



**Virgin Islands Public Finance
Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

Government Auditing Standards Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters
Year Ended September 30, 2019

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Virgin Islands Public Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virgin Islands Public Finance Authority (the “Authority”), a blended component unit of the Government of the U.S. Virgin Islands (the “Government”), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, as described in greater detail in Appendix A, that we consider to be a material weakness.

Finding #	Nature of Finding
2019-001	Due From Other Governments

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in Appendix A. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 30, 2021

Material Weakness in Internal Control Over Financial Reporting

Finding 2019-001: Due From Other Governments

The Government entered into two professional services contracts through the Authority, in order to coordinate recovery efforts for the Territory with the Federal Emergency Management Agency (“FEMA”) and various other federal agencies following two Category 5 hurricanes which occurred in September 2017.

Certain services were performed on a Territory-wide basis as the professional services firm(s) sought to assess damages, set up various project worksheets, and enable the Territory to obtain and access additional recovery funding. During our procedures, we noted the following:

- The Authority did not have a control process in place over proper allocation of expenses incurred on behalf of the Government and the various component units.
- The Authority did not have a control process in place for timely reporting of expenses incurred by the Government and various component units.
- The Authority did not perform timely reconciliation and communication with each component unit’s authorizing management for approval of the respective transactions.

We recommend that management implement a control process for proper allocation of expenses to ensure that the due from other governments and federal expenditures are properly accounted for by the Authority, the Government, and its component units. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Views of Responsible Officials:

The Authority concurs with the auditor’s findings and recommendations.

Action Plan: To enhance existing controls, the Authority has established the Office of Disaster Recovery to report and manage disaster recovery funds, ensuring coordination between the Authority, the Government, and its component units.

The Authority has also entered into Memorandum of Understanding (“MOU”) agreements with the Virgin Islands Housing Finance Authority and the Virgin Islands Water and Power Authority establishing internal controls over the utilization of consultants under the FEMA consulting contracts. The MOUs establish procedures for the receipt and approval of invoices by the component units.

Implementation Date: Immediately and the component units will be required to reconcile their federal grant records with the primary Government before the next fiscal year audit.

Person(s) Responsible: The management team of the Office of Disaster Recovery of the Public Finance Authority.