



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

Audit Report

Use of Official Credit Cards, Government of the Virgin Islands





United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Eastern Regional Office
381 Elden Street – Suite 1100
Herndon, Virginia 20170

August 27, 2004

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

Subject: Final Audit Report “Use of Official Credit Cards, Government of the Virgin Islands”
(Report No. V-IN-VIS-0104-2003)

Dear Governor Turnbull:

The attached report presents the results of our audit of the use of official credit cards by the Virgin Islands Public Television System, Virgin Islands Water and Power Authority, University of the Virgin Islands, Virgin Islands Port Authority, Virgin Islands Housing Finance Authority, Economic Development Authority, Government Employees Retirement System, and Roy L. Schneider Hospital. The objective of our audit was to determine whether the Government agencies used official credit cards for only legitimate purposes.

The legislation, as amended (5 U.S.C. app. 3), creating the Office of Inspector General requires that we report to Congress semiannually on all reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented. Therefore, this report will be added to the next semiannual report.

We consider all the report recommendations implemented except Recommendations 4 and 5, which are addressed to the University of the Virgin Islands and are considered to be unresolved. Therefore, we request that your office coordinate with the University to provide a response that includes the information requested in Appendix 3. The responses should be provided by September 24, 2004, and be addressed to Mr. Roger La Rouche, Assistant Inspector General for Audits, Office of Inspector General, U.S. Department of the Interior, 1849 C Street, NW (MS-5341), Washington, DC 20240; with copies to our Caribbean Field Office, Ron deLugo Federal Building – Room 207, St. Thomas, VI 00802.

Sincerely,

William J. Dolan, Jr.
Regional Audit Manager

cc: Osbert Potter, General Manager, Virgin Islands Public Television System
Alberto Bruno Vega, Executive Director, Virgin Islands Water and Power Authority
Dr. Laverne Ragster, President, University of the Virgin Islands
Darlan Brin, Executive Director, Virgin Islands Port Authority
Clifford Graham, Executive Director, Virgin Islands Housing Finance Authority
Frank Schulberbrant, Chief Executive Officer, Economic Development Authority
Lawrence Bryan, Administrator, Government Employees Retirement System
Rodney Miller, Chief Executive Officer, Roy L. Schneider Hospital

EXECUTIVE SUMMARY

Lack of Policy Led to Credit Card Abuse

We audited official credit card charges totaling more than \$3.1 million made by eight autonomous agencies of the Government of the Virgin Islands during fiscal years 1998 to 2003. We found that employees used official government credit cards to buy personal items costing \$180,820 and did not always pay for their personal purchases. In the worst case, the former General Manager of the Virgin Islands Public Television System made personal charges totaling \$101,370 and reimbursed the Public Television System for only \$16,630 over a 6-year period. We also identified charges totaling \$339,990 for purported business expenses that were not supported by receipts or other appropriate documentation. Most of the unsupported charges occurred at the Public Television System and the Water and Power Authority.

These discrepancies occurred because the agencies generally did not have comprehensive policies and procedures to (1) define the allowable uses of official credit cards, (2) establish strong internal controls to monitor the use of credit cards, and (3) specify the appropriate disciplinary action for misuse of credit cards. We made 11 recommendations to strengthen controls over the use of official credit cards at the eight agencies audited. Based on the responses received to the draft report, we consider 9 of the 11 recommendations to be resolved and implemented, and 2 recommendations to be unresolved.

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INTRODUCTION

BACKGROUND

We identified eight autonomous agencies of the Government of the Virgin Islands that had official credit cards. These agencies were: the Virgin Islands Public Television System, the Virgin Islands Water and Power Authority, the University of the Virgin Islands, the Virgin Islands Port Authority, the Virgin Islands Housing Finance Authority, the Economic Development Authority, the Government Employees Retirement System, and the Roy L. Schneider Hospital. None of the entities within the Executive, Legislative, and Judicial branches of the Government or any other autonomous agencies had official credit cards.

We audited credit card charges totaling \$3,144,380 made by 48 cardholders during fiscal years 1998 to 2003. Non-Federal funds were used to pay credit card charges at seven of the eight agencies audited. The Virgin Islands Public Television System used Federal funds received through the Corporation for Public Broadcasting to pay credit card charges.

OBJECTIVE AND SCOPE

The objective of our audit was to determine whether the Government agencies used official credit cards only for legitimate purposes. The scope of audit varied depending on the timeframe during which each agency had official credit cards, but generally included credit card transactions during fiscal years 1998 through 2003. We reviewed credit card statements and supporting documents for all charges made by 25 cardholders at seven of the eight agencies. At the Water and Power Authority, we reviewed charges made by 23 cardholders for a random sample of 4 months for each year in the audit scope.

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” require 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 related to the usage of the credit cards and the billing and payment of the charges to the extent we considered necessary to accomplish the audit objective. Internal control weaknesses identified in these areas are discussed in the Results of Audit section of this report.

The recommendations, if implemented, should improve the internal controls in these areas.

**PRIOR AUDIT
COVERAGE**

The Office of Inspector General has not conducted any prior audits of the use of official credit cards by the Government of the Virgin Islands. However, our May 2001 audit report on the operations of the Virgin Islands Lottery (No. 01-I-290) disclosed that during the period of June 1995 to March 1999, the former Executive Director of the Lottery used an official credit card for personal expenses totaling about \$99,000. As a result of a follow-up criminal investigation by our Office of Investigations, the former Executive Director pled guilty in U.S. District Court to a charge of wire fraud in his embezzlement scheme, was sentenced to 20 months of imprisonment and 3 years of supervised release, and was required to pay restitution in the amount of \$72,614. Our current audit disclosed that the Virgin Islands Lottery no longer has any official credit cards.

