viNGN, INC. d/b/a Virgin Islands Next Generation Network

(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Government Auditing Standards Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Year Ended September 30, 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

viNGN, INC. d/b/a Virgin Islands Next Generation Network
(A Blended Component Unit of the Virgin Islands Public Finance Authority)

Contents

Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Ave, Suite 700
Potomac, MD 20854

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
viNGN, INC. d/b/a Virgin Islands Next Generation Network

We have audited, in accordance with 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 viNGN, INC. d/b/a Virgin Islands Next Generation Network (the "Company"), a blended component unit of the Virgin Islands Public Finance Authority, which comprise the statement of net position as of September 30, 2018, and the related statement 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 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in greater detail in Appendices A and B, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency identified below and described in greater detail in Appendix A to be a material weakness.

Finding #	Nature of Finding
2018-001	Capital Assets and Related Expenses

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. We consider the deficiency identified below and described in greater detail in Appendix B to be a significant deficiency.

Finding #	Nature of Finding
2018-002	Grants Revenue and Receivables

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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 determination of financial statement amounts. 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 Company's Responses to Findings

The Company's responses to the findings identified in our audit are described in Appendices A and B. The Company's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 17, 2020

Appendix A

Material Weakness in Internal Control Over Financial Reporting

Finding 2018-001: Capital Assets and Related Expenses

Capital assets constitute an investment of substantial amounts, thereby, requiring an excellent system of controls for the maintenance and safeguarding of these assets. While we noted the Company has taken certain preliminary steps, we recommend continued diligence with respect to the monitoring and review of capital assets and in ensuring proper recordation in accordance with the Company's policies.

Finding and Recommendation:

During our procedures, we noted the following:

- Approximately $1.6 million in incurred expenses pertaining to major renewals and/or betterment of cable fibers and other capital assets which were damaged during the 2017 hurricanes had not been reflected as capital assets.

- The Company has a number of on-going construction projects. The necessary analysis to identify the status of projects was only completed during the audit process and required adjustments amounting to approximately $865,000 were made.

To prevent the need for adjustments at the end of each year, we recommend a thorough review of the capital assets registers during the closing process to ensure that errors are addressed on a timely basis. Further, in anticipation of the increase in the number of construction projects after fiscal year 2017 due to the hurricane restoration activity, it is critical that the Company reconciles these costs with the reports and records, ensuring agreement to contract costs and capital expense budgets, and applying a consistent method of determining project status and transfer to the related depreciable asset class.

Views of Responsible Officials:

The Company concurs with the auditor's findings and recommendations.

Action Plan: Following the 2017 hurricanes, the Company incurred certain costs related to debris removal and construction projects. To improve identification and reporting of capital expenses, the following action plan has been developed:

- Expense acquisitions with a cost of $5,000 or less.
- Group expenditures by project.
- Review projects on a monthly basis, identifying costs to be expensed and costs to be capitalized.
- Monthly reconciliations of the capital asset subsidiary ledger and the general ledger.
- Review classification(s) for financial reporting.

Implementation Date: Immediately.

Person(s) Responsible: Chief Financial Officer.

Appendix B

Significant Deficiency in Internal Control Over Financial Reporting

Finding 2018-002: Grants Revenue and Receivables

The Company receives grant and contract funds from various funding agencies. These situations necessitate a strong accounting system to record specific grant and contract activities. Consideration must also be given to compliance with laws and regulations that are a component of any grant or contract accepted.

Finding and Recommendation:

During fiscal year 2018, the Company was a recipient of certain public assistance awards. We noted that various project worksheets, had been approved by the granting agency and costs incurred prior to fiscal year-end had been obligated; however, this activity had not been reflected in the general ledger and additional time and effort was required during the audit process to rectify and reconcile the balance(s).

In an effort to more accurately account for grants receivables and related transactions, the Company may consider the following:

- Maintenance of a drawdown schedule noting the expenses making up each drawdown for each grant program and the period in which the expenses were incurred.

- A copy of each drawdown noting proper approvals should be available along with the corresponding bank statement showing the receipt of funds from the granting agency.

- A listing of expenses supporting the amount drawn down. This detail should include the invoice date and/or payroll period and check date.

Views of Responsible Officials:

The Company concurs with the auditor's findings and recommendations.

Action Plan: To improve reporting of grant revenues and expenditures, the Company has developed the following action plan:

- Establish general ledger accounts of grant revenues and expenditures by project or grant award.
- Post grant revenues and expenditures to the codes created.
- Maintain subsidiary ledgers of grant expenditures, including invoice numbers, amounts and dates, and payroll information.
- On a monthly basis, review grant expenditures and remaining grant drawdowns.
- On a monthly basis, reconcile grant subsidiary ledgers to the general ledger.

Implementation Date: Immediately.

Person(s) Responsible: Chief Financial Officer.