

The Virgin Islands Consortium

Mapp Fires EDA CEO Percival Clouden

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ST. THOMAS -- Governor Kenneth Mapp has fired the Economic Development Authority's Chief Executive Officer, Percival Clouden, in wake of the governor's decision to disapprove Economic Development Commission benefits for two top hotels in the territory -- Windward Passage and Sugar Bay Club & Resort Corporation -- following the revelation of [what Mapp calls](#) tremendous violations of law" within the applications.

An EDA press release issued late Friday afternoon only confirmed that Wayne Biggs, former Dept. of Licensing and Consumer Affairs commissioner, who served at the EDA as assistant CEO, was promoted to acting CEO of EDA. No other information was divulged.

"Percival Clouden was relieved of his duties and thanked for his service," Mapp's Communications Director, Kimberly Jones told the *VI Consortium* when reached for comment.

On Thursday, the governor detailed inconsistencies with two EDA companies seeking renewal of tax benefits extension, and expressed frustration that while it was evident the companies had not held their end of the EDC agreement, that EDA, under Clouden's leadership, would forward to him their applications for extension consideration.

The governor said Windward Passage and Sugar Bay Resort are "below the number of required employees" that should be working at the facilities as part of the EDC agreement. He also revealed that one of the hotels has already enjoyed 15 years of EDA benefits, while the other has enjoyed 20 years.

Furthermore, one of the entities hasn't filed income tax returns for more than five years, and one owes unemployment payments to the Department of Labor.

One of the companies intends to invest, according to the governor, "a mere \$690,000 of investments over the next ten years," which, he said, "given the hotels and their sizes, one must understand that \$690,000 over ten years is not even sufficient monies to maintain the properties; much less monies to expand, develop and provide any expansion of the facilities."

The chief executive also made known that the wages at the hotels in question are below industry standards, and although the hotels comply with the territory's minimum wage law, "given the amount of benefits that you have enjoyed for more than 15 years at 100 percent tax exemption, the wages to the employees are totally unacceptable," he said.

In February, an [EDA audit](#) conducted by the Inspector General's Office on January 30, 2015 was published. [It revealed](#) major deficiencies with the program, and pointed out key areas where change is needed.

In relation to extension of benefits, the IG report revealed that the "Economic Development Commission Rules and Regulations contradicted the Virgin Islands Code regarding extension of benefits," that "full benefits were extended to beneficiaries who were not eligible to receive them at that level under the law," and "extensions of benefits were granted in numbers and durations in excess of what was allowed under the law."

As it relates to monitoring, the audit revealed that "infrequent compliance reviews were performed," and "the Economic Development Commission did not effectively ensure that beneficiaries complied with reporting requirements."

The application process of the EDC was also found to be inadequate, as it did not "consistently adhere to the time requirements for the various phases of the application process," according to the IG's audit. The collection of information to process applications for economic development benefits were also "not adequately monitored," and applications were not "always processed in an organized and systematic manner."

The audit also found that "regulatory agencies were not always promptly informed of changes in the certification statuses of beneficiaries."

The Inspector General was also unsatisfied with the response to the audit from former EDA CEO Percival Clouden, who was fired on Friday, stating that his response “primarily addressed audit findings and recommendations from the preliminary draft report instead of the official draft report,” and that the Authority’s response to the recommendations given were “vague.”

“The Authority’s response did not always accurately and adequately address audit findings and recommendations in the audit report. First, its response primarily addressed findings and recommendations from the preliminary draft instead of the official draft. As noted, the official draft was a revised report. Content revisions were based on our exit conference with agency executives in August 2014,” Steven van Beverhoudt said.

He continued: “In addition, we considered recent changes that had occurred in the tax benefits law after the exit conference. The Authority’s failure to address the correct draft even resulted in the agency issuing responses to two recommendations that had been removed from the audit report in the Finding 2 section, Extension of EDC Benefits Awards. Secondly, for the most part, the Authority’s responses to the recommendations were vague.

“The agency did not provide clear and detailed plans of action to correct critical issues facing the Territory’s Economic Development Program. More emphasis was placed on defending its position regarding certain findings than providing viable solutions to program challenges. For instance, in addressing a finding related to recommendation 1, the agency acknowledged that neither the Code nor the agency’s rules and regulations require the measurement and reporting of the overall economic and fiscal impact of the EDC program on the Territory’s economy.

“However, instead of answering the recommendation, which calls for the establishment of such a requirement through the Virgin Islands Legislature, the agency responded that an extensive cost/benefit analysis is conducted on every applicant and cumulative assessments are published in the annual report.”

Mapp said on Thursday that the recent shakeup at the EDA does not point to a governor who is unfriendly to the private sector, and that he and Lieutenant Governor Osbert Potter are “fully committed in supporting the incentives given by the Economic Development Authority, but it must be done in a manner that recognizes that everyone must carry some degree of their weight in the territory.”

Even so, the territory’s leader advocated for small businesses, whom, he said, are carrying the tax burden funding the bulk of the territory’s services, while major firms enjoy 100 percent tax breaks.

“We cannot continue to pile on on small businesses and employees in the territory the full burden of the services and the infrastructure of the territory,” said Mapp. “And if an entity has come into the territory, has invested, has built, has been enjoying tax benefits for 10, 15 — 20 years, there must be some avenue to wean that entity off tax exemptions. The businesses cannot remain on the bottle forever. They must have some opportunity to wean off of it.”

He added: “We have to be mindful that we cannot continue to let everyone do business in the Virgin Islands absolutely tax free and at no cost, but the local, small businesses and the employees in the territory, we expect them to carry the tax burden.”

If this trend continues, Mapp said the government will not be able to provide any adequate infrastructure to grow the economy, wages will not be enough to sustain families, security will also be compromised, he said, along with “a modicum of government services.”

Feature Image: (L to R) former EDA CEO Percival E. Clouden and former Governor John P. de Jongh at a USVI breakfast seminar in 2013.

Image Credit: Virgin Islands Economic Development Authority.

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