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OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

Fiscal Year 2027 Budget Proposal

INTRODUCTION

Good morning, Senator Novelle E Francis Jr, Chairperson of the Committee on Finance, esteemed members of the Committee, other distinguished members of the 36th Legislature, and all those in the viewing and listening audience. I am Delia Thomas, the Virgin Islands Inspector General, and with me today are Mrs. Alexandra Samuel, Deputy Virgin Islands Inspector General (Deputy Inspector General), and Mr. Lucas Pascal, Director of Budget Affairs. Today, I am here to present the proposed Fiscal Year 2027 Budget for the Office of the Virgin Islands Inspector General.

First, I want to take this opportunity to introduce our Deputy Inspector General. Mrs. Samuel is a 1981 graduate of Ivanna Eudora Kean High School and a 1987 graduate of the University of the Virgin Islands, where she majored in Business Administration. She was promoted from Chief of Audit to Deputy Inspector General, effective March 23, 2026. She has over 30 years of audit experience, having transitioned from the Department of the Interior's Office of the Inspector General following the closure of its local office in September 2013. She joined the Government Employees Retirement System, where she worked for 6 years before joining the Office of the Virgin Islands Inspector General in 2019 as a senior auditor. I am pleased to have Mrs. Samuel as the Deputy Inspector General. We will work together to ensure this agency has highly qualified, competent, and well-trained staff, so that the Virgin Islands community will be well served now and well into the future.

STATE OF THE V.I. INSPECTOR GENERAL'S OFFICE

The Office of the Virgin Islands Inspector General's mission is "to promote economy, efficiency, and effectiveness, and to further the prevention of fraud, waste, and abuse in the administration of the programs and operations of the Government of the Virgin Islands."

Our agency's budget covers 22 positions, 18 filled, and 4 vacant. Of the 18 filled positions, we have 10 Auditors, 1 Investigator, and 7 Administrative and Support Staff members. The 4 vacancies consist of the Chief of Audit position, two (2) Investigator positions, and one (1) Auditor position. Our Organizational Chart can be found on page 14.

Before I present our 2027 spending plan set at $2,898,392, I would like to ask this body to consider granting us an additional $276,438 above our proposed budget ceiling. Eighty-five percent (85%) ($234,344) of the funds will be used to support 3 entry-level positions, including 2 investigators and 1 auditor, and 15% ($42,094) will cover raises for our unclassified non-union employees due to discrepancies resulting from the new GS pay plan effective October 1, 2026. I hope that by the end of my presentation today, you will see the need for this request and find it a worthwhile investment.

Summary of Fiscal Year 2026

During Fiscal Year 2026, our office issued four reports, including the Audit of Application of Employees' Loan Payments – Virgin Islands Water and Power Authority. The Audit of Administrative Functions of the Taxicab Commission. A Surprise Cash Count at the Eldra Schulterbrandt Residential Care Facility - Department of Health. A Follow-up Review of the Recommendations made in the Audit Report on Contract Administration at the Virgin Islands Waste Management Authority.

While our staff worked hard, we did not achieve all of our goals for completing assignments. Several factors contributed to this. Primarily, we continue to face challenges in obtaining documents from agencies in a timely manner. Most agencies cite being "short-staffed" as the primary reason they cannot provide the requested documents on time. While subpoenas are a last resort for obtaining documents, in this fiscal year, we have had to issue 8 subpoenas across all audit assignments to move the work along. Also, 11 subpoenas and 6 requests for information were issued in connection with our investigations.

In addition to our audits and investigations, we continued to provide support to our local and federal partners. We have assisted the Department of Justice (DOJ) Medicaid Fraud Control Unit and are committed to providing more consistent, sustained support through our audit and investigation divisions. This will require an MOU between our agencies as we work toward that end. The January 2026 arrest of Department of Human Services (DHS) employees and others marks the beginning of our commitment to helping to identify and prosecute Medicaid fraud cases in the Virgin Islands.

Staff Training: To meet the annual training hours required by the Government Auditing Standards and to maintain our Certified Fraud Examiner (CFE) credentials, our audit and investigative staff participated in professional training offered by the Association of Local Government Auditors (ALGA) and the Association of Certified Fraud Examiners (ACFE). Specifically, from May 3rd to 6th, 2026, auditors participated in ALGA's 2026 Annual Conference. Then, from July 13 to 15, 2026, the staff participated in the ACFE's Annual Global Fraud Conference. Unfortunately, we did not receive the scheduled December 2025 training set through the Pacific and Virgin Islands Training Initiatives program due to the Federal Government's re-evaluation of its programs. We hope that this training will resume later this year.