RESULTS OF AUDIT

OVERVIEW

Employees used official government credit cards to buy personal items costing \$180,820 and did not always pay for their purchases. In the worst case, the former General Manager of the Virgin Islands Public Television System made personal charges of \$101,370 and reimbursed only \$16,630 over a 6-year period. We also identified charges of \$339,990 for purported business expenses that were not supported by any receipts at four agencies. Most of the problems we found occurred at the Public Television System and the Water and Power Authority. We attributed these problems to a lack of comprehensive policies and procedures to (1) define the allowable uses of official credit cards, (2) establish strong internal controls to monitor the use of credit cards, and (3) specify the appropriate disciplinary action for misuse of credit cards. A summary of our audit coverage is presented in the Appendix and our findings at each agency are discussed below.

VIRGIN ISLANDS PUBLIC TELEVISION SYSTEM (WTJX)

Two WTJX officials, the General Manager and the Chief Engineer, held official credit cards during the period of January 1998 to September 2003. We examined all charges, totaling \$300,000, made by the two employees and documented personal charges of \$120,890 and purported business charges of \$125,160 that were not substantiated by any supporting documents.

**Personal and
Unsupported Charges
Represented 82% of
Reviewed Charges**

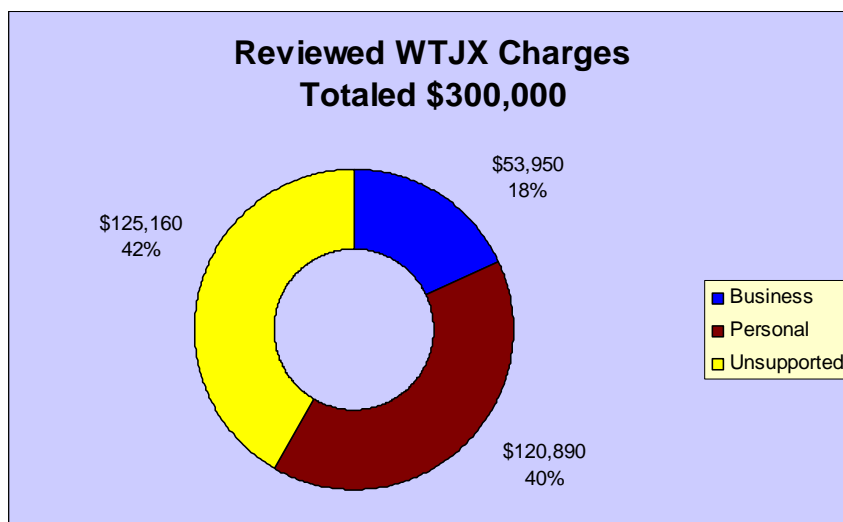


Figure 1

WTJX paid all credit card bills, including those with personal and unsupported charges, from Federal grant funds received through

**Two WTJX Officials
Made Personal
Charges Totaling
\$120,890**

the Corporation for Public Broadcasting (CPB). The terms of the grants restricted the use of grant funds “to augment the capability of CPB-supported public broadcast stations to expand the quality and scope of their services to the community.”

During the audit period, WTJX’s General Manager made personal charges totaling \$101,370. In addition, the Chief Engineer made personal charges totaling \$19,520.

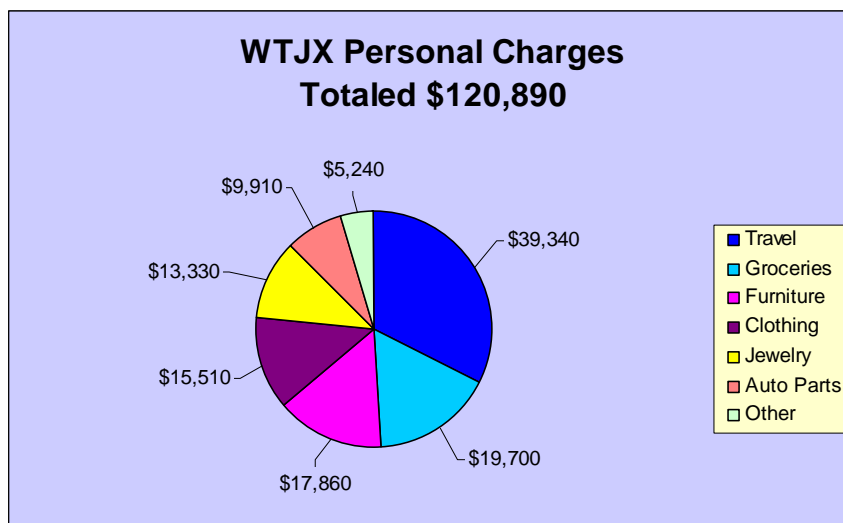


Figure 2

The General Manager’s personal charges consisted of:

- \$31,430 for airline tickets, car rentals, restaurants, and hotel stays for herself and her family members.
- \$16,640 for groceries, household items, and beauty products.
- \$15,510 for clothing and shoes.
- \$13,330 for jewelry; including \$6,200 in three purchases at the same store on the same day.
- \$9,910 for automotive parts and accessories.
- \$9,850 for furniture and electronics; including \$1,800 for a flat screen television.
- \$4,700 for miscellaneous purchases such as eye wear, pharmaceutical items, and souvenirs.

\$10,000 Was Charged for Wedding Expenses

A significant amount of the travel charges coincided with the dates of the General Manager's wedding and honeymoon. For example, travel charges included: \$7,945 for her wedding reception at the Sugar Bay Resort on St. Thomas on November 24, 2001; \$996 for airfare from St. Thomas to St. Lucia on November 25, 2001; and \$1,788 for a stay at the Sandals Resort on St. Lucia from November 25 to 30, 2001.

The General Manager Owed \$82,870 at the Time of the Audit

According to WTJX officials, "past practice" allowed the General Manager to make personal charges on the official credit card with the agreement that she had to pay the bill in full and on time. However, the General Manager made increasing amounts of purchases while making only sporadic payments totaling \$16,630. Figure 3 presents a breakdown of charges and payments by year. For example, she made \$52,436 in personal charges without making a single payment in 2003. In fact, at the start of our audit she had a total outstanding balance of almost \$82,870 in unpaid personal charges.

