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Violet Questions \$272,000 Calypso Inc. Allocation During OMB Budget Hearing; Rhymer Warns Noncompliant Nonprofits Could Lose Funding

Senator Kurt Violet questioned allocations to entities he said also received federal funds, while OMB Director Julio Rhymer outlined tighter nonprofit compliance reviews, a new Fiscal Responsibility Unit and \$140 million in prior-year bills.

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Senator Kurt Violet questions OMB Director Julio Rhymer during FY2027 budget hearings over a \$272,000 Calypso Inc. allocation and nonprofit entities receiving Miscellaneous and federal funds. By. V.I. LEGISLATURE.

Senator Kurt Vialet pressed Office of Management and Budget Director Julio Rhymer on Tuesday over nonprofit entities included in the Miscellaneous section of the budget while allegedly also receiving federal funds administered through the Government of the Virgin Islands.

The exchange came during the first budget hearing for fiscal year 2027, as Mr. Rhymer presented OMB's proposed spending plan and outlined several priority initiatives for the agency.

Mr. Vialet questioned why certain non-governmental organizations were listed under Miscellaneous while also receiving federal funding through the GVI. He requested justification for a \$272,000 contribution to Calypso Inc. for a music and literacy summer program. According to Senator Vialet, the recipient is a calypsonian who "writes government house derogatory songs against other candidates..."

"I know for sure \$272,000 this person get under ARPA funds, federal funds," Senator Vialet told Mr. Rhymer.

Mr. Vialet also alleged that an entity named Entre El Pueblo received \$47,652 in federal funds despite being included in the Miscellaneous section. He further alleged that "this person is possibly an assistant commissioner," though Mr. Rhymer could not confirm that at the time.

Mr. Vialet later told the OMB director that the issue required greater scrutiny. "Something wrong, you know. You can't just be giving away government money. All these money could have been utilized to help the people of the Virgin Islands," he stated.

The questions came as Mr. Rhymer discussed OMB's maintenance of a Not-for-Profit Unit, which he said exists "to provide centralized oversight and management...specifically under the Miscellaneous section of the annual budget."

According to Mr. Rhymer, the unit is intended to ensure that resources are distributed according to "government priorities, community needs, and statutory requirements." Its core function, he said, is ensuring "accountability and compliance among all recipient organizations."

OMB plans to implement standardized reporting and conduct "periodic financial and programmatic reviews..."

Mr. Rhymer said many recipients are not in good standing with the government, a factor that will affect future allocations.

"I'm telling the public, if your agency is in noncompliance, we will not release any funds to you," he warned. "If you become a problem for more than one year, we would request the Legislature to no longer fund your organization."

Senator Marvin Blyden suggested that OMB's approach may be too strict, encouraging the agency to "see how we can work with them instead of cutting them off," noting that several nonprofits provide "critical" community services.

Mr. Rhymer did not change his position. He said some nonprofits that have received funding for decades "still don't understand the process, and despite trying to tell them over and over what they need to do, they still do not get it right."

According to Mr. Rhymer, nonprofit entities with 501(c)(3) status are expected to fundraise. "That's what the EDC program and hotels are for. They raise \$0.00 and expect the government to

fund them 100%. That's problematic for me,” he stated.

Mr. Rhymer told Senator Milton Potter that the number of entities included in the Miscellaneous section is “probably close to 200.” Together, he said, they receive close to \$7 million.

Another major OMB initiative discussed Tuesday was the establishment of a Financial Responsibility Unit. Mr. Rhymer said the unit is now “actively working toward the transition of duties currently performed by the Third-Party Fiduciary for the Virgin Islands Department of Education.”

The timeline for the full transition remains “fluid,” he said, as the GVI “continues to assess operational readiness” and ensure the “orderly transfer of oversight responsibilities.”

The Financial Responsibility Unit is expected to receive training and perform the relevant functions under the supervision of the Third-Party Fiduciary for some time. Mr. Rhymer said the TPFSA will “certify to the U.S Department of Education that the FRU has been adequately trained and is carrying out these duties proficiently.”

Once fully operational, the FRU’s mandate is expected to expand to other local agencies requiring “heightened fiscal oversight, intervention, and accountability support.” Mr. Rhymer described the unit as a “critical mechanism for advancing the management function of the Office of Management and Budget...”

He specifically identified the Departments of Health and Agriculture as agencies needing “intervention.”

Mr. Rhymer told Senator Angel Bolques Jr. that one persistent issue among government entities is the failure to adequately reconcile funds, warning that such failures can potentially “create havoc within any audit.”

The OMB director also said he hopes the FRU will help address prior-year bills. He told Committee Chair Senator Novelle Francis Jr. that the amount has increased to approximately \$140 million.

Senator Francis said accountability should come with “punitive action.” He also warned that “\$140 million is a tremendous and significant strain on a budget.”

Lawmakers welcomed the FRU initiative. Once the Third-Party Fiduciary is replaced by the FRU, the government could save approximately \$2.6 million. The unit currently has one employee, but OMB plans to hire six more workers.

For FY2027, OMB is requesting an additional \$500,000 to “support the newly established Fiscal Responsibility Unit,” Mr. Rhymer said.

OMB’s proposed FY2027 budget totals \$36,759,349. Of that amount, \$7,186,308 would come from the General Fund, \$2,226,596 would come from indirect costs, and the remaining \$27,346,445 would be funded by federal grants.

The budget includes 42 full-time positions and 13 new and vacant positions.