In addition to our scheduled training sessions, I recently challenged the audit staff to identify areas where they believe they could improve their audit skills and to find ACFE training opportunities for self-study. The staff eagerly took on the challenge, and by the end of this fiscal year, 3 of the 10 auditors will have completed, or be scheduled to complete, one or more ACFE training courses to improve their audit techniques. I anticipate that more auditors will follow in the next fiscal year.

Peer Review: To ensure our office complies with Generally Accepted Government Auditing Standards, which require audit agencies to undergo a peer review every 3 years, we are currently preparing for our peer review and will undergo an on-site visit from November 16 through November 20, 2026. Our last review was in 2023. As a reminder, a peer review is a review of an auditor's work by their fellow auditors. It helps monitor our agencies' auditing practices by evaluating the quality of our work and internal control system. Ultimately, it promotes and enhances the quality of the services we provide by providing constructive feedback.

AUDIT and INSPECTION ASSIGNMENTS: (Completed and Ongoing)

Audit of Application of Employees' Loan Payments – Virgin Islands Water and Power Authority. This audit report was issued on February 9, 2026. The audit objective was to determine the extent to which WAPA remitted employees' loan deductions to financial institutions on time. The scope covered Calendar Years 2021 through 2023. Our audit found that GERS loans were primarily affected by WAPA's late transmittals. The report noted that, due to WAPA's financial constraints, the entity decided not to transmit GERS contributions, with no specific focus on the employees' loan payments. Ultimately, we found that the GERS system is set up to accept contributions first. There was no opportunity to transmit employees' loan payments until the contributions were satisfied. However, GERS officials stated that when loans mature, although payments were not transmitted, GERS notifies the agencies to stop the deductions. As of September 2025, GERS was up to date on its employee contributions and loan payments.

Regarding the local credit unions, employees did experience late loan payment transmittals. We found that the credit unions addressed each situation on a case-by-case basis to avoid any negative impact on employees' credit scores. However, all delays denied employees immediate access to the savings portion of their deductions.

Audit of Administrative Functions of the Taxicab Commission. This audit report was issued on March 3, 2026. The objective of the audit was to determine if the Commission properly authorized the issuance of taxi licenses, inspected taxicabs, and accounted for medallions, collections, and expenses, in accordance with taxicab laws. Overall, we noted that the Commission has not made significant improvements in its responsibility to maintain accurate medallion registries and implement biannual taxicab inspections. Additionally, for the audited period, fiscal year 2018-2022, we found that the Commission did not (1) follow established rules and regulations for medallion auctions, nor (2) approve the issuance of Taxi Licenses in accordance with established laws, rules, and regulations. Also, the Commission failed to appropriately safeguard and account for revenue collections in accordance with best business practices. Specifically, I would like to highlight some of the significant areas reported on:

- **Medallion Registry**. We found that Commission officials did not (1) preserve the physical condition and information of some medallion registries; and (2) maintain complete and accurate information in the registries and owners' files. Also, 13 unsold medallions from the Commission's inventory are missing.
- **Medallion Auction**. Commission Officials accepted $22,101 in medallion sales after the established deadlines and issued certificates of entitlement and medallions up to 7 months after the 10-day timeline.
- **Taxi Licenses**. From 2018 to 2022, the Commission approved 10 taxi licenses to seven applicants who failed the exam and to 3 applicants for whom there is no evidence that they took the written exam.
- **Biannual Inspections and Enforcement**. From 2018-2022, the Commission did not conduct biannual taxicab inspections or regular patrols to ensure that taxicab operators complied with established laws and regulations. Furthermore, biannual inspections had not been conducted since 2008, indicating at least 14 years without inspections.
- **Collections**. Commission officials did not (1) timely deposit $44,622 into the government bank account, and (2) timely post to the ERP $258,342 in revenues. There

was a discrepancy of $18,587 between cash receipts deposited and posted to the ERP. Also, $54,811 in medallion sales were not posted to the ERP.

