



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

# **AUDIT REPORT**

## **FOLLOWUP OF RECOMMENDATIONS RELATING TO PERSONNEL MANAGEMENT PRACTICES, DIVISION OF PERSONNEL, GOVERNMENT OF THE VIRGIN ISLANDS**

**REPORT NO. 99-I-365  
MARCH 1999**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

**MAR 26 1999**

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

Subject: Audit Report on **Followup** of Recommendations Relating to Personnel  
Management Practices, Division of Personnel, Government of the Virgin Islands  
(No. 99-I-365)

Dear Governor Turnbull:

This report presents the results of our follow-up review of recommendations contained in the July 1992 survey report entitled "Personnel Management Practices, Division of Personnel, Government of the Virgin Islands" (No. 92-I-1086) (see Prior Audit Coverage). The objective of this review was to determine whether (1) the Virgin Islands Government satisfactorily implemented recommendations made in the 1992 report and any new recommendations were warranted and (2) the Early Retirement Incentive, Training and Promotion Act of 1994 (the Early Retirement Act) was effective in decreasing the number of Government employees.

We found that the Government had not implemented four of the six recommendations included in the prior report and had not complied with the work force reduction and financing requirements of the Early Retirement Act. Specifically:

- Although the Division of Personnel took action to develop and implement rules and regulations for the maintenance and security of official personnel files, the Government did not (1) take action to amend the Government Reorganization and Consolidation Act of 1987 to remove a conflict that allowed the Governor to hire individuals into unclassified (exempt) positions that did not meet the requirements of the Personnel Merit System, (2) develop and implement rules and regulations to restrict the use of unclassified hiring and personal services contracts to fill positions that should have been a part of the classified service under the Personnel Merit System, and (3) review and update all entrance examinations used to determine the qualifications of applicants for positions in the classified service.

- Although 567 employees in the Government's Executive Branch elected to retire under the provisions of the Early Retirement Incentive, Training and Promotion Act of 1994, the Government did not reduce the size of the Executive Branch work force by a commensurate number of permanent positions, which would have generated potential savings in annual payroll costs of at least \$16 million, including fringe benefits. Additionally, the Government and its independent instrumentalities had not paid the Government Employees' Retirement System about \$8.3 million in additional contributions needed to fund the early retirements.

To address these issues, we made two recommendations concerning the prior survey report and two recommendations concerning the Early Retirement Act to you, as the Governor of the Virgin Islands, and one recommendation concerning the prior audit report to the Legislature of the Virgin Islands.

In your February 26, 1999, response (Appendix 3) to the draft report, you addressed in detail the recommendations contained in our July 1992 report on the Division of Personnel, which are summarized in Appendix 2. In addressing the prior report's recommendations, your response in effect adequately addressed Recommendation A.2 in our current report. However, the response did not address Recommendations A.3, B.1, or B.2. Based on the response, we consider Recommendation A.2 resolved but not implemented and Recommendations A.3, B.1, and B.2 unresolved. Accordingly, Recommendation A.2 will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation, and we request that you provide responses for Recommendations A.3, B. 1, and B.2 (see Appendix 4). Since we did not receive a response from the Legislature of the Virgin Islands regarding Recommendation A. 1, that recommendation is **also** unresolved.

The Inspector General Act, Public Law 94-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

In view of the above, please provide a response to this report by April 30, 1999. The response should provide the information requested in Appendix 4 and be addressed to our Caribbean Field Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802.

We appreciate the assistance of the management and **staff** of the Division of Personnel in the conduct of our audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eljay B. Bowron", with a long, sweeping horizontal line extending to the right.

Eljay B. Bowron  
Inspector General



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

**MAR 26 1999**

Honorable Vargrave Richards  
President, Legislature of the Virgin Islands  
Post Office Box 477  
Charlotte Amalie, Virgin Islands 00804

Subject: Audit Report on **Followup** of Recommendations Relating to Personnel  
Management Practices, Division of Personnel, Government of the Virgin Islands  
(No. 99-I-365)

Dear Mr. President:

This **draft** report presents the results of our **followup** review of recommendations contained in the July 1992 survey report entitled "Personnel Management Practices, Division of Personnel, Government of the Virgin Islands" (No. 92-I-1 086) (see Prior Audit Coverage). The objective of this review was to determine whether (1) the Virgin Islands Government satisfactorily implemented recommendations made in the 1992 report and any new recommendations were warranted and (2) the Early Retirement Incentive, Training and Promotion Act of 1994 (the Early Retirement Act) was effective in decreasing the number of Government employees.

We found that the Government had not implemented four of the six recommendations included in the prior report and had not complied with the work force reduction and financing requirements of the Early Retirement Act. Specifically:

- Although the Division of Personnel took action to develop and implement **rules** and regulations for the maintenance and security of **official** personnel files, the Government did not (1) take action to amend the Government Reorganization and Consolidation Act of 1987 to remove a conflict that allowed the Governor to hire individuals into unclassified (exempt) positions that did not meet the requirements of the Personnel Merit System, (2) develop and implement rules and regulations to restrict the use of unclassified hiring and personal services contracts to fill positions that should have been a part of the classified service under the Personnel Merit System, and (3) review and update all entrance examinations used to determine the qualifications of applicants for positions in the classified service.

- Although 567 employees in the Government's Executive Branch elected to retire under the provisions of the Early Retirement Incentive, Training and Promotion Act of 1994, the Government did not reduce the size of the Executive Branch work force by a commensurate number of permanent positions, which would have generated potential savings in annual payroll costs of at least \$16 million, including fringe benefits. Additionally, the Government and its independent instrumentalities had not paid the Government Employees' Retirement System about \$8.3 million in additional contributions needed to fund the early retirements.

To address these issues, we made two recommendations concerning the prior survey report and two recommendations concerning the Early Retirement Act to the Governor of the Virgin Islands and one recommendation concerning the prior audit report to the President of the Legislature of the Virgin Islands.

The Governor's February 26, 1999, response (Appendix 3) to the draft report addressed in detail the recommendations contained in our July 1992 report on the Division of Personnel, which are summarized in Appendix 2. In addressing the prior report's recommendations, the Governor's response in effect adequately addressed Recommendation A.2 in our current report. However, the response did not address Recommendations A.3, B.1, or B.2. Based on the response, we consider Recommendation A. 2 resolved but not implemented and Recommendations A.3, B. 1, and **B.2** unresolved. Accordingly, Recommendation A.2 will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation, and the Governor is requested to respond to Recommendations A.3, B.1, and B.2 (see Appendix 4).