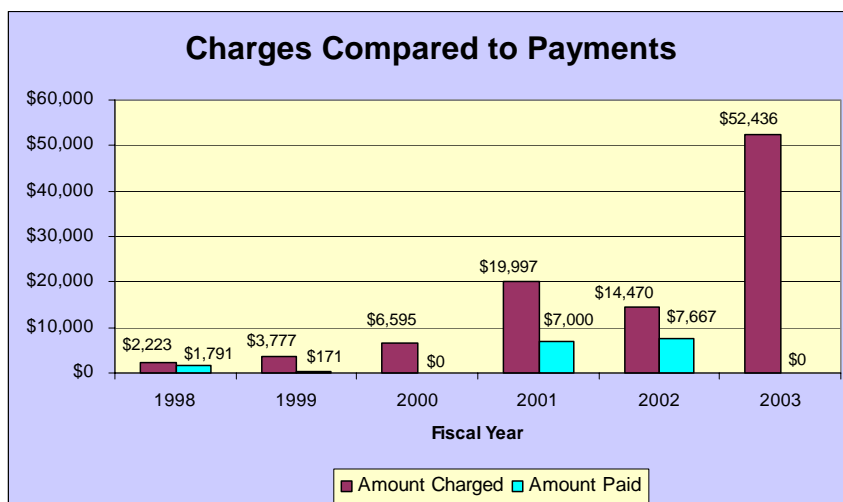


Figure 3

We held separate meetings with WTJX's Board of Directors and the General Manager to discuss our findings. On September 11, 2003, the Board of Directors demanded restitution of \$84,670 from the General Manager and gave her until September 30, 2003, to make payment in full. The General Manager reimbursed WTJX the \$84,670 on September 30, 2003, and a termination letter relieving her of her duties was issued on the same date. However, additional personal charges of \$1,870 for the purchase of a television and clothing were included on the October 5, 2003 billing statement. Therefore, a balance of about \$70 was still owed to WTJX.

The Chief Engineer made personal charges totaling about \$19,520 and made regular payments to reimburse WTJX for the charges.

\$125,160 in Unsupported Charges

WTJX claimed the remaining \$179,110 in credit card charges as business related expenses. However, the only receipts on file pertained to the payment of WTJX's cellular telephone bills and training related travel (\$53,950). All other credit card charges, totaling \$125,160, were approved and processed without the benefit of supporting documentation other than the monthly credit card statements. Cardholders were not required to provide receipts. As a result, there was little assurance that all of these charges were actually business related.

In response to the draft of this report, in June 2004 WTJX provided us with documentation to support the official nature of credit card charges totaling \$28,970. WTJX officials stated that they were continuing to research their records to locate documentation for the remaining \$96,190 in unsupported charges.

WTJX Needs Formal Policies and Stronger Internal Controls

WTJX did not have any written policies or procedures for the use of official credit cards during the time period covered by our review. We found that it had been the unwritten practice ("past practice") of the former General Manager and the former Board of Directors to allow WTJX employees with official credit cards to use them for personal expenses on the condition that such personal charges were promptly reimbursed. In order to track these charges, WTJX maintained an accounts receivable ledger to record the personal charges claimed by the General Manager and the Chief Engineer. However, we identified \$13,750 in personal charges for the General Manager that had not been recorded in the ledger. The General Manager did not claim these personal charges until after we held a meeting with her to address them on September 17, 2003.

The Board of Directors did not adequately supervise the use of official credit cards or monitor reimbursement payments. According to WTJX's bylaws, the Treasurer of the Board of Directors and the General Manager were required to jointly certify all payments in excess of \$2,000. The General Manager ignored the bylaws by signing the checks to pay the monthly credit card bills before allowing the Treasurer to certify the payments. According to the Treasurer, the General Manager routinely withheld the credit card statements. In the few instances when the General Manager provided the statements, the Treasurer would certify the credit card statements long after they had already been paid.

Our audit disclosed that WTJX's public accountant discovered the personal use of the official credit cards and reported his findings in the fiscal years 2001 and 2002 financial statement audit reports. The General Manager received the 2001 report and concealed her actions by withholding from the Board of Directors the "Schedule of Findings" section of the report, which revealed the misuse of the credit card. Further, the General Manager responded to the recommendations without any input from the Board.¹

Corrective Actions Taken

After hearing of our preliminary findings, the Chairperson of the Board of Directors issued a letter dated October 24, 2003, to the Corporation of Public Broadcasting detailing the financial irregularities at the station and the steps taken to correct the situation, including demanding restitution and dismissing the General Manager. Subsequent to our audit, WTJX drafted new policies for official purchases and, at least temporarily, discontinued the official credit card program. We have referred the matter of misuse of official credit cards for investigative follow-up.

VIRGIN ISLANDS WATER AND POWER AUTHORITY (WAPA)

Twenty-three WAPA officials held credit cards. These included members of the Board of Directors, the Executive Director, Division Directors, and several other key employees. For each cardholder, we selected random samples of 4 months for each year during the period of January 1998 to October 2002. We also reviewed a random sample of 3 months for the employees in 2003. The charges reviewed for all 23 officials totaled \$492,500, which included \$59,810 in personal charges and \$148,110 in unsupported charges.

WAPA's credit card program required the cardholders to pay their individual credit card bills and to submit receipts and vouchers for reimbursement. WAPA reimbursed the cardholders only for the charges specifically identified as official WAPA business. WAPA procedures, however, did not specify the allowable use of credit cards.

\$59,810 in Personal Charges

Sixteen WAPA cardholders made personal charges using official credit cards in amounts totaling \$59,810 for the months included in our sample, as summarized in Figure 4.

¹ The 2002 financial statement audit also had findings addressing the personal charges, but the report had not been provided to the Board prior to our audit.

