



**The West Indian Company Limited
(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, 2021

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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 Governing Board
 The West Indian Company Limited

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 West Indian Company Limited (the “Company”) a blended component unit of the Virgin Islands Public Finance Authority, which comprise the statement of net position as of September 30, 2021 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 the related notes to the financial statements, and have issued our report thereon dated December 27, 2023.

Report on 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) 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 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 were not identified. However, as described in greater detail in Appendices A and B, we identified 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 Company’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
2021-001	Methodology of Close Process
2021-002	Financial Position
2021-003	Control over Journal entries

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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 deficiencies identified below and described in greater detail in Appendix B to be significant deficiencies.

Finding #	Nature of finding
2021-004	Formalization of procurement procedures
2021-005	Lease Documentation
2021-006	Construction in Progress

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company`s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the findings identified in our audit and described in the Appendix A. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 P.C.

(Formerly known as BDO USA, LLP)

December 27, 2023

The West Indian Company Limited
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Appendix A - Material Weakness in Internal Control Over Financial Reporting

Finding 2021-001: Timeliness and Methodology of Close Process

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Finding and Recommendation:

We noted that detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Various adjustments were, therefore, necessary during the audit process in order to properly reflect account balances in the financial statements.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded during the fiscal year.

Further strict adherence to a year-end closing schedule should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process, without sacrificing the quality of the accounting records or minimizing existing internal controls.

Views of Responsible Officials:

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

Action Plan: Management has updated its policies and procedures to ensure a 20-day month- end close cycle at the end of each month and an estimated year-end close of thirty (30) to sixty (60) days to ensure timely completion of monthly and year-end financial reporting. In addition, Management will implement and enforce a second layer of approval on all journal entries to mitigate the risk of errors. Management has updated its policies and procedures to include a month-end and year-end checklist to assist with further adherence to timely, consistent, and accurate closing processes. As part of the close process, management will continue to enforce as recommended periodic reviews of all accounts, accruals, and reconciliations. Any unreconciled differences will be determined and followed up on, and any journal entries deemed necessary will be recorded in a timely manner.

Implementation Date: On-going

Person(s) Responsible: Accounting Manager, Chief Financial Officer

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Appendix A - Material Weakness in Internal Control Over Financial Reporting

Finding 2021-002: Financial Position

The Company has recently been financially challenged and its situation was exacerbated by the global coronavirus pandemic. The management team unveiled its plan for the immediate future focusing on exploration of alternative revenue sources, reduction of operating expenses, and investment of Federal funds to facilitate the restart of cruise operations.

Finding and Recommendation:

The Company has incurred significant losses from operations, resulting in a net deficit position. This financial position has caused the financial statements to include a disclosure in the audit opinion. Future plans and budgets should be developed to produce operating income, avoid continuing deficits, and begin to rebuild net position. Continuation of these negative financial results could have a significant impact on the financial position and cash flows of the Company.

Views of Responsible Officials:

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

Action Plan: Management is aware of the Company`s significant losses from operations and decline of net position as of fiscal year 2021. The Company incurred significant losses primarily because of a government mandated pause in the cruise industry from March 2020 to September 2021 to mitigate the spread of the coronavirus. Management has implemented the following strategy to continue operating, mitigate losses and improve cash flow:

- 1) In the month of October 2021 (FY2022), the Company experienced a return of cruise passengers as cruise lines relaxed COVID restrictions as the pandemic subsided. The Company noted during the latter part of fiscal year 2022, an increase in cruise ship passenger occupancy and ship arrivals. This trend has continued through fiscal year 2023 as cruise ship passenger occupancy was over ninety percent (90%), generating eighty-four percent (84%) of Pre-COVID passenger revenues.
- 2) In fiscal year 2022, management pursued and received government grants to defray payroll costs and other operating expenses as it awaited the return of the cruise industry. The Company received \$4M of ARPA funds and \$717k in PPP funds. The Company`s PPP loan of \$717k was forgiven in October 2022.
- 3) In the month of June 2022, the Company refinanced its Banco Popular loans with the issuance of Series A and B bonds to improve working capital, replenish debt reserves and provide funding for certain capital improvements.
- 4) In fiscal year 2023, management notified cruise lines of a planned tariff increase per passenger of \$1.24 of which WICO received a \$1 increase by January 1, 2023, a 15% increase in passenger fee revenue.
- 5) At the end of fiscal year 2022 and beginning of fiscal year 2023, the Company executed new leases for the Rental of Warehouses with increases in rental fees starting in fiscal year 2023.

