ! Promote the economy, efficiency, and effectiveness of programs and operations and
  - ! Prevent and detect fraud, waste, and abuse in programs and operations.
- 

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