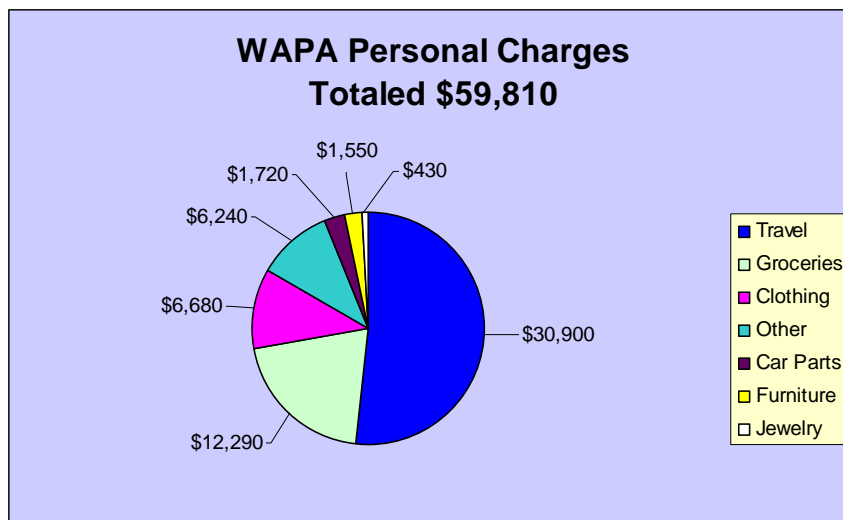


Figure 4

While not prohibited, the use of official government credit cards for personal purchases adversely affected WAPA. Specifically, the credit card company canceled five cards because of non-payment, principally for personal charges totaling \$7,020. For example, the Chairperson of the Board of Directors used her credit card to purchase shoes, automotive parts, and the use of a rental car totaling \$1,400 in July 2000. For these personal charges, she wrote five separate checks, on five separate occasions, which were all returned by the bank for insufficient funds. Her account was cancelled by the credit card company in January 2001 due to delinquency.

Without credit cards, these five WAPA employees could not efficiently conduct official business. Also, the high level of delinquency could negatively impact WAPA's ability to continue its credit card program.

Additional \$9,010 in Unsupported Travel Advances

In a related matter, the Chairperson's non-payment of personal charges, and subsequent card revocation, resulted in her receipt of 10 travel advances totaling \$9,010. However, she did not provide invoices or receipts to support these travel advances. Although WAPA Board policy mandated submission of a full accounting of travel expenses to the Office of the Governing Board, the Chairperson did not prepare any expenditure reports. After several inquiries by the Accounts Payable Supervisor, the Chairperson forwarded four affidavits addressing \$3,310 of the \$9,010 in advances. The affidavits claimed that she lost all receipts supporting her travel expenses but had spent all the money advanced to her. No expense reports or affidavits were submitted for the remaining \$5,700.

**\$148,110 in
Unsupported Charges**

We identified credit card charges totaling \$148,110 that were not adequately supported by receipts or vouchers. Of that amount, \$124,670 was related to travel expenses charged to the credit card issued to the Director of Human Resources. WAPA personnel who did not have a credit card used the Director's card to charge travel and training expenses. Those employees traveled with a letter on WAPA letterhead that they presented to the hotels or training centers authorizing the charge of the lodging and training expenses. However, receipts for these charges were rarely forwarded to the Accounts Payable Division. Therefore, the Accounts Payable Division paid the charges based on a summary that was prepared by the Director's secretary. Because of problems and delays in obtaining receipts from employees, the secretary prepared the summary based on the credit card statements and her knowledge of which employees went to training.

**UNIVERSITY OF THE
VIRGIN ISLANDS (UVI)**

Eight UVI officials held credit cards for official use. These consisted of the former and current Presidents, the Vice-Presidents, the Chancellors, and the Provost. We reviewed a total of \$407,000 in credit card charges during the period of October 2000 to August 2003. The UVI officials used the credit cards only for travel related expenses, UVI-related entertainment and hospitality, and the occasional purchase of small supplies. Cardholders approved their own purchases and, in general, submitted copies of their monthly credit card statements, vouchers, and supporting receipts to the Accounting Division for processing. The Accounting Division paid the bills and recorded payments against the appropriate departmental budgets. We found no personal charges made with official UVI credit cards.

**\$56,000 in
Unsupported Charges**

We did find that credit card charges totaling about \$56,000 were not adequately supported by vouchers or receipts. The majority of those charges were made at the end of fiscal year 2001. According to Accounting Division employees, they processed the payments without the benefit of receipts in order to close out the fiscal year records. However, we found no evidence that the Accounting Division later followed up to obtain the missing receipts.

\$5,300 in Charges for Airline Upgrades and Airline Club Memberships

Although UVI had policies regarding the use of official credit cards, these policies did not address airline upgrades and club memberships. For example, we noted that the former President and a current Vice President purchased airline upgrades and paid airline club membership dues, and the current President paid airline club membership dues. All of these charges totaled \$5,300. By way of comparison, these types of travel expenses are not paid by the Federal Government.

VIRGIN ISLANDS PORT AUTHORITY (VIPA)

Four VIPA officials held credit cards for official use. These consisted of the Executive Director, the Director of Administration and Finance, and the Purchasing Supervisors of the St. Thomas and St. Croix offices. We reviewed charges totaling \$1.2 million during the period of October 1997 to September 2003. We found no personal or unsupported charges made with official VIPA credit cards.

\$3,870 in Charges for Gifts for Departing Board Members

Although all charges were supported and related to VIPA business, we noted several instances in which VIPA used a credit card to purchase expensive gifts for departing members of the Board of Directors and retiring employees. Those charges included:

- \$2,250 for three \$450 watches and a \$900 camcorder for three departing Board members.
- \$1,200 for three \$400 jeweled pendants and chains for three retiring employees.

VIPA Needs to Establish Internal Policies for Credit Cards and Gifts to Employees

We do not question the gesture of presenting departing employees or officials with tokens of appreciation. However, VIPA should develop procedures to limit the use of public funds for these occasions to a reasonable level. In that regard, VIPA's credit card program is based on the Federal credit card program administered by the U.S. General Services Administration (GSA), and VIPA used general guidelines developed by GSA. For the allowable use of credit cards, the GSA guidelines refer readers to internal agency policies. VIPA, however, did not have detailed internal policies and procedures concerning the allowable use of official credit cards.