Although a January 29, 1999, response date was requested for Recommendation A. 1, which was addressed to the Legislature of the Virgin Islands, we have not received a response to the recommendation. Therefore, **the** recommendation is unresolved, and the Legislature is requested to respond to the recommendation (see Appendix 4).

The Inspector General Act, Public Law 94-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

In view of the above, please provide a response to this report by April 30, 1999. The response should provide the information requested in Appendix 4 and be addressed to our Caribbean Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802.

We appreciate the assistance of the management and **staff** of the Division of Personnel in the conduct of our audit.

Sincerely,

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Eljay B. Bowron  
Inspector General

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# INTRODUCTION

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## BACKGROUND

The Division of Personnel is responsible for administering the Personnel Merit System of the Government of the Virgin Islands. The Merit System (Title 3, Chapter 25, of the Virgin Islands Code, as amended) ensures that applicants and career civil servants are provided fair and equal opportunity for employment and defines two types of Government employees: classified and unclassified. Classified employees are career civil servants and are covered by the Merit System. Unclassified employees, as defined by Title 3, Section 451a, of the Virgin Islands Code, are exempt from the Merit System. They generally work for the head of the branch of Government or independent instrumentality to which they were appointed.

The Division of Personnel is required to determine the qualifications of applicants to classified positions through competitive examinations and other selection criteria. Under this procedure, department and agency heads are required to submit employment requirements for vacant positions. The Division certifies eligible applicants for the positions and submits a list of qualified applicants to the appointing authority for selection. The Division also determines position classifications, salary levels, and other employee entitlements and maintains employee personnel information. During fiscal year 1998, the Division had a staff of 52 employees and a budget of \$1.9 million, primarily for personal services costs.

On August 26, 1994, the Governor signed into law Act No. 6007, the Early Retirement Incentive, Training and Promotion Act of 1994 (the Early Retirement Act). The purpose of the Early Retirement Act, as amended, 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.” To accomplish this purpose, the Early Retirement Act stated that there would be “for a limited time, a special early retirement incentive program to members of the Government Employees’ Retirement System of the Government of the Virgin Islands who are eligible for retirement or who are nearing eligibility for retirement but who, without this legislation, could not, or would not be in a position to retire under the current provision of law.” The Early Retirement Act stated that applications for early retirement should be submitted no later than October 25, 1994 (60 days after enactment of the Act).

On October 13, 1994, the Governor signed into law Act No. 6028, which, among other provisions, changed the effective date of the early retirements **from** December 24, 1994 (120 days after enactment of the Early Retirement Act), to December 31, 1994. Further, on December 30, 1994, the Governor signed into law Act No. 6064, which, among other provisions, changed the deadline for applying for early retirement **from** October 25, 1994, to January 15, 1995, and also changed the effective date of the early retirements from December 31, 1994, to January 31, 1995.

In December 1995, the Legislature attempted, through passage of Act No. 6088, to further amend Act No. 6007 to extend the deadline for applying for early retirement under the Early

Retirement Act from January 15 to December 31, 1995. Although the Governor vetoed the section of Act No. 6088 that would have granted this extension and the Board of Directors of the Government Employees' Retirement System also voted not to implement the revised application deadline, 86 Government employees who would have been eligible for retirement under the December 31, 1995, deadline filed a class-action suit in the U.S. District Court to force implementation of the proposed legislative amendment. In July 1997, the District Court ruled in favor of the employees. However, the Administrator of the Government Employees' Retirement System stated that the legal counsel for the Retirement System's Board of Trustees filed an appeal in November 1997 to the District Court decision.

Based on information compiled by the Government Employees' Retirement System and provided to the Division of Personnel, we found that 657 employees retired under the provisions of the Early Retirement Act (excluding the 86 employees who were ruled by the Court to be eligible under Act No. 6088). That number consisted of 567 employees of the Executive Branch, 9 employees of the Legislative and Judicial Branches, and 81 employees of independent instrumentalities of the Government.

## **OBJECTIVE AND SCOPE**

The objective of this audit was to determine whether (1) the Government satisfactorily implemented recommendations made in the July 1992 report and any new recommendations were warranted and (2) the Early Retirement **Incentive**, Training and Promotion Act of 1994 was effective in decreasing the number of Government employees.

To accomplish our audit objective with respect to the **followup** portion of our audit, we reviewed the Division of **Personnel's** computerized database of Executive Branch employees and the Division's Official Personnel Record for a sample of unclassified (exempt) employees. In addition, we conducted a limited review of the personal services contracts on file at the Department of Property and Procurement for fiscal years 1996 and 1997. With respect to the Early Retirement Act, we reviewed personnel listings provided by the **Office** of Management and Budget for fiscal years 1995 through 1998 and payroll registers provided by the Department of Finance for one pay period each in fiscal years 1995 through 1998. We limited the scope of our review to the Executive Branch employees who retired under Act No. 6007 (as amended by Act Nos. 6028 and 6064) because the Division of Personnel maintained Official Personnel Records only for Executive Branch employees and because the Board of Directors of the Government Employees' Retirement System was in the process of appealing the U.S. District Court decision regarding the 86 employees who were ruled to be eligible to retire under the proposed extended application deadline contained in Act No. 6088.

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.



Because of the limited objective and scope of our review, we evaluated internal controls only to the extent that they related to corrective actions taken on the prior audit recommendations and the Early Retirement Incentive, Training and Promotion Act of 1994. The internal control weaknesses we identified in these areas are addressed in the Findings and Recommendations section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

## **PRIOR AUDIT COVERAGE**

During the past 5 years, the Office of Inspector General has not issued any audit reports on the operations of the Division of Personnel or on the personnel management practices of the Government of the Virgin Islands. However, reports have been issued within the past 10 years as follows:

- In March 1989, the Office of Inspector General issued the report "Personnel Merit System Study, Government of the Virgin Islands" (No. 89-63), which stated that the Government did not apply sound business practices in contracting for a study of the Personnel Merit System or provide proper management and accounting controls over the conduct of the study. As a result, according to the report, the Government (1) had no assurance that it would receive an acceptable work product, (2) initiated work without completing intergovernmental personnel agreements with the District of Columbia Government, (3) spent at least \$33,621 on activities that could have been performed by Virgin Islands staff, and (4) incurred \$228,662 for activities that were of questionable eligibility for reimbursement. The report contained eight recommendations to improve procedures and internal controls related to the acquisition of consulting services and the payment of invoices related to such services, seek reimbursement of questioned costs, and take actions to complete the Personnel Merit System study. Five of the eight recommendations were not implemented and are no longer relevant because of the time that has elapsed since the report was issued. However, the Personnel Merit System study that was the subject of the report was never completed.

