The Virgin Islands Consortium

GVI Catches Up on 2023 Audit but Adverse Findings Trigger Risk of Greater Federal Oversight and More Frequent Audits

Despite completing the 2023 Single Audit, widespread noncompliance and internal control failures led auditors to deny the Virgin Islands low-risk auditee status, a result that can increase federal oversight and the frequency of future audits.

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The Government of the Virgin Islands has completed its 2023 Single Audit, a step officials say is intended to restore credibility to the territory's financial reporting after years of delays. At the same time, the audit documents serious compliance failures, material weaknesses in internal controls, and adverse opinions across several major federal programs, underscoring the scale of the challenges that remain.

Governor Albert Bryan Jr. announced the audit's completion during a press briefing on Monday, framing it as an important marker of progress in addressing a long-standing backlog.

"These audits matter because they provide an independent accounting of how public dollars are managed," Bryan said. "They strengthen oversight and accountability. They build confidence with our federal partners, our vendors and the institutions that track the financial health of this government and others."

The governor said the administration's next goal is to complete both the 2024 and 2025 audits by the end of this year, bringing the government fully up to date for the first time in more than a decade. "The last year we were up to date I think was 2014 when Governor DeJongh caught up on all the audits," Bryan said. "Completing these audits is more than just a technical step. It is a signal of improved capacity, stronger financial controls and a commitment to keep the public informed with verified information."

While the audit's completion addresses timeliness, its findings reflect widespread weaknesses in financial management and federal program compliance.

Auditors issued adverse opinions on five major federal programs, concluding that the Government of the Virgin Islands did not comply in all material respects with federal requirements governing those programs. The programs receiving adverse opinions were National Guard military operations and maintenance projects, Unemployment Insurance, the Child Care Development Block Grant Cluster, the Children's Health Insurance Program, and the Medicaid Cluster.

Those adverse opinions were driven by findings that documented material noncompliance across multiple areas, including eligibility determination failures, cash management violations, allowable cost issues, reporting deficiencies, weak or missing fraud-detection controls, and internal control failures. Auditors stated that these deficiencies were significant enough to have a direct and material effect on the affected federal programs.

In addition to the adverse opinions, auditors issued qualified opinions on a number of other major federal programs, including the Supplemental Nutrition Assistance Program, WIC Grants to States, COVID-19 Coronavirus State and Local Fiscal Recovery Funds, the Education Stabilization Fund, Head Start, Economic, Social, and Political Development of the Territories, the Consolidated Grant to the Insular Areas, the Social Services Block Grant, and Disaster Grants – Public Assistance. Other programs reviewed during the audit received unmodified, or clean, opinions.

Beyond federal compliance issues, the audit identified material weaknesses in internal control over financial reporting, a designation that indicates a reasonable possibility that material misstatements may not be prevented or detected on a timely basis. These weaknesses were cited in areas including the year-end close process, revenue and receivables, grants management, capital assets, liability recording, Medicaid administration, the Unemployment Insurance Trust Fund, payroll and related accruals, bank account management, workers’ compensation, and other postemployment benefits obligations.

Auditors noted that year-end financial statements were frequently prepared late, that account reconciliations were often incomplete until audit work had already begun, and that significant adjustments were maintained outside the accounting system in manual spreadsheets rather than being recorded in real time.

The audit also disclosed findings from an independent forensic review of procurement practices, which identified significant deficiencies in documentation, compliance with procurement regulations, and adherence to competitive bidding requirements. Auditors said these issues create uncertainty about whether goods and services were received as invoiced and whether payments aligned with contractual terms. No financial adjustments were recorded in connection with these findings, though auditors stated that disclosure was warranted and corrective actions are underway.

As a result of the overall findings, the GVI did not qualify as a low-risk auditee for fiscal year 2023, a status that can subject the government to increased federal oversight and more frequent audits.

The Department of Finance included a Corrective Action Plan in the audit report outlining steps to address the findings. Those steps include more frequent reconciliation of general ledger accounts, implementation of a new grant management system, and the establishment of stricter standards and procedures aimed at improving accountability and oversight. Auditors emphasized, however, that they did not audit or evaluate the effectiveness of the government’s planned corrective actions and expressed no opinion on whether those measures will resolve the identified deficiencies.

Despite the scope of the findings, Governor Bryan said completing the audit and moving forward with subsequent years remains essential. “Pushing forward with completing the 2024 and 2025 audits is important,” he said, “because it strengthens the foundations for everything else we are trying to deliver.”

The 2023 Single Audit covered central government operations as well as several component entities, including the Public Finance Authority, the West Indian Company Limited, viNGN, and other agencies, with some units audited separately.