

The Virgin Islands Consortium

Audit Reveals Decades Of Government Waste, Fraud and Abuse of Taxpayer Money

VIC News / **Published On October 26, 2019 10:44 AM /**

Ernice Gilbert **October 26, 2019**



An audit made public by the Office of the Inspector General on Friday unearthed what many Virgin Islanders had long suspected but never had proof to backup the claims: that fraud, waste and abuse were rampant in the executive branch of the government of the Virgin Islands, with government officials grossly overstepping their authority when spending taxpayer dollars.

Though the scope of the audit was fiscal years 2013 through 2016, the O.I.G. retrieved records dating back to 2002.

In the audit's executive summary, the O.I.G. found that:

- There were no uniform regulations governing the use of credit cards and lines of credit.
- There were no internal controls to govern the use and accountability of credit transactions.
- As much as \$1.1 million in credit transactions were not protected from fraud, waste and abuse.
- Credit purchases were made without first obtaining approved purchases orders.
- Travel expenses were incurred without authorization.
- At least \$199,199 in purchases was made that did not conform to procurement regulations.
- At least \$17,295 in travel expenses did not conform to travel regulation.
- Three agencies used credit card accounts for purchases inconsistent with applicable laws, policies and procedures, and best practices.
- Of \$396,556 in charges reviewed, \$31,867 was questioned.
- Credit cards charges without supporting documentation totaled \$17,428.
- Personal charges totaled \$10,642.
- Travel charges that were claimed more than once totaled \$3,797.
- Credit card payments were not processed timely, resulting in finance charges and late fees.
- \$881,167 in credit card charges were paid late, resulting in \$23,288 in finance charges and late fees.

"We found that the Executive Branch did not have uniform regulations to procure and govern the use of credit cards and lines of credit. Specifically, there were no regulations to govern, at a minimum: (i) how agencies entered into credit agreements/ lines of credit, (ii) the number of credit cards; (iii) the credit limits; and (iv) the approval process of employees/officials authorized to use credit cards and/or have access to the agencies' line of credit," reads the audit. "In addition, some Executive Branch agencies that entered into credit agreements did not establish internal controls to ensure, at a minimum, that the expenditures were authorized, valid, and business related, or that corrective action was taken when officials misused the credit card accounts."

The O.I.G. attributed these conditions to the lack of established regulations in the Dept. of Finance and Property and Procurement on how executive branch agencies obtained and controlled credit cards and lines of credit. D.O.F. and P&P officials also failed to create internal controls to govern the use and accountability for credit accounts, according to the O.I.G.

The following list of government departments and agencies were reviewed:

1. Office of the Governor
2. The Dept. of Education
3. Office of the Lt. Governor
4. Bureau of Motor Vehicles
5. VI Energy Office
6. VI Fire Service
7. Sports, Parks, and Recreation
8. Property and Procurement

The O.I.G. audit found that the Dept. of Education and the Dept. of Sports, Parks and Recreation contacted Property and Procurement or Finance on how to proceed in establishing their credit accounts. "While the two agencies sought and received advice and guidance from Finance and Property and Procurement, other agencies independently opened credit cards and lines of credit accounts with commercial merchants and local vendors," reads the report.

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"We found that, except for the Education and the Governor's Office's credit cards, other Executive Branch agencies did not have formal internal policies and procedures for the management of their credit accounts. Agencies that did not establish internal policies and procedures increased their risk of unauthorized expenditures," according to the audit.

The Dept. of Education enforced the policies and procedures established for credit use, the audit found. "Yet although the Office of the Governor created policies for credit use, these policies were not enforced," reads to the audit report.

"Although agency officials indicated that they had a practice of reconciling monthly statements, we found that at least four of the eight audited agencies did not provide sufficient evidence to show that the agency regularly reconciled their hardware store credit cards," according to the audit.

For example:

"The V.I. Energy Office did not maintain their credit card monthly statements. When we inquired about the statements, an official informed us that the agency might not have received the statements from the vendor.

"Sports, Parks & Recreation did not have, on file, any of their Fiscal Year 2016 credit card monthly statements. Sports, Parks & Recreation administrative staffers expressed confusion as to who was responsible for maintaining the monthly statements. One administrative staff member stated that the records might have been lost or misplaced. Because the hardware store statements were unavailable, we could not verify if the agency reconciled its monthly statements to ensure that the agency only paid valid expenses.

"The Lt. Governor's Office did not provide their credit card statements for Fiscal years 2013 and 2014 and most of 2016.

"Officials with the VI Fire Service, St. Croix Office stated that they were unable to conduct reconciliations of their credit card statements because at times they did not receive the statements. Whereas, the St. Thomas officials could not adequately reconcile their hardware store credit card statements, because the purchasers did not always provide detailed receipts of the items purchased," reads the audit report.

The report found that officials within the Office of the Governor spent \$61,559 using their credit card without pre-approved purchase orders. For example, on May 20, 2016 the Governor's Office purchased dinnerware costing \$8,306. As would be done in normal circumstances and in conformance with requirement for purchases that exceeds \$5,000, but during its investigation, the O.I.G. did not find evidence that three quotes were

obtained nor was there a justification letter. "In addition, we were not provided with an approved purchase order. Instead, we found that two purchase orders were created, one on June 28, 2016 and another on July 5, 2016, to cover the cost found on the credit card accounts. Governor's Office personnel indicated that there was a justification letter; however, none was provided."