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Appendix A - Material Weakness in Internal Control Over Financial Reporting

- 6) The management of the Company along with external stakeholders are currently discussing the much-needed dredging of the harbor to accommodate larger ships (i.e. Oasis class). This will allow the Company access to a larger number of passengers per vessel.
- 7) The Management of the Company has assessed and adjusted its current fee structure of all revenue sources to ensure its alignment with current market prices.
- 8) Management's plan includes exploring and diversifying revenue sources to supplement its main revenue drivers: cruise passenger fees and rental of land and warehouses. In addition, management has implemented and is still actively pursuing ways to reduce its operating expenses.
- 9) Management is pursuing other short-term investments yielding higher rates for unrestricted cash reserves.

Implementation Date: Fiscal years 2021 thru present and on-going

Person(s) Responsible: Chief financial Officer, CEO/President

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Appendix A - Material Weakness in Internal Control Over Financial Reporting

Finding 2021-003: Control over Journal Entries

Accounting tasks, such as preparation of journal entry checklists play a key role in proving the accuracy of accounting data and information included in various interim financial statements and or reports.

Finding and Recommendation:

We noted that the Company was not preparing after the month end close journal entry checklist to eliminate errors and omissions and to ensure that critical balances are accurate each month.

We recommend that management implement a process to track when journal entry checklists are prepared and reviewed.

Views of Responsible Officials:

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

Action Plan: Management has updated its policies and procedures to ensure a 20-day month- end close cycle at the end of each month and an estimated year-end close of thirty (30) to sixty (60) days to ensure timely completion of monthly and year-end financial reporting. In addition, Management will implement and enforce a second layer of approval on all journal entries to mitigate the risk of errors. Management has updated its policies and procedures to include a month-end and year-end checklist to assist with further adherence to timely, consistent, and accurate closing processes. As part of the closing process, management will continue to enforce as recommended periodic reviews of all accounts, accruals, and reconciliations. Any unreconciled differences will be determined and followed up on, and any journal entries deemed necessary will be recorded in a timely manner.

Implementation Date: In Process

Person(s) Responsible: Accounting Manager, Chief Financial Officer

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Appendix B - Significant Deficiency in Internal Control Over Financial Reporting

Finding 2021-004: Formalization of Procurement Procedures

A procurement policy sets forth the principles and guidelines governing the procurement process of a Company ensuring the consistency, transparency and fairness in the purchasing activities.

Finding and Recommendation:

The Company did not have specified procurement processes or perform procurement as required under the Virgin Islands Procurement laws.

We recommend that a formal written procurement procedures manual be developed for use by the Company. The manual should address all the procurement processes to be performed, the key contacts or personnel that would be required in such instances.

Views of Responsible Officials:

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

Action Plan: Management is in the process of finalizing its procurement manual.

Implementation Date: Fiscal Year 2024

Person(s) Responsible: Chief Financial Officer

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Appendix B - Significant Deficiency in Internal Control Over Financial Reporting

Finding 2021-005: Lease Documentation

Lease agreements outline the legal obligation, rights and responsibilities of the lessee and the lessor, thereby offering legal protection to each in case of disputes .

Finding and Recommendation:

The Company does not have valid lease agreements with some of the tenants occupying their warehouses and therefore revenue from rentals may not be correctly reflected.

We recommend that a formal lease agreement be in place for use by the Company as it provides both lessee and lessor with clear terms and conditions outlining the relationship and the rental agreement. Doing so also establishes the rights and responsibilities of each party involved.

Views of Responsible Officials:

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

Action Plan: All leases contain a “Holdover” section that clearly defines a continuance of the lease on a month-to-month basis until a renewal or new lease is entered into. We are in the process of procuring new property management software to improve our timeliness on lease renewals.

Implementation Date: On-going/In Process

Person(s) Responsible: CEO/President

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Appendix B - Significant Deficiency in Internal Control Over Financial Reporting

Finding 2021-006: Construction in Progress

Assets previously classified as Construction in Progress require reevaluation of its status and accounting treatment.

Finding and Recommendation:

During the audit of the Company's financial statements, it was identified that a construction project previously categorized under Construction In Progress has encountered a cessation in its development.

We recommend that the Company conducts a comprehensive review to determine if there are any plans to resume the construction in the future or if the project has been completely abandoned.

The Company should also review the appropriate reclassification for the asset. This might involve moving it from Construction in Progress to assets held for sale or another relevant asset. The Accounting classification needs re examination to accurately reflect the asset's current status and potential impairment

Views of Responsible Officials:

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

Action Plan: Management has conducted a comprehensive review on the status of all Construction projects categorized under the Construction in Progress account and determined that all projects are on-going and have not been completely abandoned.

Implementation Date: N/A

Person(s) Responsible: CEO/President, CFO