- In February 1990, the Virgin Islands Bureau of Audit and Control issued the report "Audit of Internal Control Procedures for Payroll, Department of Finance" (No. AC-01 -30-90), which stated, with regard to the Division of Personnel, that effective and efficient administration of the personnel management system was "hindered" by heavy reliance on manual procedures, a "flawed file maintenance system," and the "limited integration of the Personnel Merit System with the payroll system." The report recommended that the Governor require the Director of Personnel to develop a system that would allow for the accurate and immediate retrieval of employee files and the integration of the personnel management system to allow appointments, terminations, pay status changes, and other personnel actions to be automatically processed through the payroll system on their effective dates. Although we did not specifically follow up on these recommendations, we believe, based on the results of our current review, that the recommendations were not fully implemented.

- In July 1992, the Office of inspector General issued the report "Personnel Management Practices, Division of Personnel, Government of the Virgin Islands" (No. 92-I-1086) which stated that a conflict existed between the law establishing the Personnel Merit System and the 1987 law that allowed the Governor to reorganize the Government's Executive Branch. According to the report, the Governor, because of this **conflict**, was able to appoint individuals to unclassified positions that would normally be filled by career civil servants. These unclassified positions included a secretary, a cashier, a sales representative, a data entry clerk, a housekeeper, a maintenance worker, a security guard, a clerk typist, and a food service worker. The report further stated that (1) the number of unclassified employees increased, from 1987 to 1990, by 925 (3 15 percent of the 1987 level), at a **total** additional salary cost of \$19.5 million; (2) the Government used personal services contracts to fill additional positions, such as carpenter, mason, draftsman, and psychologist, that would normally be part **of the** career civil service; (3) the Government had not made any progress in correcting significant problems that existed in its Personnel Merit System; and (4) the Division of Personnel had not updated certain entrance examinations or adequately maintained and secured personnel files. The report contained six recommendations, which were the primary focus of this **followup** audit. As detailed in the Findings and Recommendations section of this report (see Finding A and Appendix 2), we considered, based on our **followup** audit, one recommendation implemented, one recommendation closed because it was no longer feasible, and four recommendations not implemented. Subsequently, based on the Governor's February 26, 1999, response (Appendix 3) to the draft of this report, we considered three of the four outstanding recommendations resolved but not implemented.

## **FINDINGS AND RECOMMENDATIONS**

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### **A. PRIOR SURVEY REPORT RECOMMENDATIONS**

Of the six recommendations made in our July 1992 survey report “Personnel Management Practices, Division of Personnel, Government of the Virgin Islands” (No. 92-I-1086), we found that one recommendation was implemented, one recommendation was considered closed because it was no longer feasible, and four recommendations were not implemented. (The status of the recommendations and the corrective actions taken for each recommendation are in Appendix 2.) Specifically, the Division of Personnel took action to develop and implement rules and regulations for the maintenance and security of official personnel files, including limiting access to authorized individuals. However, the Government did not (1) take action to amend the Government Reorganization and Consolidation Act of 1987 to remove a conflict which allowed the Governor to hire individuals into unclassified positions that did not meet the requirements of the Personnel Merit System (Title 3, Section 45 1a, of the Virgin Islands Code); (2) develop and implement rules and regulations to restrict the use of unclassified hiring and personal services contracts to fill positions that should have been a part of the classified service under the Personnel Merit System; and (3) review and update all entrance examinations used to determine the qualifications of applicants for positions in the classified service. In addition, the collection of the \$3,942 overpayment was not considered feasible because of the lack of documentation to bill the personal services contractor. The then-Governor disagreed with the findings and recommendations in the prior report and did not take actions to implement the recommendations. As a result, positions that should have been part of the classified service were filled through unclassified appointments and personal services contracts--actions that were not in compliance with the intent of the Personnel Merit System. At least 76 unclassified positions, with annual salary costs totaling more than \$2 million, should have been filled as classified positions under the Personnel Merit System. In addition, the Division of Personnel was unable to provide an accurate, current, and complete list of all Government employees.

### **Personnel Management Practices**

Title 3, Section 45 1 a, of the Virgin Islands Code defines the categories of employees in the Government Service as follows:

- (a) **The** Government Service includes the career service and the positions exempted from the career service.
- (b) The exempt positions are those of –
  - (1) department heads, assistant Commissioners and Deputy Commissioners and members of boards, commissions or other bodies appointed by the Governor;
  - (2) members and staff of the Legislature, officers elected by popular vote, and persons appointed to fill vacancies in elective offices;

- (3) Judges of the Municipal [now-Territorial] Courts and employees of the Judicial Branch;
- (4) patients and inmates employed in government institutions;
- (5) casual labor hired on a hourly basis for not more than 40 hours in any one quarter and as specifically authorized by law; part-time labor for less than 20 hours per week for not more than six-months; trainees for not more than one six-month period; and persons employed for less than six months in professional, scientific or other similar capacity on temporary projects, inquiries, investigations, or examinations;
- (6) employees located outside the Virgin Islands;
- (7) employees of the –
  - (i) University of the Virgin Islands;
  - (ii) Virgin Islands Water and Power Authority; and
  - (iii) Virgin Islands Port Authority; and
- (8) an officer or employee in a position of a policy-determining nature; employee who is a special assistant, or who is on special assignment to, or whose position requires a confidential relationship to a policy-making official when the position is so designated by the Governor and approved by the Legislature.

(c) All positions in the Executive Branch of the Virgin Islands Government not exempted under subsection (b) of this section shall be in the career service.

