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Audit Finds Dept. of Education Lottery Funds Miss Classrooms While Millions Spent on Debris, T-Shirts, and Unreimbursed Salaries

A V.I. Inspector General audit reveals that while public schools often waited months—or never received—critical Education Initiative Fund payments, over $11.7M went to ineligible or poorly documented expenses, including hurricane cleanup and memorabilia.

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Aerial shot of the St. Croix Education Complex. **By. ERNICE GILBERT, V.I. CONSORTIUM.**

A newly released V.I. Inspector General audit paints a stark picture of an Education Initiative Fund at the V.I. Department of Education that reaches classrooms late—if at all—while large portions of the money are steered to projects never envisioned by law.

At the heart of the report is a recurring failure to deliver the first $50,000 owed to every public school by October 15, a deadline meant to cover the petty-cash needs that keep copy paper on desks, bathrooms stocked, and student activities afloat. In most years the allotments arrived months—sometimes more than a year—after they were due, leaving principals to “scramble for basic supplies” while waiting for checks the statute declares automatic. In fiscal year 2021, no school received a cent, even though quarterly V.I. Lottery transfers to the Department of Education landed on time, giving “no reasonable basis for delay.”

The law uses a three-step distribution formula to keep funding equitable. First, each school should get the baseline $50,000. Second, campuses with more than 200 students qualify for an extra $15 per pupil. Finally, any balance is divided equally. Auditors found the department skipped or mis-calculated Step 2 in 2019, short-changing two of the territory’s largest St. Thomas/St. John schools while five smaller campuses pocketed surpluses of up to $16,762. For FY 2021, Education retained the entire $1.35 million allocation in its district-level account, never moving those funds to individual school bank accounts as the statute requires.

[Office of the Inspector General Final Report — Education Initiative Fund]

Even when money reached campuses, watchdogs found that schools spent well beyond legal ceilings. Between FY 2019 and FY 2022, they ran $226,843 over the $3,500-per-year cap for equipment and supplies and $31,336 over the $2,500 limit for personal-services stipends. An additional $14,510 in purchases had no supporting paperwork at all, and one school disbursed $19,299 without filing any monthly report. Bank reconciliations, invoices, and receipts were often missing, eroding the paper trail lawmakers insisted upon when they created the fund.

From debris removal to commemorative T-shirts

Auditors flagged roughly $5.2 million in costs as “not further[ing] the education of students”—expenses the statute either forbids outright or never mentions. That total forms part of a larger $11.7 million of questionable transactions, combining ineligible spending with expenditures so poorly documented that auditors could not determine whether they complied with the law. The single biggest line item—$1.54 million—paid for hurricane-debris removal that should have been billed to FEMA. Schools tapped another $413,587 from the Fund to pay for graduation ceremonies—an expense the law never authorizes—and used $332,173 for salaries that were supposed to be reimbursed from CARES or ARP grants, a repayment that never came. Smaller forbidden purchases, such as catering, commemorative T-shirts, and assorted memorabilia, rounded out the list of unallowable costs.

Laws that collide—plus a 1995 cap the auditors call “unrealistic”

The report also revives a warning first issued thirteen years ago: Sections 3093 and 3100 of Title 33 overlap and contradict each other, breeding confusion over how V.I. Lottery proceeds are divided, how unused balances roll forward, and what spending limits apply. It notes that the $75,000 cap on central-office administration has been frozen since 1995, a figure auditors now deem “unrealistically low for modern operations,” and urges lawmakers to merge and modernize the statutes.

Other findings

The statute says every dime sitting in a school's account on September 30 must be swept back to the central fund so that each campus starts the new fiscal year at zero. Auditors found the rule enforced unevenly: the department reclaimed every leftover dollar from three schools, yet allowed three others to keep surpluses exceeding $18,000 apiece—cash that rolled forward and gave those campuses an unintended head start when the next round of allocations arrived.

Although the average time it took Education to release money improved in FY 2022—from more than six months in earlier years to roughly three—it still blew past the statute's 15-day deadline. Oversight lapses persisted: one St. Croix high school bought $8,259 in recreation equipment without the required pre-approval, and less than ten percent of a dedicated textbook reserve was tapped during 2019-2022.

Auditors conclude that late and mis-allocated payments "undermine the very purpose of the fund," forcing educators to shoulder expenses the Legislature intended V.I. Lottery dollars to cover. With Lottery transfers arriving on schedule every quarter, investigators argue the chronic delays "cannot be justified." They recommend strict adherence to the October 15 deadline, full restitution of the missing FY 2021 distributions, tighter spending controls, and legislative cleanup of conflicting statutes—steps they say are necessary to ensure that money raised for students finally reaches the students it was meant to serve.

The V.I. Department of Education's formal reply, appended to the audit, "concurred with all findings" and laid out a multi-year corrective plan. The department said it will introduce a computerized tracker to verify that every school's $50,000 baseline grant leaves the central office within 15 days and assign its chief financial officer—unnamed in the response—to certify each transfer. Progress, officials promised, will be detailed in quarterly status reports to the Board of Education beginning January 2025, with full implementation slated for the opening of FY 2026. The work will "be funded from existing lottery-revenue streams," though Education signaled it may ask lawmakers to lift the outdated $75,000 cap so the new controls can be sustained.

Auditors welcomed the commitments but flagged them as "resolved, not implemented," keeping the file open until proof emerges that promised systems, personnel assignments, and reporting milestones are in place. The Inspector General plans to revisit the issue to verify progress.