



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

July 18, 2016

### COMMITTEE ON FINANCE FISCAL YEAR 2017 BUDGET HEARINGS VIRGIN ISLANDS LOTTERY

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**Honorable Clifford Graham**  
**Fiscal Year 2017 Budget Hearings -Virgin Islands Lottery**  
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**BACKGROUND AND HISTORY**

The Virgin Islands Lottery (VIL) was founded in 1937, and its mandate was amended in 1971 within Title 32, Chapter 13 of the Virgin Islands Code. The Virgin Islands Lottery is an instrumentality of the Government of the United States Virgin Islands. The VIL is the official lottery of the Virgin Islands.

The VIL is managed by an Executive Director, who is appointed by the Governor, and it is supervised by the Virgin Islands Lottery Commission. The Virgin Islands Lottery Commission shall be composed of the Commissioner of Finance, the Director of the Office of Management and Budget or his designee, and five additional members appointed by the Governor, subject to confirmation by the Legislature. Of the five members, two members shall be licensed lottery sales agents, one from the District of St. Thomas/St. John and one from the District of St. Croix. The last three members shall be a resident of St. Thomas, St. Croix, and St. John.

The members of the Lottery Commission are listed below:

<b>Name</b>	<b>Title</b>
Valdemier Collens	Commissioner of Finance
Nellon Bowry	Director of the Office of Management & Budget
Samuel Garnett	STX Member
Lloyd Daley	STX Member
Vernon A. Finch	STT Member
<b>Vacant</b>	<b>Member</b>
<b>Vacant</b>	<b>Member</b>

Each member of the Lottery Commission serves for a period of four (4) years. The Lottery Commission is a policy-making body that is responsible for providing advice and oversight on operating and administrative activities and promulgating rules and regulations governing the establishment and operations of the Lottery.

The Lottery operates its funding sources as an enterprise-fund parallel to operations in the private business. It utilizes the full accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in the United States of America. Budgetary control for the Lottery is addressed through VI Legislation.



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**REVENUE AND EXPENSES**

*Exhibit II* displays the revenue and expenses for the VIL for FY 2015 – FY 2017.

