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Molloy Credits 'Plain Old Fashion Work Ethics' For Removal of Dept. of Labor From Federal High Risk Category

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V.I. Dept. of Labor Commissioner Gary Molloy. By. V.I. DEPT. OF LABOR.

The V.I. Dept. of Labor has closed the gap on high-risk findings after applying to the United States government to have the territory removed from the list of high-risk grantees.

According to the U.S Government Accountability Office, federal programs can be considered high-risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or a need for transformation.

Shortly after taking office V.I. Dept. of Labor Commissioner, Gary Molloy, was informed by the grant agency – the Employment and Training Administration (ETA) Department – that his organization had been placed under “a third-party fiduciary” for long-standing program and fiscal issues that dated back to the December 16, 2016.

This “high risk” grantee designation was based on long-standing program and fiscal issues and triggered a significant amount of additional compliance regulations, Mr. Molloy revealed in a recent press statement.

In July 2022, Mr. Molloy told the Committee on Finance that 54 programs had been flagged for high-risk fiscal findings at the end of December 2016.

Since then, he said the department has corrected all fiscal and administrative compliance findings that were at issue.

In addition to making all the required changes towards compliance, VIDOL has since completed numerous other program reviews, comprehensive reviews, technical assistance, and fiscal monitoring since the December 16, 2016, letter.

By August 3rd, 2022, VIDOL said all findings had been resolved for which he credited his hard-working department staff.

“The very technical and service-oriented department staff, with its never-ending attention to detail, managed to remove the high-risk grantee designation with plain, old-fashioned work ethic,” he said.

According to the commissioner, in his attempt to address the issue, he immediately requested a six-month postponement for reconsideration.

“As a result, my then-Assistant Commissioner, Cindy Richardson, and the VIDOL Fiscal Team led by Director Maurice Wells were able to successfully reduce the findings from fifty-four to three with the guidance of the former Regional Administrator for Region 2 and facilitated by the current Regional Administrator for Region 2,” he shared.

The VIDOL team, Mr. Molloy said, focused on three significant areas: Labor Distribution, Centralized Procurement, and Policy and Procedures.

“Recently, clearance was provided for the successful removal of the finding for the Labor Distribution. The other two findings for the Centralized Procurement and the Policies and Procedures were resolved earlier this year,” he explained.

But to achieve these milestones, the staff at VIDOL had to demonstrate to Region 2 that all the department’s outlined findings were resolved.

The list below demonstrates the steps taken by the department to resolve all 54 adverse findings:

- Lack of an effective labor distribution system (time distribution) - The solution implemented was to create a time distribution platform that allows tracking of all activities in the Department. VIDOL created a customized system in-house to achieve the required Labor Distribution tracking. VIDOL employs an electronic platform that requires employees to account for their time daily. A separate agency is the primary contract holder of MUNIS. This system allows accurate time and attendance to be recorded and the

appropriate grant or other funding sources to be identified by the employee. Supervisors are then utilized to verify that the task selected by the Staff member reflects the duty performed.

- Failure to Follow Procurement Policies and Procedures - The solution implemented entailed VIDOL instituting the structure of the Department of Property and Procurement's Office of Procurement, Contract Management and Reporting (OPCMR). The Office of Procurement, Contract Management, and Reporting is a specially trained unit responsible for managing procurement functions across the Government of the U.S. Virgin Islands under the supervision of the Commissioner of Property and Procurement. The VIDOL staff in the Business Office, Office of the Commissioner, and Procurement Divisions were trained on the OPCMR requirements. VIDOL also hired dedicated staff: a Chief Procurement Officer, a Contracts Administrator, and a Procurement Analyst to fulfill the mission of the OPCMR. The OPCMR will, in the future, have full electronic capabilities. This automation will further increase efficiency and produce better outcomes for the people of the Territory.
- Policies and Procedures - Material Weakness in Internal Controls, including Cash Management - The solution implemented required VIDOL to address fiscal concerns by creating manuals to correct the material weakness identified and focusing on policies and procedures on Cash Management, and Federal Drawdown. The staff received Fiscal training on the Policies and Procedures beginning in January 2021 and concluding in February 2021.
- The unallowable allocation of costs to U.I. Administrative and Supplemental Budget Request - The solution implemented: VIDOL participated in technical assistance with Maher Maher beginning in February 2021 and ending in May 2021. The following topics were covered: Indirect Cost, Time (Labor) Distribution, Infrastructure Funding Agreement, and Cost Allocation. All Supplemental Budget Requests, including the CARES Act, have been reviewed and closed by the Region.
- Lack of effective financial management - The solution implemented: VIDOL staff received training on policies and procedures on effective financial management and accurate production of 9130 reports. The financial management policy was submitted and approved by the Region. The Staff was regularly trained on the manuals. It is important to note that in the last three years, VIDOL has reported the 9130s timely, including reporting on an Accrual basis.
- Duplication of accounting systems - The solution implemented: VIDOL uses the Enterprise Resource Planning (ERP)-Tyler MUNIS for all its accounting functions. VIDOL's Accounting Team has been trained on the ERP to use the system effectively.
- Failure to reconcile data on several accounting systems - The solution implemented: VIDOL only uses the Enterprise Resource Planning (ERP) Program. VIDOL no longer uses QuickBooks or any other program outside of the ERP.
- Duplication of indirect costs charged to ETA grants - The solution implemented: Once VIDOL receives the cost for the indirect rate, the rate is applied to the corresponding grants.
- Failure to report on an accrual basis as required - The solution implemented: VIDOL reports on an Accrual basis as required. In the last three years, VIDOL accurately submitted the 9130s needed over the previous three years, which included the usage of the Accrual basis methodology.

Mr. Molloy underscored the extent to which his department worked to remove the high-risk designation, saying that this all happened while VIDOL shouldered “extraordinary

responsibilities” relating to the Covid-19 pandemic.

“Our offices never closed, we were deemed an essential government agency and served the community throughout the pandemic,” he said. “We were responsible for distributing regular unemployment, as well as all the pandemic unemployment assistance monies.”

“During this time, our small staff processed more than 27,000 claims. It was only with the assistance of the entire VIDOL family that we were able to accomplish our many goals, and it will be with the continued assistance of our VIDOL family that we Protect, Improve and Employ (PIE) the entire Virgin Islands community. Everyone deserves a piece of the PIE!” Mr. Molloy insisted.

While VIDOL no longer has a high-risk designation, the Acting Administrator of the Office of Grant’s Management reminded the department of its responsibility to ensure it maintains the outcomes achieved under its corrective action plan and that it operates its programs in accordance with ETA's grant requirements moving forward.