Additionally, the O.I.G. found that although the dinnerware cost was \$8,306, the amount charged and paid by two officials totaled \$8,788. The combined charges and payments exceeded the cost of the dinnerware by \$482. Inquiry with officials at the Governor's Office revealed that this discrepancy went unnoticed.

The Energy Office officials purchased \$14,771 in merchandise using their hardware store card before obtaining a purchase order. For example, the agency purchased water heaters and other items totaling \$8,099. Specifically, on March 15, 2013, the Energy Office bought 15 water heaters at a total cost of \$4,035. The Energy Office obtained a purchase order two and a half months later, on May 29, 2013. Again on April 16, 2015, the Energy Office purchased ten water heaters and six air conditioners for \$4,064. The Energy Office did not obtain the purchase order for these items until May 12, 2015, according to the audit.

Elsewhere, Sports, Parks and Recreation spent \$10,381 on merchandise without first obtaining a purchase order, the O.I.G. report found. For example, the agency made a series of purchases on June 3, 14, and 17, 2016, and spent a combined \$8,377 on merchandise using the agency's hardware store card. The department did not obtain the purchase order for these purchases until September 1, 2016, three months after the initial transaction.

Personal Charges

The Office of the Inspector General found that some officials of the Governor's Office used the government's credit cards to charge \$10,430 in personal expenses. Although the officials paid these charges, the Governor's Office credit card policies restricted the use of the credit card to official travel and office-related expenses. Specifically, during Fiscal Year 2013 through 2014, one cardholder used the credit card to obtain \$5,173 in cash advances through sixteen ATM withdrawals, while two other officials spent at least \$5,257 in personal travel-related costs.

"We found that the official did not ask the Government to pay the \$5,173 in ATM charges," reads the audit report. "The cardholder paid the applicable fiscal year charges by August 13, 2013, and by November 20, 2014. When we inquired with Business Office officials about the ATM withdrawals they indicated that cardholders were not supposed to have pin numbers that would allow them to withdraw cash. They were unaware how the cardholder was able to obtain a pin number."

The O.I.G. also found that during Fiscal Years 2013 and 2014, another official incurred personal charges of \$9,155.64 and \$5,198.68 respectively. For example, the credit card was used to pay for \$3,994 in car rental expenses not related to official Government business. The official eventually settled the charges on April 2, 2015. Specifically, the official charged \$2,678 for car rental charges while on travel to New York, Arizona, and Washington, D.C. in November 2012 and January 2013. Similarly, in November and

December of 2013, the official charged \$1,316 in car rental charges while on non-business related travel to New York, Puerto Rico, and Arizona.

A third Governor's Office official charged \$1,263 in personal charges for airfare and meals while on travel to California on May 18, and June 7-8, of 2013. Again, although the official paid the costs on September 10, 2013, the credit card policy prohibited the use of the card for personal expenses, according to the report.

During Fiscal Years 2013 through 2016, the O.I.G. found that employees of the Bureau of Motor Vehicles (BMV) used the agency's hardware store credit account to purchase \$212 in snacks while buying supplies for the agency. When asked, agency officials stated that the snacks were purchased for "customer appreciation" days held throughout the year. "However, we question this explanation based on the cost charged, the quantity and individualized size of the snack items purchased during each trip. For example, while buying supplies, the purchaser obtained as little as one 20 oz Coke for \$1.87, one candy for \$0.98, and one bag of chips for \$1.09," reads the audit report.

Although the value of each item was not significant, the O.I.G. found that the purchasers spent at least \$212 over the audited period. The O.I.G. questioned how these purchases were allowed to continue without management's scrutiny. The Bureau's management stated that the hardware store card was to buy cleaning, operating, and maintenance supplies. The O.I.G. found no evidence that these snack purchases were business related.

Duplicate Expenses

According to the report, a Lt. Governor's Office official charged travel-related expenses on the Government issued credit card, although cash advances had already been issued. During Fiscal Years 2013 through 2014, the official received \$3,797 in cash advances to cover specific travel expenses. Although the Government provided the official with cash advances, the official did not use the cash for its issued purpose. Instead, the official charged, and the Government paid, the travel expenses charged on the credit card, the audit found.

"We saw no evidence that the official accounted for, or returned, the cash advances issued for the same purpose. As a result, the payments were duplicated when the Government paid the credit card balances and provided the official the cash advances," the O.I.G. said.

As an example, the official received a cash advance totaling \$2,425 to attend a meeting in Washington, D.C. The cash advance covered transportation, hotel, and meals. The official charged the same costs to the credit card for a total of \$2,149. Further analysis revealed that the credit card expenses were paid in full.

"We found no evidence that the official accounted for the use of the cash advance," said the O.I.G.

The O.I.G. made recommendations to P&P and the Dept. of Finance to address management oversight, procurement, internal controls, and payment process.