*Exhibit II*

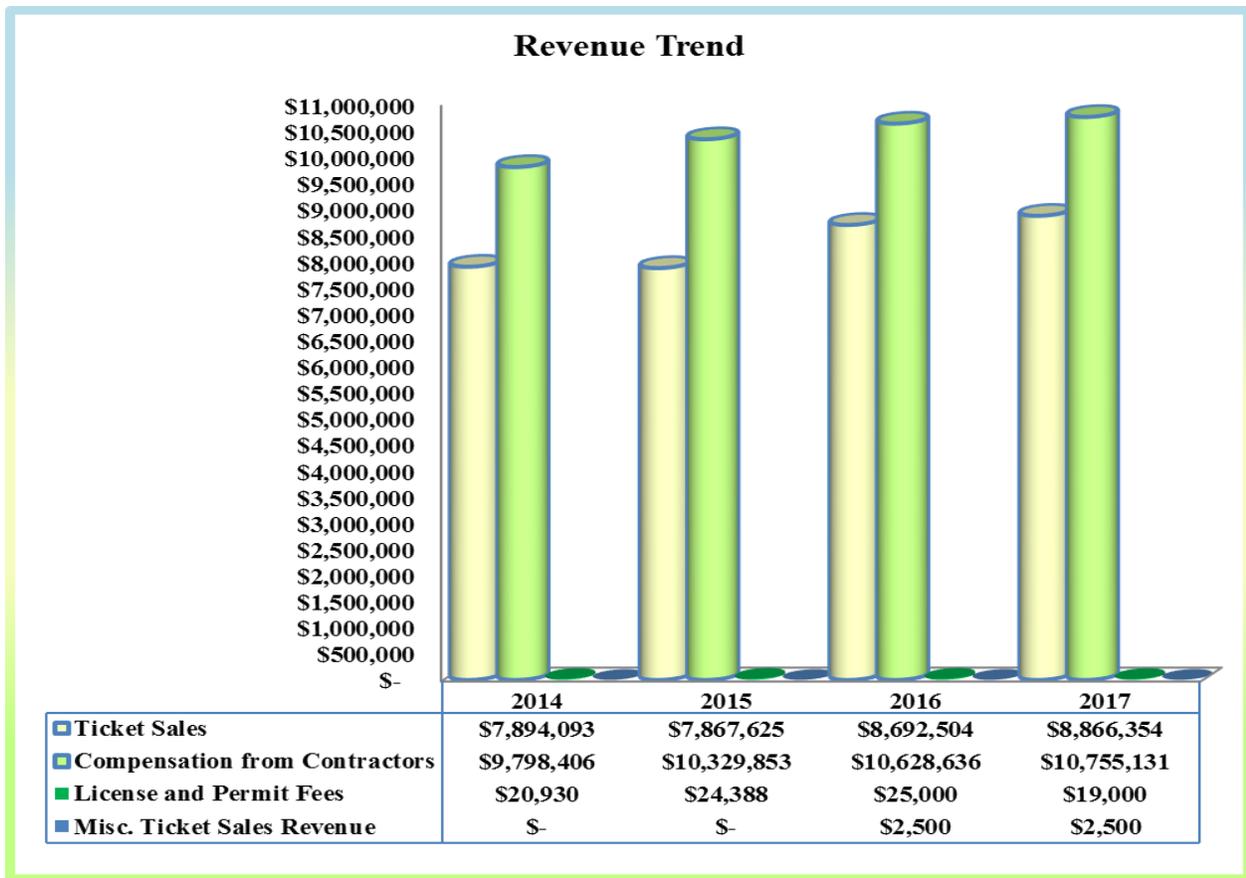
Line Item Breakdown	FY 2015 Audited	FY 2016 Budget Actuals -5/31/16	FY 2016 Budget	FY 2017 Budget
<b>Operating Revenues</b>				
Traditional Games (Ticket Sales)	\$ 7,867,625	\$ 5,550,458	\$ 8,692,504	\$ 8,866,354
Compensation from Contractors	10,329,853	7,361,210	10,628,636	10,755,131
License & Permit Fees	24,388	14,357	25,000	19,000
Misc. Ticket Sales Revenue	-	1,949	2,500	2,500
<b>Total Operating Revenues</b>	<b>\$ 18,221,866</b>	<b>\$ 12,927,974</b>	<b>\$ 19,348,640</b>	<b>\$ 19,642,985</b>
<b>Operating Expenses</b>				
<b>Direct Costs:</b>				
Prizes Expense	\$ 6,898,086	\$ 4,162,256	\$ 7,230,941	7,370,160
Printing	272,385	129,000	160,000	160,000
Drawing Operations	-	95,428	15,000	15,000
Powerball/Mega Million Drawing Costs	148,500	84,800	114,240	125,400
Dealers Bonuses and Incentives	43,800	34,690	85,000	95,000
<b>Total Direct Costs</b>	<b>\$ 7,362,771</b>	<b>\$ 4,506,174</b>	<b>\$ 7,605,181</b>	<b>\$ 7,765,560</b>
Salaries and Benefits	\$ 4,253,705	\$ 2,803,184	\$ 4,475,915	\$ 4,486,999
Advertising & Promotion	288,206	252,683	275,000	275,000
Professional Services	262,765	165,600	265,400	294,000
Other General & Administrative	2,105,157	1,311,400	1,843,103	1,932,451
Depreciation	641,816	121,491	258,900	216,900
<b>Total Operating Expenses</b>	<b>\$ 14,914,420</b>	<b>\$ 9,160,532</b>	<b>\$ 14,723,499</b>	<b>\$ 14,970,910</b>
<b>Operating Income (Loss)</b>	<b>\$ 3,307,446</b>	<b>\$ 3,767,442</b>	<b>\$ 4,625,141</b>	<b>\$ 4,672,075</b>
<b>Non-Operating (Revenue) Expense</b>				
Interest/ Other Income	\$ 25,544	\$ (20,221)	\$ (49,600)	\$ (47,475)
Debt Forgiveness	(4,029,194)	-	-	-
Transfers- Special Educational Initiative Fund	1,534,603	1,098,805	1,594,294	1,613,270
Transfers- Pharmaceutical Assist. Prog.	1,534,603	1,098,805	1,594,294	1,613,270
Transfers- GERS (Retirees Bonus)	1,023,069	736,121	1,062,863	1,075,513
Transfer- Horse Racing Commission	277,946	196,461	287,748	293,502
Veterans Affair	125,000	75,000	100,000	100,000
Reichold Youth Concert	-	-	-	-
<b>Total Non-Operating (Revenue) Expense</b>	<b>\$ 491,571</b>	<b>\$ 3,184,971</b>	<b>\$ 4,589,599</b>	<b>\$ 4,648,080</b>
Total Expenses	15,405,991	12,345,503	19,313,098	19,618,990
Net Income Before due to General Fund	2,815,875	582,471	35,542	23,995
Transfers- General Fund	563,175	116,494	7,108	4,799
<b>Net Income/ Loss</b>	<b>\$ 2,252,700</b>	<b>\$ 465,977</b>	<b>\$ 28,434</b>	<b>\$ 19,196</b>

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*Exhibit III* displays a revenue breakdown for the VIL for FY 2014 – FY 2017.

