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VI Lawmakers Slam 20-Year \$2.5M Annual Compliance Contract as Ineffective

After spending \$42.5 million on third-party oversight, lawmakers press McConnell & Jones on delays in meeting federal requirements for Education, Health, Human Services, and Property & Procurement, demanding accountability and a clear timeline

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Sharon Murphy, partner at McConnell & Jones LLP fielded questions from frustrated lawmakers on Wednesday. By. V.I. LEGISLATURE

After almost two decades, the U.S. Virgin Islands remains locked into a compliance agreement with the U.S. Department of Education as a result of the territory being designated a “high-risk grantee.”

As a result of this designation and the need to implement corrective measures to improve standing with the U.S. Department of Education, a third-party fiduciary agent (TPFA) has been appointed to oversee the compliance requirements for federal grants administered to the local Department of Education. McConnell & Jones, LLP currently holds this responsibility, providing oversight to the V.I. Departments of Education, Health, Property and Procurement, and Human Services as part of the U.S. DOE compliance agreement.

However, lawmakers, during a meeting of the Committee on Budget, Appropriations, and Finance on Wednesday, were particularly concerned about when the need for the third-party fiduciary would be eliminated. “We have spent about \$42.5 million on this compliance agreement,” committee chair Senator Donna Frett-Gregory announced. Costs are expected to continue rising as the GVI works within the strict arrangement, which, according to the language of a 2002 compliance agreement, was originally intended to last only [three years](#).

According to Sharon Murphy, partner at McConnell & Jones LLP, to be released from the agreement the GVI must first address eight remaining requirements, including the development of standard operating procedures for payroll using federal funds, procurement, internal controls, and fixed assets. The respective departments must also execute drawdowns of federal funds in a timely manner, develop and implement guidance requiring timely acceptance/rejection of vendor invoices and conduct programmatic monitoring.

According to Ms. Murphy, achieving these conditions will signal the first step of ending fiduciary oversight - the Readiness Validation Phase. They hope is that this will be completed by September 2025. Then, the GVI will enter a transition phase from October 2025 to September 2026, where the TPFA will coordinate with U.S. DOE to begin their specific conditions elimination and validation assessment. If successful, the third phase will run from October 2026 to September 2027.

Senator Ray Fonseca does not believe that this timeline is achievable, however. “I could tell you right now, in 10 months, they ain't going to be ready, or you ain't going to let it,” he pointedly stated. In fact, he argued that “I think personally, it's in your best interest to keep us under these conditions.”

Ms. Murphy and Julio Rhymer, the nominee for director of the Office of Management and Budget, expressed satisfaction with the progress made thus far, though they acknowledged ongoing challenges to sustained success. Citing the Department of Human Services as an example, Mr. Rhymer noted the department has made “great strides in being compliant with rules and regulations” regarding the use of federal funds.

But lawmakers remained less than convinced. “It seems like I've heard this for the past 17 years, and it's very troubling,” Sen. Frett-Gregory bemoaned. She recalled a 2023 hearing where McConnell & Jones, LLP reportedly made promises to eliminate some of the same requirements listed out by Ms. Murphy on Wednesday — well over a year later. She also interrogated the need to create several sets of standard operating procedures which she contended already exist. “Is it that we threw all of it out and started over afresh?” she questioned. The procedures, she learned, are being updated.

Throughout Wednesday’s meeting, Sen. Frett-Gregory pressed Ms. Murphy, as the individual with general oversight for this role, to be more proactive in her approach. The senator lamented what she referred to as a “transactional” approach to the TPFA’s work and demanded a formal plan of action to achieve the remaining eight conditions, specifically the standard operating procedures for

fixed assets. She also called for greater support to staff in the respective departments who must make the necessary adjustments.

“Y'all need to get it all the way together. We are spending a lot of money on this contract. This is not right,” declared Sen. Frett-Gregory. The GVI pays \$2.5 million annually to the third-party fiduciary agent to handle the responsibilities tied to the compliance agreement. It's money that the lawmaker feels could be better used elsewhere. “You're not doing your job and it's costing us.”

Like Sen. Fonseca, she was not confident in the TFPA's proposed timeline. “We should not be paying any entity \$2.5 million up to 2027 then when 2027 comes, it will be 2030 and when 2030 comes, it will be 2032.”

Noting the hefty cost, members of the 35th Legislature are toying with the idea of writing to the U.S. Department of Education for a “thorough review” of the remaining conditions. “These things in front of us are not major things for us to be spending \$2.5 million of our revenues that we could be giving to our students,” Sen. Frett-Gregory suggested. Lawmakers have promised deeper discussions on the future of the compliance agreement with the aim of completing requirements as soon as possible.