Additionally, a U.S. Court of Appeals decision explained that Section 45 1 a “reflects a clear legislative policy that all employees in the executive branch must, unless they fit within the exceptions in this section, be considered members of the career service if they work twenty or more hours per week.” (*Richardson v. Felix*, 856 F. 2d 505, 511 (3d Cir 1988))

However, as stated in our 1992 report, when the Legislature of the Virgin Islands passed Act No. 5225 in December 1986 and Act No. 5265 (the Government Reorganization and Consolidation Act of 1987) in June 1987, the Acts allowed the Governor to **classify** and reclassify any positions within the Government as part of a reorganization plan in order to accomplish the intended reorganization of the Executive Branch. Because the Acts did not establish a specific expiration date for the Governor’s unrestricted classification and reclassification authority, the Governor, since that time, has not complied with the restrictions on unclassified positions stated in Title 3, Section 45 **1a**, of the Virgin Islands Code.

Specifically, based on computerized records maintained by the Division of Personnel, we identified about 1,700 active Government employees who were in unclassified (exempt) positions as of April 1998. We reviewed a sample of 151 of these unclassified positions and found that 76 positions (50 percent), with annual salaries totaling more than \$2 million, should have been filled as classified positions under the Personnel Merit System. For example, employees were hired to unclassified positions as an office aide, a receptionist, a secretary, a clerk, a general clerk, a driver, a domestic aide, and a lifeguard. This practice

was not in compliance with Title 3, Section 452(a)(1), of the Virgin Islands Code, which states that the Director “shall ... establish and maintain a system of personnel administration based on merit principles and scientific methods governing the appointment, promotion, transfer, layoff, removal and discipline of the officers and employees of the Government.” In our opinion, based on the specific requirements of Title 3, Section **451a**, of the Virgin Islands Code, these positions should have been filled as classified positions under the Personnel Merit System.

In addition, we found that the Government continued the practice of using personal services contracts to fill positions similar to those that existed under the Personnel Merit System. We limited the scope of our review of personal services contracts because the Virgin Islands Bureau of Audit and Control was conducting a detailed audit of such contracts on a **Governmentwide** basis. However, based on our limited review of personal services contracts on file at the Department of Property and Procurement for fiscal years 1996 and 1997, we found that personal services contracts were executed to hire individuals to such positions as an office manager, a field inspector, and a clerk, all of which would be under the career service classifications of the Personnel Merit System. Additionally, the Director of Personnel said that he was not aware of an overpayment of \$3,942 made to a personal services contractor that was disclosed in the prior survey report. During our September 11, 1998, meeting on the preliminary draft of this report, Division of Personnel **officials** informed us that pertinent contract data were not available to the Division for it to effectively take action to collect the overpayment from the contractor. Therefore, we considered Recommendation 4 from our July 1992 report to be closed because there are no pertinent documents available to initiate the billing process.

The Legislature’s legal counsel said that no efforts had been made by the Legislature to amend the Reorganization Act of 1987 or Title 3, Chapter 25, of the Virgin Islands Code to limit the Governor’s authority to fill positions that should be filled through the Personnel Merit System. As a result, the Personnel Merit System is unable to ensure that applicants and career civil servants are provided fair and equal opportunities for employment and advancement.

## **Entrance Examinations**

The Division of Personnel administered entrance examinations for such positions within the Government as a firefighter, an account clerk, an internal revenue **officer**, a voucher examiner, a cashier, and a medical records clerk. In July 1996, the Division’s Supervisory Personnel Analyst on St. Thomas and a Human Resources Specialist on St. Croix received introductory training necessary to update entrance examinations to reflect the current technology, standards, and other factors related to each position to be tested. Despite this training, the only examination to be updated since the 1980s was the promotional examination for Fire Service employees, and that examination was updated by a consultant at a cost of about \$2,000. The Assistant Director of Personnel told us that the Division did not update other entrance examinations because of a lack of funding.

We reviewed the pass/fail rate for all examinations administered by the Division during fiscal years 1995 through 1998 and found that of the 685 examinations administered to individual applicants during that period, 365 examinations (53 percent) had failing scores. In our June 1992 report, we stated that because significant changes in accounting standards had “been incorporated into accounting textbooks ... obsolete and unfamiliar material in the [accounting] examination may have contributed to the high failure rate for recent accounting graduates.” Similarly, the high failure rate identified by our current review may be attributable to the additional changes that have been made in accounting standards and in other technical fields, such as data processing, since 1992, when the prior report was issued.

## Personnel Records

Based on our review, we concluded that, although the Division of Personnel had improved the security and control of **official** personnel records, it was unable to provide an accurate, current, and complete list of Government employees. Title 3, Section 452(a)(4), of the Virgin Islands Code states that the Director of Personnel, under the general supervision of the Governor, “shall ... establish and maintain a roster of all employees in the Government Service, in which there shall be set forth, as to each employee, the class title of the position held; the compensation; any change in class title, pay or status; and any other necessary data.”

As part of our review of unclassified employees, we requested a list of all current Government employees from the Division. The Division was not able to provide this information and instead provided us with a computerized list of all Government employees who had a Notification of Personnel Action<sup>1</sup> processed through the Division’s computer system. This list, which was provided electronically as of April 6, 1998, contained 17,295 entries. However, we found that the computerized list (1) included employees who were deceased, were terminated, had resigned, or had retired; (2) included employees of **non-Executive Branch** agencies; and (3) did not contain all current Government employees who had a Notification of Personnel Action. In addition, we found that in April 1998, the Director of Personnel sent a memorandum to all department and agency heads which stated that the “Division of Personnel is attempting to reconcile its **master personnel listing with** each Government agency and/or department which comprises the Executive Branch.” (Emphasis in original.) The memorandum further stated that “it is critical that the Division of Personnel maintain an accurate count of the Government’s work force.” Accordingly, we concluded that the Division of Personnel recognized the limitations with respect to its computerized list of Government employees and was taking action to correct the deficiency.

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<sup>1</sup>A Notification of Personnel Action (commonly referred to as a **NOPA**) is a Government document used to authorize the hiring of an individual to a Government position; approve salary increases, promotions, and transfers; and document resignations, terminations, and leaves of absences. The notification contains pertinent personal information including name, address, date of birth, Social Security number, position classification, salary, and original date of entry into Government service.