*Exhibit III*

Revenues	2014	2015	2016	2017
Ticket Sales	\$ 7,894,093	\$ 7,867,625	\$ 8,692,504	\$ 8,866,354
Compensation from Contractors	9,798,406	10,329,853	10,628,636	10,755,131
License and Permit Fees	20,930	24,388	25,000	19,000
Misc. Ticket Sales Revenue	-	-	2,500	2,500
<b>Totals</b>	<b>\$ 17,713,429</b>	<b>\$ 18,221,866</b>	<b>\$ 19,348,640</b>	<b>\$ 19,642,985</b>

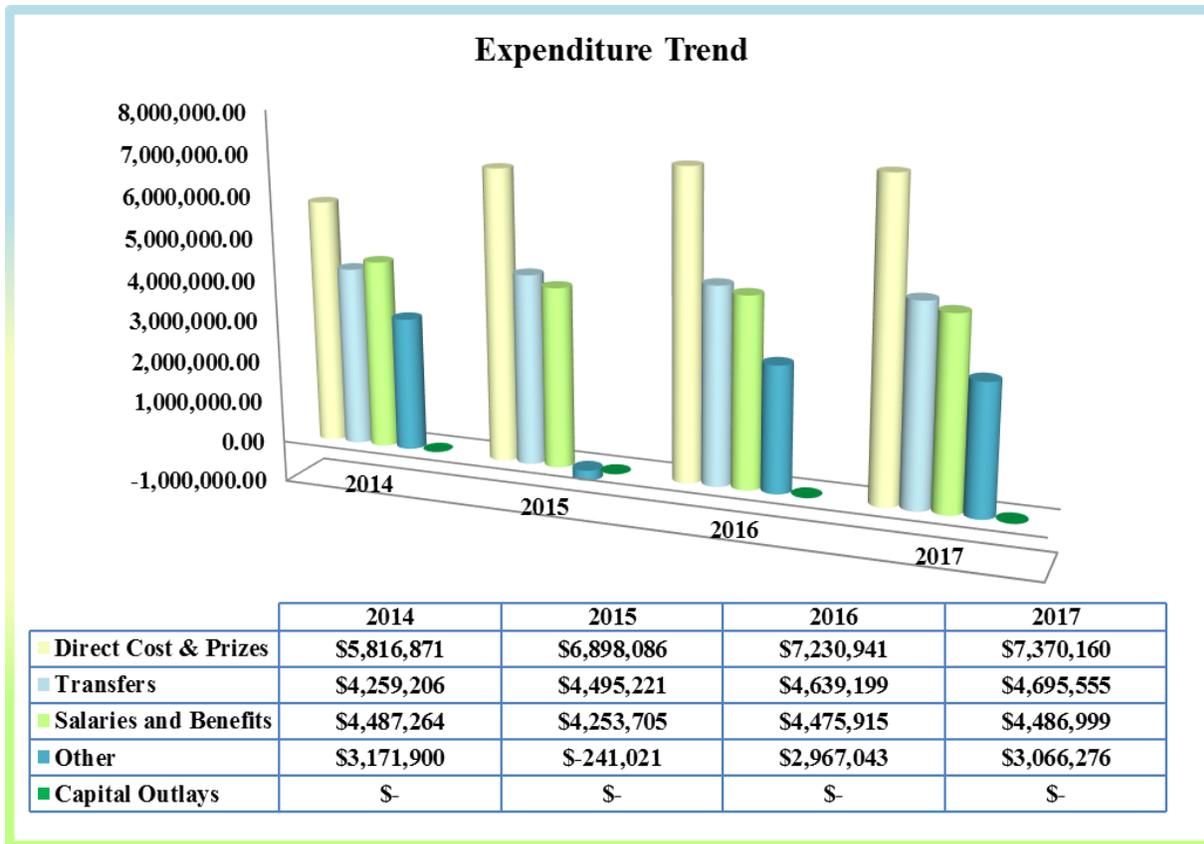


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*Exhibit IV* displays an expense breakdown for the VIL for FY 2014 – FY 2017.

