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Major USVI Funds are Showing Negative Balances, and Senators Want to Know What's Going On

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Senator Kurt Vialet By. VI CONSORTIUM

At the end of a Department of Finance budget hearing Thursday, Committee Chairman Senator Kurt Vialet stated that D.O.F. would “more than likely” be called back to the Senate during budget markup following concerns raised by lawmakers regarding important government funding channels showing negative balances.

The two largest negative balances spotted were the Caribbean Basin Initiative Fund and the Internal Revenue Matching Fund, which in an update provided by the department’s officials totaled \$35 million as of June.

Senator Carla Joseph sought to learn whether the balances in government funds that D.O.F. has oversight of as listed in the Post Audit Report were accurate. She also queried how frequently those balances are reconciled because of the large negative balances.

The senator was told by Ebony Serrano, D.O.F. director of accounting operations and financial reporting, that the funds' balances are "as accurate as the information provided in there."

Ms. Joseph said she understood based on testimony by D.O.F. Commissioner Bosede Bruce that D.O.F. was "working on reconciling a lot of these funds," and again asked about the timeline the department uses to reconcile balances. "Most people when they are doing their reconciliations, they do it on a monthly basis when they get their bank statement," Ms. Joseph said.

Ms. Serrano then stated that D.O.F. reviews the funds on a quarterly basis.

Mr. Violet continued with line of questioning around the frequency of reconciliation, stating that the Post Audit Report was based on the balances of the funds in March.

Ms. Serrano said that as of June, the Caribbean Basin Initiative Fund was in the red by \$11 million and the Internal Revenue Matching Fund carried a negative balance of \$24 million. Also in the red by \$689,207.72 was the Union Arbitration Government Employee Award fund, according to her update.

After the discussion on reconciliation, Senate President Donna Frett-Gregory said she was "extremely concerned" about how far in the red the funds were. Like other lawmakers, she was equally concerned about the infrequency of the reconciliation, as the report senators received outlined a negative balance for the Caribbean Basin Initiative Fund of \$2.6 million — when it was actually a negative balance of \$11 million based on the report shared by Ms. Serrano Thursday.

Ms. Frett-Gregory added, "I need to understand clearly how is that occurring, why is that occurring, why are we pushing out funding from an account that has a red balance."

The Internal Revenue Matching Fund is arguably the territory's most sacred, as it contains monies remitted to the USVI by Congress for taxes collected in the United States on rum produced in the USVI. Most of the \$250 million the fund collects annually is used to pay the territory's debtors, while what's remaining is used by the local government.

The Caribbean Basin Initiative Fund is a much smaller fund but with a similar concept to the IRMF. And the Union Arbitration Government Employee Award fund is sustained with gambling-related tax dollars.

Ms. Serrano tried to explain. "In many cases what I have found in the past is that we make appropriations against funds that are already in the red and it just continues to push the fund in the red." She then suggested a meeting and said "we will no longer push the fund into the red and no longer appropriate from specific funds until the fund itself can sustain itself."

Ms. Frett-Gregory pressed harder, "Why would we have transfers out of an account that is in the red? Because then where is the money? That's not real money..."

She added, "I'm having a really difficult time understanding this. This is exactly why we continue to be challenged with getting our house in order as it relates to going to market, etc."

Ms. Bruce, the Finance commissioner, stated, "We need to do a reconciliation of all the funds to go back to the beginning to see if each posting that was made to the fund was accurate, that there wasn't a typo or something like human error..."

Mr. Vialet specifically inquired if the Internal Revenue Matching Fund has made a transfer to the Government of the Virgin Islands. Calvert Birmingham, director of the V.I. Treasury, said the total transfer for this fiscal year is \$43.2 million and out of that amount \$20 million have been transferred the G.V.I.

Mr. Vialet responded, "Based on the amount we are getting in the Internal Revenue Matching Fund, I just continue to be lost as to the reconciliation of how we are in the red because if we are projecting some forty something [million dollars] and you only transferred twenty [million], I don't know how we are still \$24 million in the red."

Later in the hearing, Mr. Vialet said he expected the Dept. of Finance to return to the Senate or provide a detailed report in reference to the IRMF along with the Caribbean Basin Initiative Fund. "If you're able to scrub those numbers so we can know exactly what we need to with this upcoming year, because we can't continue to show a negative balance in those particular areas."