



Testimony Submitted by  
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Presented to the  
**SENATE COMMITTEE OF THE WHOLE**  
March 12, 2015

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Good afternoon Senate President Neville James and other senators present, and those in the listening and viewing audience. I am Mona L. Barnes, Director-Designee of VITEMA, and with me is Debra Henneman-Smith, Deputy Director for Admin and Finance, and Renata Christian, Deputy Director for Grants Management. We are here today in support of Bill No. 30-0463, which expands the scope of the Disaster Revolving Contingency Fund to repay the Federal Emergency Management Agency (FEMA) in the amount of \$1,064,576.05.

On Jan 19, 2012, the US Department of Homeland Security's Office of Inspector General issued the final results of an audit of the Territory's management of Homeland Security Program grants awarded for fiscal years 2007 through 2009. The Homeland Security Grant Program provides federal funding to help states and territories enhance capabilities to prevent, protect against, respond to, and recover from terrorist attacks, major disasters, and other emergencies. The audit included a review of approximately \$4.6 million in grant funding awarded to the US Virgin Islands and managed by the VI Office of Homeland Security during fiscal years 2007 through 2009.

It is important to note that prior to June 2009, the Adjutant General of the Virgin Islands National Guard was the executive head of VITEMA and VI Office of Homeland Security. The Directors of VITEMA and the VI Office of Homeland Security coordinated activities through the Adjutant General.

In July 2009, Act No. 7074, the Emergency Management Act, reorganized responsibility for emergency management and designated VITEMA as the lead agency for emergency response. The Office of Homeland Security was merged into VITEMA, with the director assuming responsibility for coordinating the entire emergency management program for the Territory.

The Homeland Security Grant Program grants included in the audit scope were administered under the prior organizational structure until September 2009 when the reorganization was completed. Also, none of the funds were awarded to sub-grantees over the three-year audit period.

The objectives of the DHS audit were to determine if the U.S. Virgin Islands distributed and spent State Homeland Security Program grant funds; (1) effectively and efficiently and, (2) in compliance with applicable federal laws and regulations. Auditors were to also address the

extent to which grant funds enhanced the USVI's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other man-made disasters.

According to the audit findings, the U.S. Virgin Islands did not efficiently and effectively administer the program requirements in accordance with grant guidance and regulations. It identified eight areas for improvement: strategic goals and objectives, sole source procurement and management of contract deliverables, financial management documentation, property management controls and accountability, use of purchased equipment, procurement of training, personnel time charges, and filing financial reports.

Auditors questioned \$1,291,486 for specific items claimed and considered the remaining amount of \$3,429,214 drawn down for fiscal years 2007, 2008, and 2009, as potential questioned costs until the VI Office of Homeland Security provided adequate support for the funds. Auditors also recommended to FEMA that it should consider classifying the U.S. Virgin Islands as a high risk grantee because of the numerous problems noted in our audit. To date, however, FEMA has not placed the USVI under this classification.

VITEMA was able to provide documentation to reduce the potential debt by more \$2 million but was unsuccessful in providing documents to reduce the full amount. In August 2014, FEMA forwarded to VITEMA three (3) notices of "Potential Debt" based on audit findings, in attempt to recoup \$1,179,895 in costs it determined was unallowable.

A summary of each finding is as follows:

- Sole Source Procurement and Management of Contract Deliverables: On May 28, 2008, the VI Office of Homeland Security entered into a professional services procurement that eventually cost \$472,167~~\*\*\*~~ without prior written approval from FEMA as required in 2006 DHS Financial Management Guide.
- Management Documentation: Grant-related records and supporting documentation for FY 2007 through FY 2009 were not adequately maintained as required by federal regulations on Retention and Access Requirements for Records. The disallowed cost is 7,019.00.
- Personnel Time Charged: Personnel time charges for State Homeland Security Program funds in the amount of \$568,069 were not supported by activity reports or time sheets that indicated personnel had worked on grant projects or activities as required by regulations.

To further reduce the potential debt, we submitted missing certified time-sheets as well as submitted affidavits from four out of the five employees in question. This effort resulted in the reduction of the potential debt by \$132,635.

In a letter dated Jan. 26, 2015, Governor Kenneth E. Mapp notified FEMA of the Government of the Virgin Islands' intent to pay the \$1,064,576.05, in unallowable costs. Due the territory's current economic downturn, Governor Mapp also requested a payment plan pursuant to federal regulations. The proposed plan called for a three-year payment option beginning with a down payment of \$150,000, by March 31, 2015, followed by quarterly payments in the amount of \$76,300, until the debt is fully liquidated.

On March 4, 2015, FEMA Chief Financial Officer Edward Johnson approved the governor's request for a payment plan, understanding that it would not be feasible to collect the debt in one lump sum. A signed promissory note and initial payment are due to FEMA by March 31, 2015.

Failure to meet this obligation may result in FEMA performing an administrative offset against requests for reimbursement on other projects, withholding of advance payments or other actions permitted by law.

Any action to offset costs in this manner would be detrimental to VITEMA and its grants program, which supports numerous public assistance and hazard mitigation efforts tied to recovery from presidentially-declared disasters. Ultimately, the offsets would negatively impact the customers we serve, which is the every resident and visitor in the Territory of the US Virgin Islands.

Thank you for the opportunity to speak on Bill 30-0463. This concludes my testimony and we stand ready to answer your questions.