***Exhibit IV***

<b>Expenses</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Direct Cost & Prizes	\$ 5,816,871	\$ 6,898,086	\$ 7,230,941	\$ 7,370,160
Transfers	4,259,206	4,495,221	4,639,199	4,695,555
Salaries and Benefits	4,487,264	4,253,705	4,475,915	4,486,999
Other	3,171,900	(241,021)	2,967,043	3,066,276
Capital Outlays	-	-	-	-
<b>Total</b>	<b>\$ 17,735,241</b>	<b>\$ 15,405,991</b>	<b>\$ 19,313,098</b>	<b>\$ 19,618,990</b>

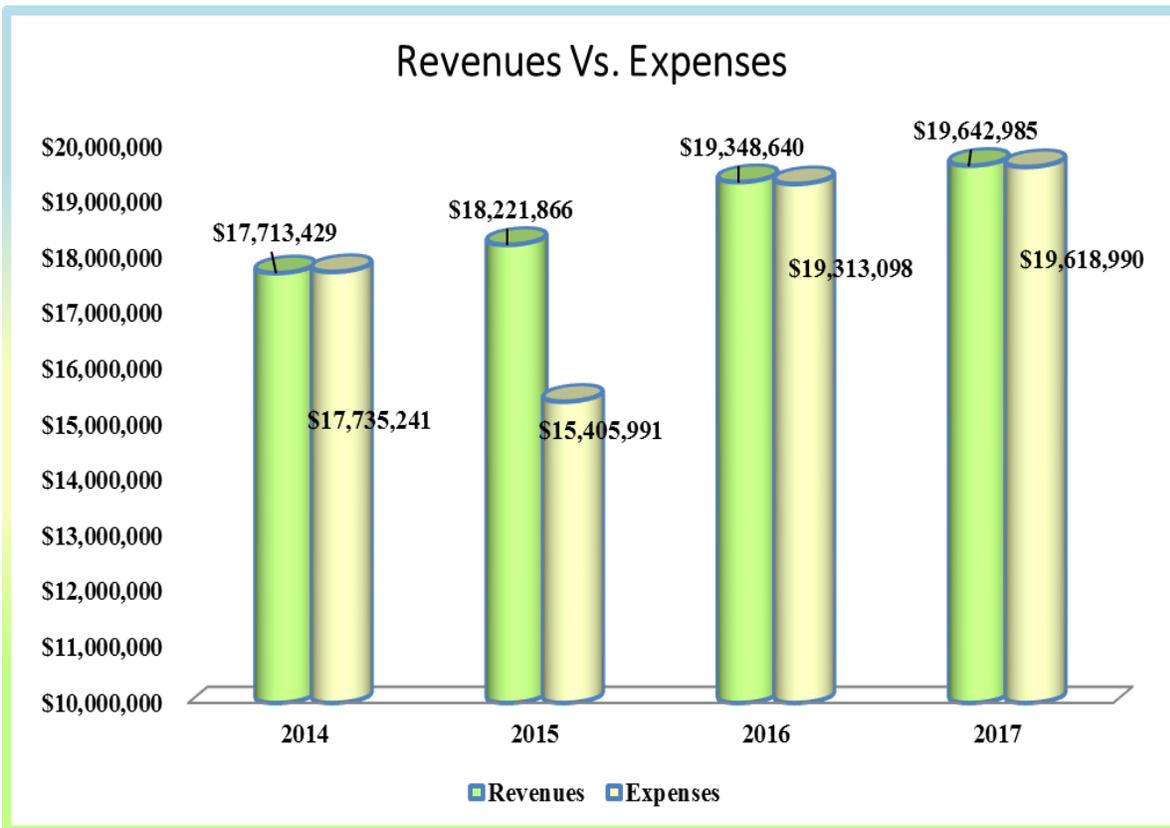


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*Exhibit V* displays a pictorial view of revenues vs. expenses for the VIL for FY 2014 – FY 2017.

*Exhibit V*

	2014	2015	2016	2017
<b>Revenues</b>	\$ 17,713,429	\$ 18,221,866	\$ 19,348,640	\$ 19,642,985
<b>Expenses</b>	17,735,241	15,405,991	19,313,098	19,618,990
<b>Variance</b>	\$ (21,812)	\$ 2,815,875	\$ 35,542	\$ 23,995



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**LEASES**

*Exhibit VI* displays the leases for the VIL.

*Exhibit VI*

<b>Lessor</b>	<b>Address</b>	<b>Current Annual Rent</b>	<b>Proposed Annual Rent</b>
Greaux Building	St. Thomas Sales Office	\$ 60,000	\$ 60,000
Franklyn Building	St. Thomas Main Office	30,000	30,000
Sunny Isles Developers, Inc	St. Croix Sunny Isles Office	36,960	36,960
Oceans Four, LLC	St. Croix Frederiksted Office	66,500	66,500
MHW Associates	St. John Sales Office	25,602	25,602
St. Thomas Cargo	St. Thomas Storage	14,400	14,400
Sun Self Storage	St. Croix Storage	4,740	4,740
Housing Parks and Recreation	St. Thomas Offices	8,400	8,400
Sunshine Parking	St. Thomas/St. John	2,400	2,400
Victoria House, Inc.	St. Croix Frederiksted Office	2,400	2,400
<i>10% Contingency</i>		-	<i>25,140</i>
<b>Total</b>		<b>\$ 251,402</b>	<b>\$ 276,542</b>

**PROFESSIONAL SERVICES**

*Exhibit VII* displays the professional services for the VIL.