## **Recommendations**

We recommend that the Legislature of the Virgin Islands:

1. Reconsider Recommendation 1 **from** our July 1992 report (see Appendix 2) and develop a plan that identifies the specific corrective actions to be taken to amend the Government Reorganization Act, including the title of the responsible **official** and the target date to fully implement the recommendation.

We recommend that the Governor of the Virgin Islands:

2. Reconsider Recommendations 2, 3, and 5 from our July 1992 report (see Appendix 2) and develop a plan that identifies the specific corrective actions to be taken to develop and implement rules and regulations for hiring employees to unclassified positions and for using personal services contracts and to update all employee entrance examinations. The titles of the responsible officials and the target dates to fully implement the recommendations should be provided as part of the plan.

3. Require the Division of Personnel to establish computerized databases for current and former Government employees which allow Government managers to obtain timely and accurate information on all current Government employees and on different categories of former employees, such as retirees.

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

We did not receive a response from the Legislature of the Virgin Islands to Recommendation 1. Therefore, the recommendation is unresolved (see Appendix 4).

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

The February 26, 1999, response (Appendix 3) to the draft report from the Governor of the Virgin Islands addressed in detail the recommendations contained in our July 1992 report on the Division of Personnel, which are summarized in Appendix 2. In addressing the prior report's recommendations, the response in effect adequately addressed Recommendation 2 in our current report. However, the response did not address Recommendation 3. Based on the response, we consider Recommendation 2 resolved but not implemented and Recommendation 3 unresolved (see Appendix 4).

## **B. EARLY RETIREMENT ACT**

Although 567 employees in the Government's Executive Branch elected to retire under the provisions of the Early Retirement Incentive, Training and Promotion Act of 1994, the Government did not reduce the aggregate number of filled positions by one permanent position for each employee who elected early retirement, as required by the Act. Therefore, neither the size of the Government work force nor the amount of personal services expenditures was reduced to meet the purpose and intent of the Act. In addition, we found that although the Government Employees' Retirement System billed both the Government and its independent instrumentalities on a quarterly basis for retirement contributions due the Retirement System as a result of the Early Retirement Act, the Government did not remit its portion of contributions to the Retirement System. This occurred because of the Government's **limited** cash resources to pay all of its obligations in a timely manner. As a result, although the number of Executive Branch employees should have been decreased by 567 employees after implementation of the Early Retirement Act, with a potential savings of at least \$16 million in annual payroll costs, such a reduction in the Government work force did not take place. Additionally, the Government Employees' Retirement System had not received contributions of about \$8.3 million from the Government and its independent instrumentalities that were necessary to fund the additional costs of the Early Retirement Act.

### **Retirement Act Requirements**

The purpose of the Early Retirement Act (Act No. 6007, as amended by Act Nos. 6028 and Act No. 6064) was intended to reduce the deficit of the Government of the Virgin Islands through an early retirement incentive program for Government employees. Those employees who elected to retire under the provisions of the Act were required to file applications no later than January 15, 1995, with the retirements becoming effective on January 31, 1995. In addition, the Act allowed the Government to designate up to 33 percent of electing employees who were classified as essential to continue to provide service to the Government under an employment contract for up to 180 days. Our review of personnel files at both the Division of Personnel and the Government Employees' Retirement System for 42 of the early retirees showed that the files contained sufficient documentation to **verify** that the employees elected early retirement in accordance with the Act. Similarly, based on our review of employment contracts for the 149 "designated members,"<sup>2</sup> we found that the total number of contracts did not exceed the maximum number (189) allowed by the Act. In addition, we did not find any documentation or other information which indicated that any "designated member" worked in excess of the 180-day maximum allowed by the Act or that any "designated member" reentered Government service without first canceling his or her annuity, as required by the Act. However, we found that the Government did not comply with the provisions of the Early Retirement Act with respect to (1) reducing the size of the

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<sup>2</sup>As referred to in the Act, the term "designated member" means an employee designated by the appropriate executive authority to continue to provide service to the Government under an employment contract notwithstanding the employee's early retirement. An "appropriate executive authority" would be the Governor, the President of the Legislature, the Presiding Judge of the Territorial Court, or the board of directors of the Government's independent instrumentalities.



Government's Executive Branch work force and (2) financing the Act. During our September 11, 1998, meeting on the preliminary draft of this report, the Director of Personnel noted that the Early Retirement Act did not designate which Government agency was responsible for monitoring the requirements of the Early Retirement Act.

## **Reduction in the Government's Work Force**

Section 7 of Act No. 6007 (the Early Retirement Act), as amended by Act No. 6064, states:

(a) Commencing upon the effective date of this Act, the Governor shall reduce the aggregate number of filled positions in the Government of the Virgin Islands by one permanent position for each employee of the Government electing early retirement under this Act.

(b) No later than 30 days following enactment of this Act, the Governor shall provide to the Legislature the total number of filled positions in the Government of the Virgin Islands as of the date of enactment of this Act. The maximum number of persons employed by the Government of the Virgin Islands, at any time during the five years immediately following enactment of this Act, may not exceed the total number of filled positions in the Government, as [of] the date of enactment of this Act, reduced by the number of employees electing to retire under the provisions of this Act.

Despite the requirement of Subsection 7(b), the Legislature's Post Audit Division could not confirm whether the required information on the number of filled positions as of the date of enactment of the Act was ever provided to the Legislature. Because we were not able to obtain the number of employees within the Executive Branch as of the date of enactment of the Act, we expanded the scope of our review to include an analysis of the personnel listings maintained by the Office of Management and Budget and the payroll registers maintained by the Department of Finance for early fiscal year 1995 (prior to the January 31, 1995, effective date of the Early Retirement Act) and fiscal years 1996 through 1998 (after the effective date of the Act) to determine whether there was a reduction in the Government's work force.