The Department of Health. We conducted a surprise cash count at the Eldra Schulterbandt Residential Care Facility on St. Thomas. This report was issued on July 13, 2026. We found inadequate controls and documentation for $2,652 in residents' cash and cash equivalents, including $767 owed to five former residents. We also identified at least $ 17,005 in unexplained withdrawals from two residents' bank accounts, with no documented justification or reimbursement, raising concerns about potential misuse and/or fraudulent activity. We are preparing the necessary transmittal to the Department of Justice for further legal review.

The Waste Management Authority. We conducted a Follow-up Review of the Recommendations made in our February 8, 2022 report titled "Audit of Contract Administration at the Virgin Islands Waste Management Authority" (WMA). This report was issued on July 28, 2026. The objective of the follow-up review was to determine whether WMA implemented the recommendations made in the February 2022 audit report. We found that 7 of the 12 recommendations were implemented, 2 were partially implemented, and 3 were not implemented. Waste Management officials submitted a response to the five unresolved recommendations on July 16, 2026. The unresolved recommendations were adequately addressed. We will follow up with the Authority to assess its progress in implementing the remaining unresolved recommendations. Those unresolved recommendations include (1) prioritize soliciting bids for expired contracts and applicable contractual services to ensure the Authority's operations are done at the most economical cost and benefit; (2) establish written procedures to monitor contract services; (3)

ensure that employees responsible for monitoring the landfill contractor's work are provided with the necessary equipment and tools to carry out their duties; (4) require WMA officials responsible for monitoring to document their findings on inspection of work and complaints made; and (5) ensure that WMA Officials review the landfill contractor's work claims for reasonableness to ensure that the Authority pays for only services rendered.

ON-GOING AUDIT ASSIGNMENTS:

Currently, our office is working through 6 assignments that are either audits or inspections, all at various stages of the audit and inspection process. Three of the six assignments involve the Virgin Islands Water and Power Authority.

WAPA

Based on Act No. 8731, we initiated audits of WAPA's fuel supply contracts and an inspection of the $2 million offshore payment. I want to remind everyone that this audit started when the contractor was hired on April 14, 2025. Today, I can report that the contractor has submitted 2 draft reports covering both subject matters, and we are working together to edit them. After meeting all the requirements for editing, referencing, presenting a draft report to the auditee for comment, and preparing a final report for public distribution, we aim to have this report to the public by the end of November 2026.

<u>WAPA's Contracting Practices</u>. Our goal was to issue this report by the end of June 2026. However, this inspection has been plagued by delays, primarily because the documents promised on multiple occasions were not received. We will proceed with the documents we have and issue this report by the end of the first quarter of fiscal year 2027. As a reminder, this inspection covers the period from October 2017 to December 2022. The inspection aims to determine whether WAPA solicited, awarded, and monitored contracts in accordance with its policies and procedures, and applicable laws and regulations.

<u>WAPA's Billing and Collections.</u> The audit objectives are to determine (1) whether WAPA followed its processes to ensure accurate and timely billing, (2) the AMI system's impact on billing accuracy and timelines, and (3) whether WAPA did its due diligence in managing and collecting delinquent accounts. It covers calendar years 2021 through 2023 and other appropriate periods. We will issue two reports, one on Billing and one on Collections. We are working to issue these reports by the end of the 2nd quarter of fiscal year 2027. I should note that we are being optimistic about the timeline, as it depends on receiving and analyzing the information without any new obstacles.

<u>East End Medical Center.</u> We had to adjust this assignment due to the unavailability of additional staff needed to address the initial objectives. The objective of the audit now focuses on why the planned development of a new Medical and Dental facility did not materialize after the Medical Center's initial financial investments. After experiencing delays in receiving documents and, in some cases, the Medical Center's inability to provide them, we anticipate issuing this report by the end of the first quarter of fiscal year 2027.

<u>The Government Employees Services Commission Board</u>: The audit objective is to determine if the Board expended funds in accordance with established laws, rules, and regulations and met its reporting requirements. After issuing three (3) subpoenas between November 2025 and May 2026, we have received most of the information and expect to receive the remaining items shortly. We had hoped to complete this audit by the end of the 3rd quarter of this fiscal year. Our new goal is to complete the audit by the end of the first quarter of 2027. I must note that the initial scope was fiscal year 2018-2022. However, we have extended the scope to include 2025 due to the transfer of the Health and Wellness Activities from the Board to the Division of Personnel.