VIRGIN ISLANDS HOUSING FINANCE AUTHORITY (VIHFA)

Three VIHFA officials held credit cards for official use. These were the Executive Director, the acting Assistant Executive Director, and the Office Manager. We reviewed charges totaling \$98,350 made from October 1997 to July 2003. We found that most charges to VIHFA's credit cards were for official purposes.

\$10,720 in Unsupported Charges

We could not review charges totaling \$7,850 because four monthly credit card statements could not be found. We were able to determine the amounts charged in those four months by identifying the beginning balance amounts shown in the following months' statements. We also noted that charges totaling \$2,870 were not adequately supported by invoices, vouchers, or receipts. Therefore, unsupported charges totaled \$10,720.

Although, VIHFA's policies and procedures currently allow the use of official credit cards for personal charges, we did not find any personal charges on the official credit cards.

ECONOMIC DEVELOPMENT AUTHORITY (EDA)

Four officials of the EDA held credit cards for official use. These consisted of the Chief Executive Officer, the Director of Administration and Finance, the Assistant Director, and the President of the Board of Directors. We reviewed all \$59,570 in charges made during the period of June 2002 to July 2003.

We noted one instance in which an EDA cardholder used his credit card to make a personal purchase in the amount of \$120 while on travel status. The cardholder reimbursed EDA for this charge. We found no unsupported charges made with official EDA credit cards.

Although EDA credit card policy stated that official credit cards were to be used only for travel expenses, cardholders made six non-travel purchases totaling \$8,670. These purchases were of an official nature and were approved by either the Chief Executive Officer or the Director of Administration and Finance. We believe that EDA should enforce its policy or revise it to allow for non-travel purchases of an official nature. Also, the policy should be revised to prohibit the use of the credit cards for personal purchases.

GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (GERS)

The Administrator and the Chief Financial Officer of GERS held official credit cards. We reviewed all \$494,360 in credit card charges during the period of January 1999 to September 2003. GERS had formal policies and procedures regarding the allowable uses of official credit cards that included the appropriate disciplinary actions for any misuse of the cards. We found that all charges to GERS credit cards were for appropriate official purposes and were properly supported.

**ROY L. SCHNEIDER
HOSPITAL
(HOSPITAL)**

The Hospital's Chief Executive Officer and the Chief Operating Officer held credit cards for official use. We reviewed all \$92,600 in credit card charges during the period of January 2003 to September 2003. Although we found that all charges to credit cards were for appropriate official purpose and were properly supported, the Hospital did not have any policies and procedures regarding the allowable uses of official credit cards. The Hospital's credit card program was in its infancy and had only existed for 9 months at the time of our audit. The Hospital should implement policies and procedures to administer the credit card program to ensure that it continues to run effectively.

RECOMMENDATIONS

We recommend that the Board of Directors of the Virgin Islands Public Television System:

1. Develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify the appropriate disciplinary action for misuse of credit cards. Such policies and procedures should prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

We recommend that the Board of Directors of the Virgin Islands Water and Power Authority:

2. Develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify the appropriate disciplinary action for misuse of credit cards. Such policies and procedures should prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

3. Enforce existing policies and procedures that require the submission of vouchers and receipts to support the use of travel advances given to officials and employees. Also, obtain supporting documentation from the Chairperson for the remaining \$5,700 in outstanding travel advances.

We recommend that the Board of Directors of the University of the Virgin Islands:

4. Revise its credit card policies and procedures to provide guidance on the types of charges that are allowable, including addressing whether airline upgrades and airline club memberships are to be considered allowable.

5. Enforce existing policies and procedures that require the submission of vouchers and receipts to support charges made against official credit cards.

We recommend that the Board of Directors of the Virgin Islands Port Authority:

6. Develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify the appropriate disciplinary action for misuse of credit cards. Such policies and procedures should prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

7. Develop and implement policies and procedures that clearly define the conditions under which gifts may be given to departing Board members and retiring employees. Such policies and procedures should set a reasonable dollar limit on the value of such gifts.

We recommend that the Board of Directors of the Virgin Islands Housing Finance Authority:

8. Revise its credit card policies and procedures to (a) prohibit the use of official credit cards for personal charges and (b) specify the appropriate disciplinary action for any such personal use.

9. Enforce existing policies and procedures that require the submission of vouchers and receipts to support charges made against official credit cards.

We recommend that the Board of Directors of the Economic Development Commission:

10. Revise its credit card policies and procedures to (a) prohibit the use of official credit cards for personal charges and (b) allow the use of official credit cards for small purchases that are approved in advance by the Chief Executive Officer.

We recommend that the Board of Directors of the Roy L. Schneider Hospital:

11. Develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify the appropriate disciplinary action for misuse of credit cards. Such policies and procedures should prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

**AUDITEE
RESPONSES AND
OIG REPLY**

We received responses (see Appendix 2) from all seven agencies to which recommendations were addressed. In most cases, the agencies concurred with the recommendations and indicated that corrective actions either had been or would be taken.

The response from the University of the Virgin Islands noted that the University's current President did not use official credit cards to upgrade airline travel to first class. We agree and have adjusted the body of the report to reflect this information. The University's response also pointed out that the University had only 477 full-time employees, whereas we had stated in Appendix 1 that the University had more than 1,000 employees. Our number included part-time employees, and we have modified Appendix 1 accordingly.

Finally, the University's response stated that the report would be used to "refine" policies regarding the use of credit cards but did not specifically address the corrective actions contemplated by Recommendations 4 and 5. Based on all responses received, we consider Recommendations 1, 2, 3, 6, 7, 8, 9, 10, and 11 to be resolved and implemented, and Recommendations 4 and 5 to be unresolved (see Appendix 3).

APPENDIX 1 – SUMMARY OF AUDIT COVERAGE

Agency Audited	Number of Employees	Number of Cardholders	Credit Card Charges			
			Audited	Other	Unsupported	Business
WTJX ¹	35	2	\$300,000	\$120,890 ²	\$125,160	\$53,950
WAPA	601	23	492,500	59,810 ²	148,110	284,580
UVI	477	8	407,000	5,300 ³	56,000	345,700
VIPA	317	4	1,200,000	3,870 ⁴	0	1,196,130
VIHFA	20	3	98,350	0	10,720	87,630
EDA	26	4	59,570	120 ²	0	59,450
GERS	75	2	494,360	0	0	494,360
Hospital	530	2	92,600	0	0	92,600
Totals	2,081	48	\$3,144,380	\$189,990	\$339,990	\$2,614,400

Notes:

¹ WTJX amounts represent Federal funds. All other amounts represent Virgin Islands funds.