In January of each year, the Office of Management and Budget sent personnel listings to Executive Branch agencies of the Government for verification of budgeted positions as part of the annual budget process. The personnel listings, which were subsequently submitted to the Legislature, detailed, by agency, the following information: employee name, position title, budget control number, and annual salary. Our analysis of the personnel listing for fiscal year 1995 showed that, as of November 1994 (the available listing closest to the effective date of the Early Retirement Act), there were 10,389 budgeted (not necessarily filled) positions within the Executive Branch. Therefore, in accordance with the Early Retirement Act, the number of budgeted positions for the Executive Branch at any time during the 5 years immediately following its enactment of the Act should not have exceeded 9,822 (10,389 budgeted positions less 567 early retirees). However, our analysis of the personnel listing for the 3 subsequent years showed that there were 10,483 budgeted

positions in fiscal year 1996, 9,901 budgeted positions in fiscal year 1997, and 10,804 budgeted positions in fiscal year 1998. Therefore, we concluded that the Government's budget process did not take into consideration the reduction in the Government's work force that was required by the Early Retirement Act for the 3 fiscal years following enactment of the Act.

In January 1998, the Office of Management and Budget prepared a document for the Division of Personnel that summarized the total number of filled positions and total salary costs for the Executive Branch for fiscal years 1992 through 1997. According to the Deputy Director of Management and Budget, the information was compiled from Management and Budget's analysis of the personnel listings (discussed previously) that were submitted to the Legislature as part of the budget process. Our review of Management and Budget's analysis showed that, in fiscal year 1995 (before the effective date of the Early Retirement Act), there were 10,315 filled positions within the Executive Branch. Therefore, in accordance with the Early Retirement Act, the number of filled positions for the Executive Branch at any time during the 5 years immediately following enactment of the Act should not have exceeded 9,748 (10,315 filled positions less 567 early retirees). However, based on our review of Management and Budget's analysis for the 2 subsequent years (fiscal year 1998 data were not available), we determined that there were 9,996 filled positions in fiscal year 1996 and 10,095 filled positions in fiscal year 1997. As such, we concluded that the Government's actual work force was not reduced to the number required by the Early Retirement Act for the 2 fiscal years following enactment of the Act.

We also analyzed the payroll registers at the Department of Finance for one pay period in each of fiscal years 1995 through 1998. The payroll registers were generated on a biweekly basis to reflect the gross pay and net pay for each employee of the Government. Our analysis showed that, as of November 1994 (before the effective date of the Early Retirement Act), there were 9,901 paid employees within the Executive Branch. Therefore, in accordance with the Early Retirement Act, the number of paid employees at the Executive Branch at any time during the 5 years immediately following its enactment of the Act should not have exceeded 9,334 (9,901 paid employees less 567 early retirees). However, our analysis of the payroll registers for February of the 3 subsequent fiscal years showed that there were 9,901 paid employees in fiscal year 1996, 9,931 paid employees in fiscal year 1997, and 9,894 paid employees in fiscal year 1998. Therefore, we concluded that the Government's actual payrolls were not reduced to the number required by the Early Retirement Act for the 3 fiscal years following enactment of the Act.

We conducted these three similar analyses because a definitive, certified, accurate list of Government employees was not available and the three primary sets of records that were available had significant differences. However, as shown in Table 1, each of the records shows that the Early Retirement Act did not achieve its primary objective of reducing the size of the Government's work force, at least with regard to the Executive **Branch**.

**Table 1: Executive Branch Employees by Fiscal Year**

<u>Fiscal Year</u>	<u>Budgeted Positions</u>	<u>Filled Positions</u>	<u>Paid Employees</u>	<u>Average</u>
1995	10,389	10,315	9,901	10,202
1996	10,483	9,996	9,901	10,127
1997	9,901	10,095	9,931	9,976
1998	10,804	N/A	9,894	10,349
Base Target *	9,822	9,748	9,334	9,635

• "Base Target" consists of the number of employees in fiscal year 1995 less the 567 employees who retired under the Early Retirement Act.

**sources:**

- The "Budgeted Positions" are based on personnel listings prepared by the Virgin Islands Office of Management and Budget as part of the annual Executive Budget preparation process.
- The "Filled Positions" are based on an analysis prepared by the Virgin Islands Office of Management and Budget in January 1998.
- The "Paid Employees" are based on payroll registers prepared by the Virgin Islands Department of Finance for pay periods in November 1994 and in February 1995, 1996, and 1997.

Assuming an average annual salary of \$25,000, we determined that, had the Government's work force been reduced in accordance with the requirements of the Early Retirement Act, the Government could have saved an estimated \$16 million in annual salary costs (including associated fringe benefit costs).

## **Financing of the Early Retirement Act**

The Early Retirement Act requires that the Government make regular contributions to the Government Employees' Retirement System for each employee electing to retire under the provisions of the Act. For each employee who retired under the provisions of Section 4, Subsections (a) and (b),<sup>3</sup> the Act requires that

... a sum equal to the employer and employee contribution that would have been made had the employee not elected to retire under the provisions of this Act, ... be paid in three installments during Fiscal Year 1995 and quarterly during each successive fiscal year by each organization of Government, and

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<sup>3</sup>Section 4(a) of the Early Retirement Act states, "Notwithstanding the provisions of subsection (d) of Section 705 [of the Virgin Islands Code], any member of the Government Employees Retirement System who has or will have a combined aggregate number of years of credited service completed, plus number of years of age attained, equal to at least seventy-five (75) years total as of December 31, 1994 may retire under the provisions of this Act notwithstanding his age without reduction of annuity."

Section 4(b) of the Early Retirement Act states, "For the purposes of meeting the conditions for service retirement pursuant to Section 705 [of the Virgin Islands Code], any member of the Government Employee's Retirement System who is age fifty (50) years with ten (10) but less than thirty (30) years of credited service as of December 31, 1994 may add an additional three years to their age for the purposes of that Section."

continuing for the period that would otherwise have been required for the employee to reach the age of sixty-two (62).

In addition, for each employee who retired under the provisions of **Section 4**, Subsection (c),<sup>4</sup> the Act requires that

. . . a sum [**be** paid] equal to the additional contribution the employer and employee would have made had the employee received a salary four percent higher during the three years used to compute the employee's "average compensation" figure, plus a sum of \$5,000 representing the present value of the additional annuity such employee will receive over the next ten years, such payment to be made in a lump sum in the fiscal year in which withdrawal from service by electing members becomes effective.

In order to implement these provisions, the Legislature, in fiscal year 1995, appropriated \$6.3 million from the Government's General Fund to the Government Employees' Retirement System.