The Office of Management and Budget, the Department of Education, the Virgin Islands Police Department, and Sports Parks and Recreation Contracting Practices:

This audit was initiated at the request of the Honorable Governor Albert Bryan Jr. While we had hoped to address this request earlier, other ongoing audit commitments and circumstances prevented us from doing so. However, we now have a team in place, and they are working diligently. We aim to complete this assignment by the end of the first quarter of 2027. This audit will assess the named departments' contracting practices for the period from 2018 to 2022.

Senators, I must note that we have a team of 6 auditors assigned to WAPA; a team of 4 auditors assigned to the OMB, DOE, VIPD, and SPR audit; a team of 2 auditors assigned to the GESC Board audit; and one auditor assigned to East End Medical Center's audit. This accounts for 13 auditors; however, we have only 10 auditors to staff our teams, with the Deputy IG and IG serving as the approvers of the work. As a result, some auditors are handling more than one assignment at the same time. Today, I want to commend them for the work that they are doing while maintaining the high standards and due diligence required across all assignments. Our 2026 Annual Audit Plan Summary is found on page 15.

INVESTIGATIONS:

We started fiscal year 2026 with 7 open cases. During the year, we opened 13 new cases, bringing the total to 20. To date, we have closed 8 cases and have 12 open cases. Several outcomes could account for closed cases. In some instances, cases were closed due to insufficient information to substantiate the allegations; others were found not to be a matter for our office, were before the courts for review, or were referred to another agency better suited to handle the matter. In addition, other cases may result in a report with recommendations to the affected Department or Agency, and/or a recommendation for prosecution or civil action sent to the Virgin Islands Department of Justice. We are currently preparing referrals to submit to the Department of Justice. For confidentiality reasons, I cannot discuss the details of these cases or other ongoing investigations.

On a positive note, I want to report that we recently hired someone to fill the vacant Special Investigator position, with an expected start date of August 24, 2026. However, I must sound the alarm concerning understaffing in our investigation division and the fact that our most Senior Investigator can choose to retire at any time. Transforming our investigation section and getting investigators on board and trained in white-collar investigations are critical. It is my desire to create 2 additional investigator positions, bringing the total to 5 positions within the agency. I plan to reassess the job descriptions to allow some investigation positions to be peace officers, while others will not be. This will enable the formation of investigation teams that resemble our audit teams. At our current staffing level, we cannot adequately meet the demands of our investigation workload. We aim to do more and to resolve cases sooner.

The Office of the Virgin Islands Inspector General's 2027 Proposed Budget.

The Virgin Islands Inspector General's Office 2027 budget recommendation is $2,898,392, which maintains the same level as Fiscal Year 2026. Our Fiscal Year 2026 actual expenditures through July 30, 2026, totaled $1,980,129.00, or 68%. The following are comments on each prime account of the Fiscal Year 2026 proposed spending plan. Our Fiscal Year 2027 proposal by sub-accounts is shown on page 16.

Personnel Services and Fringe Benefits. The budget proposal allows the office 22 positions, 18 filled and 4 vacant. The proposed funding level for personnel and related services is $2,482,869, or 85.7**%** of the budget request. This amount consists of $1,715,643 (59.2%) for Personnel Services and $767,226 (26.5%) for Fringe Benefits, respectively. In addition, the overall budget request is as follows.

Supplies are estimated at $65,000, or 2.2%.

Other Services are estimated at $297,422, or 10.3%.

Utility Services are estimated at $45,100, or 1.6%.

Capital Outlays are budgeted at $8,001 to cover investigative and computer-related equipment costs, which is .27% of the budget request.