² These charges represent personal charges totaling \$180,820.

³ These charges represent airline upgrade and club membership fees.

⁴ These charges represent gifts presented to departing board members and retiring employees.

APPENDIX 2 – RESPONSES TO DRAFT REPORT



THE VIRGIN ISLANDS PUBLIC TELEVISION SYSTEM WTJX TV-12 & DT-44

June 25, 2004

Mr. Arnold van Beverhoudt
Field Office Supervisor
Office of the U.S. Inspector General
Federal Building, Room 207
Charlotte Amalie, St. Thomas 00801

Re: Final Response to 2003 Draft Audit

Dear Mr. van Beverhoudt:

Receipt of the Draft Audit dated May 2004 is hereby acknowledged. The Board of Directors of WTJX, VIPTS met in a Special Meeting, June 24, 2004 to discuss the various recommendations contained in the audit and resolved to effect the following:

1. The Board of Directors has implemented more stringent measures that adhere to established administrative/accounting procedures to ensure that the systems financial resources are used appropriately according to the V.I. Code.
2. WTJX Channel 12 has cancelled the System's Official Credit Card with American Express and is not a member and will not be a member of any credit card program in the foreseeable future. (Please see attached documentation).
3. The Board of Directors has recovered a total of \$104,240.24 from employees who have used the card for personal purchases, which then comprises total reimbursement to the System. (Please see attached documentation).
4. The Board of Directors contracted CPA Roy Jackson and completed an Annual Audit of the System's financial records, a copy of which we have made available to you.
5. The Board of Directors has hired a new General Manager and Business Manager; the new General Manager has hired a new Executive Secretary. (See attached documentation)
6. The Board of Directors has provided your agency with some documentation totaling \$28,970.64 of the list of unsupported charges mentioned in your May 2004 Draft Audit Report, and is working with the new Business Manager to further locate documentation for said charges. (See attached documentation).

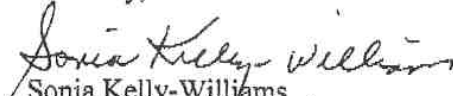
TRANSLATOR: W05AW
CHANNEL 5, ST. CROIX
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www.wtjx.org

7. The Board of Directors has set a Board Retreat scheduled for July 16—17th to conduct a thorough critique/overview of the System, revise our By-Laws and implement policies and procedures that ensure the efficient operation of the System.

In closing, let me reiterate the Board's continued willingness to assist with the ongoing Audit. If additional information is needed, please do not hesitate to contact me directly at 712-2224.

Sincerely,


Sonia Kelly-Williams
Chairman, Board of Directors

cc: Osbert Potter, General Manager, WTJX Channel 12
Clarina Modeste-Elliott, Business Manger, WTJX Channel 12
Hank Smock, Board Counsel
Mr. Ira Mills, Director, Office of Management & Budget



VIRGIN ISLANDS
**WATER
AND POWER
AUTHORITY**

P. O. Box 5981, St. Croix
U.S. Virgin Islands 00823-5981
Tel: (340) 778-6201 • Fax: (340) 719-6843

OFFICE OF THE
GOVERNING BOARD

Writer's Direct Dial:
(340) 778-6195
renee.somme@viwapa.vi

June 30, 2004

Mr. Roger La Rouche
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of the Interior
1849 C Street, NW (MS-5341)
Washington, DC 20240

Dear Mr. La Rouche:

The Virgin Islands Water and Power Authority has reviewed the Draft Report (V-IN-VIS-0104-2003), "Use of Official Credit Cards, Government of the Virgin Islands," and concurs with the findings and recommendations in the report that pertain to the Authority. Enclosed please find the response from our Internal Auditor transmitting the detailed report.

We are pleased that these positive steps have been taken by the Authority as a result of the audit, and will work to assure that these policies and operational changes will continue.

If you have any questions, please contact me at 778-6201

Daryl "Mickey" Lynch
Chairman, Governing Board

Enclosures (3)

cc: Caribbean Field Office
Office of the Inspector General
Ron de Lugo Federal Building, room 207
St. Thomas, VI 00802



VIRGIN ISLANDS
**WATER
AND POWER
AUTHORITY**

INTERNAL AUDIT DIVISION


P.O. BOX 306389, ST. THOMAS
U.S. VIRGIN ISLANDS 00803-6389
TELEPHONE: (809) 774-3552
FAX: (809) 776-2723

June 29, 2004

Memorandum

To: Daryl "Mickey" Lynch:
Chairman, Governing Board

Thru: Claude "Tappy" Molloy
Chairman, Audit Committee

From: Leslie A. Smith, CIA, CPA, CFE, CGFM 
Director, Audit/Investigation

Subject: Draft Report V-IN-VIS-0104-2003-"Use of Official Credit Cards,
Government of the Virgin Islands,"

This memorandum responds to the draft DOI Inspector General Report V-IN-VIS-0104-2003. We have reviewed the draft report concerning the use of credit cards and concur with the findings and recommendations, as presented in the attached document.

OIG Draft Audit No. V-IN-VIS-0104-2003
Response of the V.I. Water & Power Authority
June 29, 2004
Page 1 of 2

The following is the Virgin Islands Water and Power Authority's (WAPA) response to the Draft Audit Report referenced above, which was prepared by the U.S. Department of Interior, Office of Inspector General (OIG).

Report Findings and Recommendations

The Report made three substantive *findings* and two recommendations that speaks specifically to WAPA¹:

(1) that certain WAPA employees made personal charges using WAPA's official credit card [WAPA's policy did not specify allowable use for its credit card]; (2) that WAPA's [former] Board Chairperson did not provide supporting documentation timely and fully to account for travel advances [contrary to WAPA's policy]; and (3) that some WAPA employees who traveled on official WAPA business did not provide receipts and/or vouchers to support all the charges to the credit card.