The Consulting Actuary of the Government Employees' Retirement System estimated that additional contributions (for fiscal years 1994 through 2014) due the Retirement System for employees who elected early retirement would **total** about \$20 million. Based on information provided to us by the Government Employees' Retirement System, the Retirement System, as of March 31, 1998, billed the Executive, Legislative, and Judicial Branches of the Government a total of \$14.4 million for quarterly contributions. However, except for the initial appropriation of \$6.3 million, the Government had not made any quarterly contributions to the Retirement System. Therefore, as of March 31, 1998, the Government owed the Retirement System about \$8.1 million for outstanding quarterly contributions for employees who elected early retirement. Additionally, the Retirement System, as of March 31, 1998, billed the Government's independent instrumentalities a total of \$994,700, of which \$788,200 had been paid. Therefore, the independent instrumentalities, as of March 31, 1998, owed \$206,500. The Retirement System's Administrator stated that, because the Government has not made a quarterly payment to the Retirement System for the early retirees, contributions received by the Retirement System for regular employees were being used to pay the retirement annuities of the early retirees.

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<sup>4</sup>**Section 4** (c) of the Early Retirement Act states, "For the purpose of computing the service retirement annuity, under Section 706 (a) [of the Virgin Islands Code], for an employee electing to retire under the provisions of this Act who is eligible to retire without penalty under the provisions of Section 705 [of the Virgin Islands Code], or who has already completed 30 years of service, as of December 31, 1994, and without regard to the benefit provided under subsections (a) or (b) of this section, the average compensation figure used shall be increased by four (4) percentage points, subject to the limitations of Section 706(a) and (d) [of the Virgin Islands Code]."

## **Recommendations**

We recommend that the Governor of the Virgin Islands:

1. Develop and implement a plan of action, which incorporates a hiring freeze and an attrition program, that will reduce the size of the Government work force in accordance with the requirements of the Early Retirement Incentive, Training and Promotion Act of 1994 (Act No. 6007, as amended).

2. Require the Department of Finance to establish a payment plan to remit the outstanding balance of \$8.1 million to the Government Employees' Retirement System for employees who elected early retirement and to make a commitment to remit retirement contributions to the Government Employees' Retirement System in a timely manner. The independent instrumentalities should also be required to pay the retirement contributions of \$206,500 that they owed the Retirement System.

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

The February 26, 1999, response (Appendix 3) to the draft report from the Governor of the Virgin Islands addressed in detail the recommendations ~~from~~ our July 1992 survey report on the Division of Personnel, which are summarized in Appendix 2. However, the response did not address the new recommendations made as a result of our current audit. Therefore, Recommendations 1 and 2 are unresolved (see Appendix 4).

## CLASSIFICATION OF MONETARY AMOUNTS

<u>Finding Area</u>	<u>Funds To Be Put To Better Use*</u>
A. Prior Audit <b>Followup</b>	
Personnel Management Practices	<b>\$2,000,000</b>
B. Early Retirement Act	
Reduction in the Government's Work Force	16,000,000
Financing of the Early Retirement Act	<u>8,300,000</u>
Total	<b><u>\$26,300,000</u></b>

\*The amounts represent local **funds**.

**STATUS OF RECOMMENDATIONS  
AND CORRECTIVE ACTIONS  
FOR SURVEY REPORT  
“PERSONNEL MANAGEMENT PRACTICES,  
DIVISION OF PERSONNEL,  
GOVERNMENT OF THE VIRGIN ISLANDS”  
(No. 92-I-1 086)**

Recommendations	Status of Recommendations and Corrective Actions
To the Legislature of the Virgin Islands:	
1. Amend the Reorganization Act of 1987 to limit the Governor’s hiring authority to positions that meet the requirements of the Personnel Merit System (Title 3, Section 45 1 a, of the Virgin Islands Code) for unclassified positions.	Not implemented. According to the Legislature’s legal counsel, the Legislature did not amend the Reorganization Act to limit the Governor’s hiring authority.
To the Governor of the Virgin Islands:	
2. Develop and implement rules and regulations for the hiring of employees to unclassified positions. Such rules and regulations should restrict the use of unclassified positions to those categories specifically provided for in Title 3, Section 45 1 a, of the Virgin Islands Code.	Not implemented. We reviewed the Division of Personnel’s “Personnel and Procedures Manual” and found that there were no provisions regarding the hiring of employees to unclassified positions. Based on our analysis of a sample of 15 1 of the approximately 1,700 unclassified employees of the Executive Branch of the Government, we found that 76 (50 percent) positions, with more than \$2 million in annual salaries, should have been filled by individuals hired under the Personnel Merit System, in accordance with Title 3, Section 45 1 a, of the Virgin Islands Code.

Recommendations	Status of Recommendations and Corrective Actions
<p>3. Develop and implement rules and regulations for the use of personal services contracts. Such rules and regulations should:</p> <ul style="list-style-type: none"> <li>• Restrict the use of personal services contracts to fill positions either which are similar to positions that already exist under the Personnel Merit System or which should be added to position classifications under the Personnel Merit System.</li> <li>• Establish controls to ensure that the Director of Personnel reviews and authorizes such contract actions.</li> </ul>	<p>Not implemented. Based on our review of the Division of Personnel's "Personnel and Procedures Manual," we found no provisions regarding the use of personal services contracts. Further, Personnel officials said that they were only in the "loop" with respect to personal services contracts and that the Director of Personnel conducted only a "cursory" review of the contract, either signed or initialed the contract, and then passed the contract along with actions they said were in accordance with the Department of Property and Procurement's routing schedule. The Division of Personnel did not maintain copies of the contracts. Moreover, Personnel officials told us that there was no assurance that all personal services contracts were routed through the Division of Personnel for review. Based on our limited review of personal services contracts, we found that the practice of using these contracts to fill positions already existing under the Personnel Merit System continued, in that there were contracts for positions such as office manager, clerk, and field inspector.</p>
<p>4. Obtain reimbursement of \$3,942 for the overpayment on a personal services contract for a permits administrator.</p>	<p>Closed. Contract data to effectively follow up on this recommendation were not available. Therefore, we consider implementation of the recommendation no longer feasible.</p>
<p>5. Require the Director of Personnel to review all entrance examinations currently being used by the Division of Personnel and update those examinations to reflect the current technology, standards, and other factors related to each position to be tested.</p>	<p>Not implemented. Although two employees of the Division of Personnel received introductory training needed to update entrance examinations to reflect the current technology, standards, and other factors related to each position to be tested, the Division had updated only one examination since the early 1980s.</p>