SUMMARY

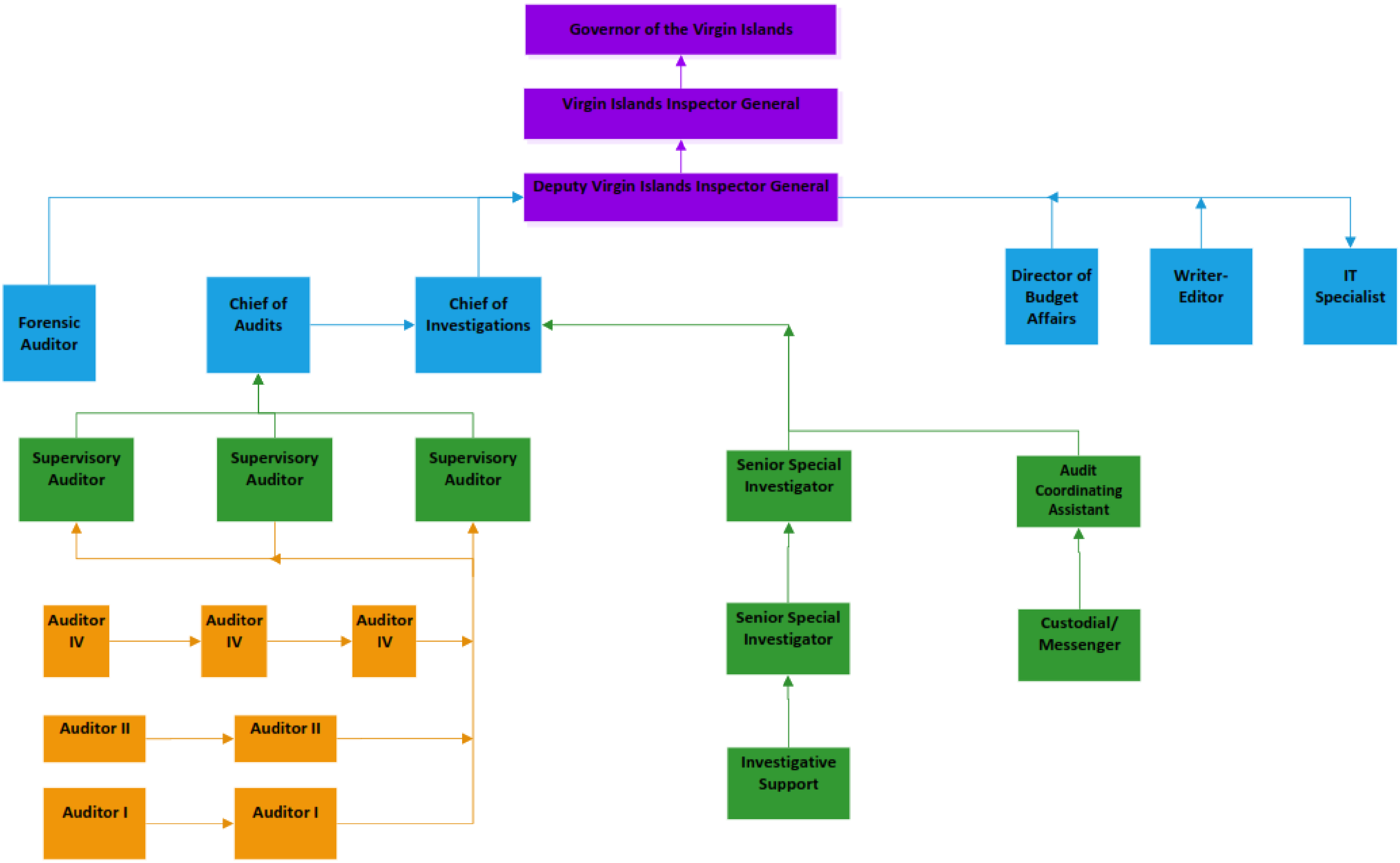
Senators, the Office of the Virgin Islands Inspector General needs to bring in and train people for the fast-paced environment we live in, recognizing A.I.'s impact on fraud and how much easier it will be to commit fraud at greater speed. We cannot afford to fall behind in this fight. We want to position ourselves to address these problems as effectively as possible. Our request for an additional $276,438 will assist us towards this end.

Also, as the Virgin Islands Inspector General, I want to state that, as a government, we must do better at protecting and managing our resources. This requires the involvement of all our employees, supervisors, managers, and leaders. We must demonstrate through our actions that we are a community of leaders who oppose allowing fraud to run rampant in our government, the kind of Virgin Islands community we are and strive to be. One person's misdeeds could cause irreparable damage to an agency, our government, and the community at large. Therefore, I am asking everyone to be vigilant and report suspected cases of fraud to our office or to other applicable local and federal agencies with which you are most comfortable. The fraud hotline at our office is 340-774-3381. You can file complaints through our website's Hotline (highlighted in red), and find links to federal agencies' complaint websites in our website's contacts.

I want to thank this body in advance for supporting the Office of the Virgin Islands Inspector General's budget. As it stands, this budget will allow us to maintain the 22 funded positions while we continue to grow this agency to the desired 25 positions to better address audits and investigations. Thank you for the opportunity to be here today. I am available to answer any questions you may have.