RECOMMENDATION No 2:

Develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify disciplinary action for misuse of official cards. Such policies and procedures should prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

RESPONSE:

WAPA concurs with the Report's findings and will implement the recommendation. Specifically, the Chief Financial Officer will develop and implement, by July 31, 2004, formal policies and procedures governing the use of credit cards. The policy will (1) define the allowable uses of official credit cards, (2) establish internal controls to monitor the usage of such cards, (3) require that credit card holders submit receipts to support credit card charges and (4) provide disciplinary action for misuse of official credit cards.

¹ The Report covers eight autonomous agencies of the V.I. Government and includes findings and recommendations for each.

OIG Draft Audit No. V-IN-VIS-0104-2003
Response of the V.I. Water & Power Authority
June 29, 2004
Page 2 of 2

RECOMMENDATION No 3:

Enforce existing policies and procedures that require the submission of vouchers and receipts to support the use of travel advances given to officials and employees. Also, obtain supporting documentation from the Chairperson for the remaining \$5,700 in outstanding travel advances.

RESPONSE:

WAPA concurs, with the Report's findings and will implement the recommendation. Specifically WAPA will immediately reinforce its existing policies and procedures governing the accounting for and support of travel advances (see memo from the Executive Director dated June 29, 2004). Additionally, the Authority will solicit assistance from its legal counsel to obtain supporting documentation from the [former] Chairperson of the Board for outstanding travel expenses.

WAPA's Chief Financial Officer will have primary responsibility for implementation of the recommendations. Implementation will be monitored by the Authority's Internal Auditor.

Sincerely,



Leslie A. Smith, CIA, CPA, CFE, CGFM
Director, Audit/Investigation



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Office of the Vice President for Administration and Finance

June 28, 2004

Mr. Arnold vanBeverhoudt, Jr.
Field Office Supervisor
Insular Area Audits
Federal Building, Room 207
St. Thomas, Virgin Islands 00802

Dear Mr. vanBeverhoudt:

I wish to respond to two assertions made in your recent credit card usage audit of the University. The first speaks to our current President upgrading airline travel to first class from coach. I suggest that the language in your report be changed to remove this allegation. Second, the report lists the number of University employees at more than one thousand (1,000), however our records indicate that there are currently four hundred seventy-seven fulltime regular employees at the University.

We wish to assure you that the report will be used to assist us in further developing and refining policies and procedures covering the use of corporate cards at the University. Thank you for the professional manner in which the audit was conducted and I would be happy to accommodate additional questions if necessary.

Sincerely,

A handwritten signature in blue ink that reads "Vincent Samuel".

Vincent Samuel
Vice President for Administration and Finance

c: LaVerne E. Ragster, Ph.D., President



VIRGIN ISLANDS PORT AUTHORITY

OFFICE OF THE EXECUTIVE DIRECTOR

P.O. Box 301707

ST. THOMAS, USVI 00803-1707

July 13, 2004

Mr. Roger La Rouché
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of the Interior
1849 C Street, NW (MS-5341)
Washington, DC 20240

Re: Draft Audit Report "Use of Official Credit Cards, Government
of the Virgin Islands" (Assignment No. V-IN-VIS-0104-2003)

Dear Mr. La Rouché:

Although no major discrepancy regarding credit cards use was identified in the Audit Report by your agency, the following is our response to the findings contained in the said report:

- Response:
- (1) The Executive Director has established a policy applicable to gift purchases by use of a credit card. No such purchase will be made by use of a credit card to exceed an amount of \$300.00 for a single or multiple items for any staff or board members.
 - (2) Detailed internal policies and procedures relative to allowable use of credit cards are presently under development. Upon completion, they will become part of the agency's procurement policies. Until such policies are established, the Director of Administration and Finance and the Purchasing Supervisor will control and monitor the use of the credit cards.

Sincerely,

VIRGIN ISLANDS PORT AUTHORITY

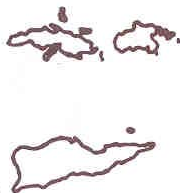
Darlan Brin
Executive Director

DB:bd

cc: Mr. Arnold E. van Beverhoudt, Jr.
Miss Juanita Williams
Mrs. Judith James

PHONE: (340) 774-1629

**VIRGIN
ISLANDS
HOUSING
FINANCE
AUTHORITY**



210-3A Altona • Frostco Building, One Stop • Suite 101 • St. Thomas, VI 00802
Telephone: (340) 774-4481 • Fax: (340) 775-7913

June 22, 2004

Mr. Arnold E. van Beverhoudt, Jr.
Audit Manager, Caribbean Region
United States Department of the Interior
Office of Inspector General
Insular Area Audits
Federal Building, Room 207
St. Thomas, VI 00802

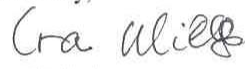
**Subject: Virgin Islands Housing Finance Authority Audit Report
(Assignment No. V-IN-VIS-0104-2003)**

Dear Mr. van Beverhoudt:

Enclosed please find the Virgin Islands Housing Finance Authority's response to the above-mentioned Audit Report.


Should you have any questions, please feel free to contact me at (340) 774-0255 or the Executive Director, Mr. Clifford Graham, at (340) 774-4481.

Sincerely,

for 
Ira M. Hobson
Chairman, Board of Directors

Enclosure

xc: Governor of the Virgin Islands
VIHFA Board Members
Office of Management and Budget
Executive Director, VIHFA

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CREDIT CARD POLICIES

Recommendation No. 8

The Virgin Islands Housing Finance Authority should revise its credit card policies and procedures to (a) prohibit the use of official credit cards for personal charges and (b) specify the appropriate disciplinary action for any such personal use.

The Authority concurs with Recommendation No. 8 and has taken the necessary steps to revise our credit card policies. A copy of the revised credit card policies is enclosed.