*Exhibit VII*

<b>Professional Services</b>			
<b>Type of Service</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Difference</b>
Audit Fees	\$ 90,000	\$ 66,000	\$ (24,000)
Consultation Passive Game	22,000	78,000	56,000
Janitorial Services	83,400	80,000	(3,400)
Audit Fees (SLG & CLS)	-	70,000	70,000
Legal Consultation	70,000	-	(70,000)
<b>Total</b>	<b>\$ 265,400</b>	<b>\$ 294,000</b>	<b>\$ 28,600</b>

**TRAINING AND SYMPOSIUM EXPENSES**

*Exhibit VIII* displays the training and symposium annual costs for the VIL.

*Exhibit VIII*

<b>Training and Symposiums</b>			
<b>Item</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Difference</b>
Human Resources	\$ 10,000	\$ 10,000	\$ -
Security and Investigations	10,000	10,000	-
Marketing	10,000	10,000	-
Information/Technology	10,000	10,000	-
Accounting	10,000	10,000	-
Administration	10,000	10,000	-
<b>Total</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ -</b>

**SECURITY EXPENSES**

*Exhibit IX* displays the security expense for the VIL.

*Exhibit IX*

<b>Security Expense</b>	
<b>Item</b>	<b>Annual Amount</b>
Kincaid Associates	\$ 7,200
Ranger American St. Croix	10,800
Ranger American St. Thomas	6,000
ADT	1,440
Alarmco	1,440
Topp Dog	1,100
Frederiksted Office	34,020
Sunny Isles Office	34,020
St. John Office	51,660
St. Thomas	34,020
<b>Total</b>	<b>\$ 181,700</b>

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**HIGHLIGHTS**

The following are some highlights the Post Audit division came across while reviewing the Virgin Islands Lottery:

- VIL has two funded vacancies (*Appendix I*) and three additional unfunded vacancies displayed on the organization chart (*pg. 3*)
- VIL's professional service increased by **\$28,600** (*pg. 8*)
- VIL's **2015** Audit Report Findings can be viewed in **Appendix II** (*pgs. 13 – 17*)
- VIL's proposed leases are subjected to a 10% contingency amount of **\$25,140** (*pg. 8*)



Jose L. George  
Post Auditor

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**APPENDIX I – PERSONNEL LISTING**

<b>Job Title</b>	<b>Location</b>	<b>Status</b>	<b>Current Salary</b>	<b>FY 2017 Salary</b>
<b>Classified Union Employees</b>				
Maintenance/Chauffeur II	STX	Filled	\$ 44,879.00	\$ 49,366.90
Maintenance/Chauffeur II	STX	Filled	24,365.00	26,801.50
Clerk II	STT	Filled	37,170.00	40,887.00
Cashier III	STX	Filled	38,834.00	42,717.40
Cashier II	STX	Filled	27,833.00	30,616.30
Cashier II	STX	Filled	22,169.00	24,385.90
Clerk III	STT	Filled	52,062.00	57,268.20
Cashier II	STX	Filled	27,833.00	30,616.30
Clerk II	STT	Filled	37,170.00	40,887.00
Clerk II	STT	Filled	28,265.00	31,091.50
Cashier III	STX	Filled	38,834.00	42,717.40
Audit Clerk	STT	Filled	32,887.00	36,175.70
Audit Clerk	STT	Filled	32,887.00	36,175.70
Lottery Maintenance/Chauffeur	STT	Filled	24,365.00	26,801.50
Lottery Maintenance/Chauffeur	STT	Filled	24,365.00	26,801.50
Clerk III	STT	Filled	53,806.00	59,186.60
Accountant I	STT	Filled	27,314.00	30,045.40
Clerk III	STT	Filled	52,062.00	57,268.20
Cashier II	STJ	Filled	34,065.00	37,471.50
Cashier II	STT	Filled	34,065.00	37,471.50
Cashier II	STT	Filled	37,451.00	41,196.10
Clerk III	STT	Filled	53,806.00	59,186.60
Cashier II	STT	Filled	22,169.00	24,385.90
Cashier II	STT	Filled	34,065.00	37,471.50
Cashier II	STT	Filled	22,169.00	24,385.90
<b>Cashier III</b>	<b>STT</b>	<b>Vacant</b>	<b>-</b>	<b>36,437.00</b>
<b>Subtotal</b>	<b>26</b>		<b>\$ 864,890.00</b>	<b>\$ 987,816.00</b>
<b>Supervisors</b>				
Supervisor	STT	Filled	\$ 54,187.00	\$ 59,605.70
Supervisor	STT	Filled	44,081.00	48,489.10
Supervisor	STX	Filled	41,150.00	45,265.00
Supervisor	STX	Filled	42,591.00	46,850.10
Supervisor	STJ	Filled	39,759.00	43,734.90
Asst. Supervisor	STT	Filled	35,846.00	39,430.60
Asst. Supervisor	STX	Filled	37,100.00	40,810.00
<b>Subtotal</b>	<b>7</b>		<b>\$ 294,714.00</b>	<b>\$ 324,185.40</b>
<b>Total Classified Union Employees</b>	<b>33</b>		<b>\$ 1,159,604.00</b>	<b>\$ 1,312,001.40</b>
<b>Exempt Employees</b>				
Executive Office Administrator	STT	Filled	\$ 58,401.00	\$ 64,241.10
Executive Sales Office Administrator	STX	Filled	45,000.00	49,500.00
Executive Sales Office Administrator	STT	Filled	45,000.00	49,500.00
Administrative Assistant	STT	Filled	25,000.00	27,500.00
Cost Accounting Specialist	STT	Filled	45,000.00	49,500.00