Recommendations	Status of Recommendations and Corrective Actions
6. Develop and implement rules and regulations for the maintenance and security of official personnel files, including limiting access to <b>official</b> personnel files to authorized individuals. Chapter 293 of the Federal Personnel Manual should be used as a guide for such rules and regulations.	Implemented. The Director of Personnel issued a memorandum in November 1992 to the <b>staff of</b> the Division of Personnel entitled "Official Personnel Records Access Procedure." The memorandum contained procedures for the maintenance of and access to the Official Personnel Records maintained by the Division of Personnel. The procedures ensured that (1) all employee personnel files were consistently maintained in accordance with current personnel practices and applicable Virgin Islands and Federal laws, (2) employee personnel files were properly safeguarded and protected, and (3) there was a logical and systematic method to restrict access to data maintained in the employee personnel files.



**THE UNITED STATES VIRGIN ISLANDS**

OFFICE OF THE GOVERNOR  
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802  
809-774-0001

February 26, 1999

Mr. Eljay B. Bowron  
Inspector General  
Office of Inspector General  
United States Department of Interior  
Washington, D.C. 20240

**Subject:** Draft Audit Report on Follow up of Recommendations Relating to Personnel Practices, Division of Personnel, Government of the Virgin Islands (Assignment No. V-IN-VIS-00498)

**Attention:** Mr. Arnold E. van Beverhoudt, Jr.  
Director of Insular Audits

**Dear Mr. Bowron:**

Kindly consider this letter our response to the draft audit report referenced above. As you are aware, this administration came into office on January 4, 1999, as a result, we are currently assessing the current personnel management practices. We note for the record that several of the areas referred to in the report are encompassed in our review.

In general terms, we concur with the advice offered. Our specific responses to the recommendations are as follows:

**Recommendation to the Legislature of the Virgin Islands**

- (2) Develop and implement rules and regulations for the hiring of employees to unclassified positions ...

*Concur - It appears that a procedure to curtail the hiring of employees in the unclassified service was instituted following the 1992 audit. The procedure required that all requests to establish an exempt position required a review by the Division of Personnel to ascertain if the requirements of Title 3, Section 451 were satisfied. It could not be determined when this procedure ceased. We will issue rules and regulations that set forth the procedure for complying*

Mr. Eljay B. Bowron  
February 26, 1999  
Page 2

*with the statutory requirements for the hiring of unclassified employees. The target date for implementation is October 1, 1999. The officials responsible for implementation are: Acting Director of Personnel -Joanne U. Barry and Acting Attorney General - Iver Stridiron.*

- (3) Develop and implement rules and regulations for the use of personal services contracts ...

*Concur - We will issue rules and regulations that set forth the procedure for the use of personal services contracts. It is intended that joint or compatible rules and regulations will be developed between the Department of Property and Procurement and the Division of Personnel. These rules will provide for the prior approval by the Director of Personnel, for all personal service contracts. We recognize that an expedited process must be included to provide for the timely hiring of temporary employees in the event of emergencies. Additionally, existing statutory authority and rules and regulations will be reviewed to determine what adjustments must be made to insure that qualified individuals may be hired into positions as needed. The target date is October 1, 1999. Notwithstanding the target date established, both agency heads will be directed to amend the current process to include the Director of Personnel's renew and approval of personal service contracts by May 1, 1999. The responsible parties are Marc Biggs, Acting Commissioner of Property and Procurement, Iver Stridiron, Acting Attorney General; and Joanne U. Barry, Acting Director of Personnel.*

- (4) Closed

- (5) Require the Director of Personnel to review all entrance exams currently being used and update exams. .. to reflect the current technology, standards, and other factors related to each position to be tested.

*Concur - The current entrance examinations with few exceptions are outdated. Although two employees received an introductory course in updating examinations, that was insufficient to prepare for the task of rewriting and validating exams. The undertaking is costly and will require a significant amount of time for accurate review. We understand that an Examination Task Force was established in 1992, however the review process was never completed. It is recognized that this undertaking is necessary and we will be requesting assistance from the USDA Graduate School in acquiring new examinations, training of personnel staff in developing the examinations, and for technical assistance to update the current examinations.*

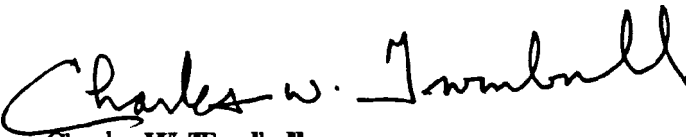
*The target date is January 1, 2000 and the official responsible for implementation is the Acting Director of Personnel, Joanne U. Barry.*

**Mr. Eljay B. Bowton**  
**February 26, 1999**  
**Page 3**

(6)     **Implemented**

**This administration recognizes the critical issues conveyed in this report and the requirement for government efficiency. We will take the necessary corrective measures.**

**Sincerely,**

  
**Charles W. Turnbull**  
**Governor**

**cc:     Honorable Vargrave Richards President, Legislature of the Virgin Islands**

## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
A.1	Unresolved.	The Legislature of the Virgin Islands should provide a response to the recommendation indicating concurrence or nonconcurrence. If concurrence is indicated, an action plan should be provided that identifies the target date and the title of the official responsible for implementing the recommendation. If nonconcurrence is indicated, reasons for the nonconcurrence should be provided.
A.2	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
A.3	Unresolved.	The Governor of the Virgin Islands should provide a response to the recommendation indicating concurrence or nonconcurrence. If concurrence is indicated, an action plan should be provided that identifies the target date and the title of the official responsible for implementing the recommendation. If nonconcurrence is indicated, reasons for the nonconcurrence should be provided.
B.1 and B.2	Unresolved.	The Governor of the Virgin Islands should provide a response to each recommendation indicating concurrence or nonconcurrence. If concurrence is indicated, action plans should be provided that identify the target dates and the titles of the officials responsible for implementing the recommendations. If nonconcurrence is indicated, reasons for the nonconcurrence should be provided.

**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO  
THE OFFICE OF INSPECTOR GENERAL**

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