Office of the Virgin Islands Inspector General

Organizational Chart



ANNUAL AUDIT PLAN SUMMARY

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

FISCAL YEAR 2026

RESOURCED ASSIGNMENTS	**Staff Days**
Fiscal Year 2025 Carryover Assignments	
Follow-up Review of Recommendations made in the Audit of Contract Administration at the VI Waste Management Authority	60
Audit of the Application of WAPA Employees' Loan Payments	24
Audit of the Administrative Functions of the Taxicab Commission	74
Audit of Billing and Collection Processes at WAPA	400
Audit of the Contracting Practices at WAPA	400
GESC Board Expenditures	200
Inspection of the East End Medical Center's leases and contracted agreements	120
Audit of the Contracting Practices of DOE, OMB, VIPD, and SPR.	400
Audit of WAPA VITOL Propane and LPG contracts	400
Inspection of the $2 million offshore payment	240
	2,318
Fiscal Year 2026 New Starts	
Eldra Schulterbrant Residential Facility-Surprise Cash Count	20
	20
Other Anticipated FY 2026/2027Assignments	
VI Racing Commission and the Horse Racing Improvement Fund	100
VI Festival Committee Expenditures	300
DLCA's Consumer Complaints	300
DPNR Assessed Fines and Enforcement	300
	1,000
Total Resourced Man-days	**3,338**
UNRESOURCED ASSIGNMENTS	
Follow-up Review of Recommendations made in the Audit of Juan F. Luis Hospital Contract Administration	90
Inspection of Unclaimed Property	200
Government-wide Travel Advances	300
Non-executive Branch Use of Credit Instruments	300
Contracting Practices of the UVI Research and Technology Park	300
Government-wide Imprest Funds and Petty Cash Accounts	300
Government-wide Collectors Audit	400
Total Un-resourced Man-days	**1,890**

OFFICE OF THE VI INSPECTOR GENERAL FY 2027 BUDGET

1 PERSONNEL SERVICES			
350001	511000	CLASSIFIED EMPLOYEE SALARIES	$924,555
350001	511010	UNCLASSIFIED EMPLOYEE SALARIES	761,455
350001	514030	LUMP SUM	29,633
TOTAL PERSONNEL SERVICES			**$1,715,643**
2 FRINGE BENEFITS			
350002	520010	EMPLOYER CONTRIBUTION RETIREMENT	$304,248
350002	521000	SOCIAL SECURITY	104,533
350002	521100	MEDICARE	24,877
350002	522000	HEALTH INSURANCE PREMIUM	331,067
350002	522200	WORKERS COMP PREMIUMS	1,501
TOTAL FRINGE BENEFITS			**$767,226**
3 SUPPLIES			
350003	541000	OFFICE SUPPLIES	$ 4,500
350003	541100	OPERATING SUPPLIES	8,000
350003	541200	VEHICLE SUPPLIES	7,000
350003	542000	REPAIR AND MAINTENANCE SUP	2,000
350003	542100	SMALL TOOLS AND MINOR EQUIP	8,000
350003	545200	PROF REF BOOKS & PERIODICALS	7,500
350003	546000	DATA PROCESSING SOFTWARE	28,000
TOTAL SUPPLIES			**$65,000**
4 OTHER SERVICES			
350004	532000	REPAIRS & MAINTENANCE	$80,000
350004	532100	AUTOMOTIVE REPAIR & MAINTENANCE	9,000
350004	533000	RENTAL OF LAND/BUILDING	27,608
350004	534000	PROFESSIONAL SERVICES	10,000
350004	534100	SECURITY SERVICES	4,000
350004	534110	TRAINING	48,000
350004	535000	COMMUNICATION	48,000
350004	535010	ADVERTISING & PROMOTION	500
350004	536000	TRANSPORTATION-NOT TRAVEL	499
350004	560000	TRAVEL	59,780
350004	560100	PURCHASE BULK AIRLINE TICKETS	1,500
350004	564100	OTHER SERVICES NOC	5,000
350004	564630	MEMBERSHIP DUES	3,535
TOTAL OTHER SERVICES			**$297,422**
5 UTILITY SERVICES			
350005	530000	ELECTRICITY	$44,000
350005	531010	WATER	1,100
TOTAL UTILITY SERVICES			**$45,100**
7 CAPITAL PROJECTS			
350007	575000	MACH EQUIP & MISC	$8,001
TOTAL CAPITAL PROJECT			**$8,001**
TOTAL BUDGET			**$2,898,392**