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**Fiscal Year 2017 Budget Hearings -Virgin Islands Lottery**  
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**APPENDIX I – PERSONNEL LISTING...Continued**

<b>Job Title</b>	<b>Location</b>	<b>Status</b>	<b>Current Salary</b>	<b>FY 2017 Salary</b>
Auditor Specialist	STX	Filled	\$ 37,500.00	\$ 41,250.00
Enforcement Officer	STT	Filled	32,445.00	35,689.50
Enforcement Officer	STT	Filled	40,015.00	44,016.50
Enforcement Officer	STT	Filled	40,015.00	44,016.50
Enforcement Officer	STX	Filled	40,015.50	44,017.05
Lead Agent -Investigation Officer	STX	Filled	56,650.00	62,315.00
<b>Investigation Officer</b>	<b>STX</b>	<b>Vacant</b>	<b>-</b>	<b>30,000.00</b>
IT Coordinator	STT	Filled	45,760.00	50,336.00
Lead Online Accounts Compliance	STT	Filled	45,760.00	50,336.00
Marketing Specialist	STT	Filled	45,000.00	49,500.00
Confidential Exec. Admin Asst.	STT	Filled	55,000.00	60,500.00
Educational Outreach Manager	STT	Filled	65,000.00	71,500.00
Financial Budgeting & Reporting Sup.	STT	Filled	70,000.00	77,000.00
Financial Accounting Supervisor	STT	Filled	70,000.00	77,000.00
Special Projects & H/R Coordinator	STX	Filled	60,000.00	66,000.00
On Line Accounts Manager	STT	Filled	50,000.00	55,000.00
Senior Marketing Specialist	STX	Filled	53,000.00	58,300.00
<b>Subtotal</b>	<b>22</b>		<b>\$ 1,024,561.50</b>	<b>\$ 1,157,017.65</b>
<b>Management</b>				
Executive Director	STX	Filled	\$ 95,000.00	\$ 104,500.00
Chief Financial Officer	STT	Filled	81,000.00	89,100.00
Director of Operations	STX	Filled	75,000.00	82,500.00
Director of Security and Investigation	STX	Filled	65,000.00	71,500.00
<b>Subtotal</b>	<b>4</b>		<b>\$ 316,000.00</b>	<b>\$ 347,600.00</b>
<b>Total Unclassified Employees</b>	<b>26</b>		<b>\$ 1,340,561.50</b>	<b>\$ 1,504,617.65</b>
<b>Grand Total</b>	<b>59</b>		<b>\$ 2,500,165.50</b>	<b>\$ 2,816,619.05</b>
<b>Personnel Summary</b>				
<b>Classification</b>	<b>Count</b>	<b>Status</b>	<b>Current Salary</b>	<b>FY 2017 Salary</b>
Classified Filled	32	Filled	\$ 1,159,604.00	\$ 1,275,564.40
Classified Vacant	1	Vacant	-	36,437.00
Unclassified Filled	25	Filled	1,340,561.50	1,474,617.65
Unclassified Vacant	1	Vacant	-	30,000.00
<b>Total</b>	<b>59</b>		<b>\$ 2,500,165.50</b>	<b>\$ 2,816,619.05</b>

**APPENDIX II - AUDIT REPORT FINDINGS**



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**INDEPENDENT AUDITORS' 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**

Board of Commissioners  
Virgin Islands Lottery  
St. Thomas, U.S. Virgin Islands

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 Lottery (the "Lottery") as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated March 31, 2016.