Recommendation No. 9

The Virgin Islands Housing Finance Authority should enforce existing credit card policies and procedures to require the submission of vouchers and receipts to support charges made against official credit cards.

The Authority agrees with Recommendation No. 9 and has taken steps to ensure that receipts and supporting documents are always attached to support charges made on the Authority's credit card. The Authority's Controller or the Fiscal Officer is charged with this responsibility and will ensure all supporting documents are attached to the invoice before processing for payment.

CREDIT CARD POLICIES

GENERAL:

Effective June 1, 2004, the following changes are made to the Virgin Islands Housing Finance Authority's issued Credit Cards.

1. Virgin Islands Housing Finance Authority's Credit Cards shall be limited to the Executive Director, Assistant Executive Director and the Office Manager.
2. The Authority's Credit Card shall be used **only** for Agency's purchases including but not limited to, business-related travel expenses, purchase of goods for the Agency from local businesses that do not accept government requisitions, purchase of goods from off island suppliers and payment of meals for business-related meetings. **Personal use of the Authority's Credit Card shall be prohibited.**
3. In the event personal expenses are charged on the Authority's credit card, full payment shall be made (by check or money order) immediately upon receipt of the monthly credit card invoice and disciplinary actions shall be taken against the employee. Disciplinary action will be as follows:
 - a) First Offense - written warning.
 - b) Second Offense - Suspension of all charging privileges.
4. Monthly credit card invoices will be distributed to all holders of the Authority's credit card to identify charges made before submitting the invoice to the Controller or Fiscal Officer for review and processing.
5. All charges shall have the supporting documentation attached (receipt, invoice, etc.) before forwarding to the Executive Director for payment.
6. The Authority's credit cards shall be kept in a secured location at all times.
7. Lost, stolen and/or misplaced credit card shall be reported immediately to the office manager who will cancel the use of the respective card.
8. Misuse of the Authority's credit card policies will result in the suspension of charging privileges and/or disciplinary actions being taken, depending on the severity of the misuse.



FRANK SCHULTERBRANDT, ESQ.
Chief Executive Officer

ECONOMIC
DEVELOPMENT
COMMISSION

ENTERPRISE ZONE

GOVERNMENT
DEVELOPMENT BANK

INDUSTRIAL PARK
DEVELOPMENT
CORPORATION

SMALL BUSINESS
DEVELOPMENT AGENCY

UNITED STATES VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY

June 7, 2004

Mr. Roger La Rouché,
Assistant Inspector General for Audits
Office of Inspector General
United States Department of the Interior
1849 C Street, NW (MS-5341)
Washington, DC 20240.

Dear Mr. Rouché:

We received a copy of the audit report that was conducted on the use of official credit cards by the Economic Development Authority. The report, which outlined the findings, sought a response of concurrence or non-concurrence. The following is our response:-

- I concur with your findings concerning the use of the credit card for personal reason. That transaction in reality was an off-set for per diem that was not paid at the time of travel. Corrective action will be taken on June 09, 2004 at which time I will advise the cardholders to refrain from using the credit cards for personal charges.
- On the findings regarding the use of the credit card for non-travel purchases, I again concur. To correct these concerns, and to ensure that we will be able to purchase small items both locally and on the mainland, (particularly stationery and other computer items overseas), the Director of Administration & Finance secured the board's approval on February 07, 2003 in changing the policy to address these non-travel purchases.

Thank you in advance for your assistance in providing workable recommendations that will assist me during the implementation process.

Sincerely,


Frank Schulerbrandt, Esq.
Chief Executive Officer

Cc: Caribbean Field Office
Federal Building – Room 207, St. Thomas, VI 00802



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The Virgin Islands Government Hospitals and Health Facilities Corporation

St. Thomas - St. John District Governing Board

The Roy Lester Schneider Hospital

9048 SUGAR ESTATE, ST. THOMAS, U.S.V.I. 00802 • (340) 776-8311



OFFICE OF THE CHIEF EXECUTIVE OFFICER

June 30, 2004

Honorable Roger La Rouché,
Assistant Inspector General for Audits
Office of Inspector General,
U.S. Department of the Interior
1849 C Street, NW (MS-5341), Washington, DC 20240

Dear Mr. La Rouché:

This letter serves as a response of the Roy Lester Schneider Hospital to your draft audit report on the use of official credit cards in the Government of the Virgin Islands. According to your findings, all credit card charges reviewed for the period outlined in your audit were for appropriate official purposes and had properly supported documentation. We fully concur with the position and recommendations of the Office of Inspector General regarding the official use of credit cards.

The Chief Financial Officer, Peter R. Najawicz and Natalie Thomas, the Treasurer and Finance Committee Chair of the St. Thomas/St. John Hospital District Governing Board are currently working to develop and implement formal policies and procedures to (a) define the allowable uses of official credit cards, (b) establish strong internal controls to monitor the use of credit cards, (c) require the submission of receipts to support credit card charges, and (d) specify the appropriate disciplinary action for misuse of credit cards. The policies and procedures will prohibit the use of official credit cards for personal purposes and provide strict disciplinary action for any such personal use.

Once completed, the new policy will be approved by the Finance Committee and forwarded for final approval by the St. Thomas/St. John Hospital District. We plan on having the policy of the use of credit cards completed and approved no later than September 30th, 2004. I would like to thank you for giving us the opportunity to respond to the draft audit report. Please let me know if we can be of any further assistance. I may be reached at (340) 776-8025 or (340) 776-8311 ext. 2287.

● Page 2

June 30, 2004

Sincerely,

A handwritten signature in black ink, appearing to read 'R. E. Miller', with a large, sweeping horizontal stroke across the top.

Rodney E. Miller, Sr., MESA
Chief Executive Officer

Cc: The Honorable Arnold E. van Beverhoudt, Jr. – Caribbean Field Office Supervisor

APPENDIX 3 – STATUS OF RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1 to 3 6 to 11	Resolved and implemented.	No further response required.
4 to 5	Unresolved.	Reconsider the recommendations and provide a response that includes a plan of action, including target dates and titles of the officials responsible for implementation of corrective action.

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