**Internal Control over Financial Reporting**

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

*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 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 over financial reporting 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, any material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as 2015-01 through 2015-03.

**APPENDIX II - AUDIT REPORT FINDINGS...Continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

**Lottery's Response to Findings**

The Lottery's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Lottery'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 provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brett Smith & Co*

U.S. Virgin Islands  
March 31, 2016

**APPENDIX II - AUDIT REPORT FINDINGS...Continued**

**VIRGIN ISLANDS LOTTERY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**2015-01**      *Audit or Review of Contractor's Records*

The Lottery's on-line video games are operated by two contractors whom remit funds to the Lottery on a weekly and monthly basis of the cash collected less fees from the on-line games. Stipulated in the contracts with vendors, the Lottery is entitled to audit or review the records of the contractors. It is also supposed to receive the audited financial statements of one contractor. The Lottery did not perform any audits or reviews of the contractor's records during the fiscal year and did not receive any audited financial statements from the one contractor that was required to do so.

The Lottery does not have any policies procedures in place for auditing or reviewing the contractor's accounting records. It also does not require the contractors to submit SOC 1 report (Service Organization Controls Report), which is an independent assessment of the effectiveness of the contractor's internal controls over its on-line video game operations. Since a significant portion of the Lottery's revenue is derived from the on-line video games, it is essential that the agency audits or reviews the contractors' records on a periodic basis.

**Recommendation:** We recommend the Lottery establish policies and procedures for auditing or reviewing the contractors accounting records on a periodic basis; obtain the required contractor audited financial statements; and if performed, the contractors SOC 1 reports.

**Management's Responses:** The Virgin Islands Lottery agrees with the finding. We will establish a policy and procedure for auditing and reviewing the contractors accounting records on a periodic basis.

Presently, The Virgin Islands Lottery has access to the Bally system. We can confirm the number of locations, how many machines at every location, compare reports received, how much money each location receive per hour and when the locations receive and pay out monies.

**2015-02**      *Analyzing and Reconciling Accounts*

The Lottery has made improvements in the reconciling and analyzing its accounts. However, there were still some financial accounts that required adjustments year-end.

- The Lottery does not have its accounts payable module installed in its accounting system. As a result, it did not know the details of its accounts payable balance.
- The Lottery had not properly recorded receivables, payables, and accruals for those transactions related to fiscal year 2015 that were received and paid in the subsequent period.
- The Lottery had not adjusted its accrued salaries and compensated absences balances to agree with in its payroll registers and compensated absences schedules.

**APPENDIX II - AUDIT REPORT FINDINGS...Continued**

VIRGIN ISLANDS LOTTERY  
SCHEDULE OF FINDINGS AND RESPONSES *(Continued)*  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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- The Lottery had not assessed the collectibility or sought payment arrangements for a contractor receivable that had been recorded in the books for a number of years. An allowance was established for the receivable.
- There were several liability accounts that had debit balances. Payments had been posted to the accounts but there were no offsetting entries.

The Lottery should continue its efforts in reconciling and analyzing its accounts to ensure that accurate and complete financial reports are produced.

**Recommendations:** We recommend that the Lottery perform the following corrective actions.

- Install the accounts payable module in its accounting system.
- Perform reviews of all subsequent year-end transactions to identify the receivables, payables, and accruals related to prior fiscal year that should be recorded on the books for that year.
- Adjust accrued salaries and compensated absences to the applicable payroll registers and schedules.
- Review and correct debit balances accordingly in the liability accounts.

**Management's Responses:** VI Lottery agrees with the finding and reviews of all subsequent year end transactions to identify the receivables, payables, and accruals related to prior fiscal year that should be recorded on the books of that year will be done. Accrued salaries and compensated absences to the applicable payroll registers and schedules will be adjusted.

2015-03 *Information Technology General Control - Excessive User Access - Great Plains.*

Access to execute Great Plains functions which are beyond the job responsibilities of the following users' accounts were observed:

- A segregation of duty conflict occurs where the CFO is granted access to create requisitions, approve requisitions and convert requisitions into purchase orders. The CFO is also granted 'System Administrator' rights which inherently grant access to all functionalities inclusive of the ability to create, modify and delete user accounts.
- Excessive user access granted to the Chief of Staff to create and approve requisitions in Great Plains.
- Excessive user access granted to the Cost Accounting Specialist as their user account is assigned to the PowerUser role which inherently grants access to all Great Plains functions.

Additionally, the Great Plains Business Portal is not configured to capture requisition approval history. As a result of the access assigned to the users noted above, Management would be unable to verify the approval chain executed for requisitions which created purchase orders.

**APPENDIX II - AUDIT REPORT FINDINGS...Continued**

VIRGIN ISLANDS LOTTERY  
SCHEDULE OF FINDINGS AND RESPONSES *(Continued)*  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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**Recommendation:** The level of access assigned to users must be limited to their job responsibilities in order to reduce the risk of fraudulent activity occurring. In instances where dual roles are assigned to the same person, audit trails must be reviewed by a secondary person in order to provide a level of assurance that unauthorized transactions are not processed.

**Management's Responses:** The Virgin Islands Lottery have a project in schedule to upgrade all servers physically and logically including their operating systems versions, the point of sales and finance application. This project is waiting for the process of a formal request of proposal (RFP) and the Commission Board approval to acquire the hardware (servers) to run the new operating system infrastructure. As part of this project the Virgin Islands Lottery will be requesting the security best practices for user account management and privilege for all the platforms and applications.

In the interim, we will ask our Great Plains vendor to analyze and deliver a report of the actual access and the recommendation of next steps and configuration to mitigate this finding.

**APPENDIX III –**  
**TRANSFERRING OF REVENUE ACCURED BY VI LOTTERY**

Pursuant to Title 32, Chapter 13, section 246, subsection 11, the Virgin Islands Lottery shall contribute the following:

- 11) The apportionment of the total revenues accruing to the Lottery, which shall, in any event, be as follows:
  - i. Transfer of not less than twenty percent (20%) of the net income of the lottery from all games authorized by this chapter to the General Fund of the Treasury of the United States Virgin Islands; provided that fifty percent (50%) of the portion allocated to the General Fund shall be utilized by the Department of Education, twenty-five percent (25%) shall be utilized by the Office of Veterans Affairs and the remaining twenty-five percent (25%) shall be distributed evenly among the Disabled Persons Special Fund established pursuant to the provisions of Title 34, section 14b, Virgin Islands Code; the Small Business Development and Loan Fund established pursuant to Title 33, Section 3031, Virgin Islands Code; the Textbook Reimbursement Revolving Fund established pursuant to Title 17, section 42, Virgin Islands Code; and the summer employment of youth program.
  - ii. Payment of prizes to holders of winning tickets or shares;
  - iii. Payment of all costs incurred in the operation and administration of the Lottery except that not more than 75% of the revenues derived from the games under contracts between the Virgin Islands Lottery and private contractors of lottery games, including the revenues derived under contracts with contractors of video lottery games authorized under title 32, VIC, §246(a)(1), may be used to pay delinquent, prior obligations;
  - iv. Transfer of 15% of the proceeds derived from the games under each contract between the Virgin Islands Lottery and a private contractor of lottery games, including the proceeds under a contract with a contractor of video lottery games, authorized under title 32 VIC §246(a)(1), into the Virgin Island Educational Initiative Fund established in 33 VIC §3093, 10% to the Government Employees' Retirement System to fund annuitants' annual cost of living bonuses and 15% in the Pharmaceutical Assistance to the Aged Program, established under title 34, section 40-49, of this Code; transfer 3% of the proceeds derived by the VI Lottery from video lottery on St. Thomas and St. John as follows:
    - (i) .75% to the Horse Racing Improvement Fund as established in title 33 V.I.C. § 3044 for use as authorized therein by the St. Thomas-St. John Commission of the Virgin Islands Horse Racing Commission;
    - (ii) 1.25% to the Lease Franchisee holder or any temporary permittee, operator or promoter of live horse races at Clinton Phipps Park to supplement purses for living races at Clinton Phipps Park;

**APPENDIX III...Continued**

**TRANSFERRING OF REVENUE ACCURED BY VI LOTTERY**

- (iii) .50% to the Department of Agriculture to be used for the stray animal operations and recovery
  - (iv) .50% to the Islands Horse Welfare for the protection and the care of retired and injured horses;
- v. Six percent (6%) of the revenues derived from video lottery terminals located at the Clinton Phipps Racetrack in St. Thomas-St. John district shall be divided between the Department of Sports, Parks and Recreation for development of youth sports in St. Thomas and St. John and the Virgin Islands Olympic Committee equally.
- vi. Transfer, not less than four times each year in accordance with accepted accounting procedures which shall be adopted by the Lottery, of all proceeds remaining after compliance with subparagraphs (i), (ii), (iii) and (iv) hereof to the General Fund of the Treasury of the United States Virgin Islands; provided, however, that the Lottery shall maintain a reserve fund in such amount as may be approved annually pursuant to the provisions of the section 260 of this chapter.