Legislature of the Virgin Islands

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POST AUDIT DIVISION

August 17, 2026

MEMORANDUM

TO: Honorable Novelle E. Francis, Jr.
Chairman, Committee on Budget, Appropriations and Finance
36th Legislature of the Virgin Islands

FROM: Post Audit Division

SUBJECT: Bill No. 36-0308 – An Act appropriating the sum of $150,000 from the Virgin Islands Education Initiative Fund to the Virgin Islands Department of Education to conduct a biannual fixed asset inventory

BACKGROUND

In 1994, the Virgin Islands Legislature established the *Virgin Islands Education Initiative Fund* as a two-year pilot program under Act No. 5948. In 1995, the Legislature enacted Act No. 6088, which continued and formalized the Fund. The Virgin Islands Education Initiative Fund is a special local treasury fund established to support public education initiatives, including enhanced learning opportunities, school programs, maintenance, and capital projects. The Fund has been subject to legislative appropriations and, more recently, financial oversight and audits by the Office of the Virgin Islands Inspector General.

A fixed asset inventory is the process of physically verifying, documenting, and reconciling a company's long-term, tangible resources; such as buildings, machinery, computers, and furniture; against its financial records. These items are used in operations to generate income and are not meant for resale.

Core Components of an Asset Inventory:

- **Asset Register:** A master database listing each item's description, serial number, cost, location, and condition.
- **Asset Tagging:** Applying physical barcodes, QR codes, or RFID tags to items for fast scanning.
- **Physical Audit:** Walking through facilities to scan and verify that listed items exist and are in their recorded locations.
- **Reconciliation:** Comparing physical findings against accounting books to spot missing items or errors.

Why It Matters:

- **Financial Accuracy:** Clears out "ghost assets" (items that are lost, stolen, or scrapped but still listed on the balance sheet).
- **Tax and Insurance Control:** Prevents companies from overpaying property taxes and insurance premiums on items they no longer own.
- **Loss Prevention:** Deters theft and tracks the movement or misuse of expensive company property.
- **Better Budgeting:** Shows the true age and condition of equipment to plan future replacements or repairs.

To perform an asset inventory, the following ten (10) steps should be followed:

1. **Determine which assets will be included in the inventory** and whether each should be recorded as an individual asset or as part of an asset group. An asset group consists of multiple similar fixed assets that are subject to the same accounting and depreciation requirements, such as buildings, office furniture, or equipment.
2. **Review Existing Fixed Asset Records.** Analyze and classify assets as physical inventory, real property, non-inventory, or intangible assets, and identify any additions, transfers, or disposals since the previous inventory.
3. **Ensure Accurate and Consistent Data.** Create standardized fields for the manufacturer, model, serial number, department, and general ledger account number. Use a dedicated asset management system with customizable fields and preset drop-down lists to improve data accuracy and consistence.
4. **Conduct Physical Inventory and Verify Asset Information.** Physically inventory and tag assets as appropriate, while verifying acquisition costs and dates placed in service. Use fixed-asset management software to support accurate tracking and verification.
5. **Verify Acquisition Cost and Date.** Obtain the original acquisition cost and date each asset was placed in service. Where records are unavailable, use an appropriate valuation or appraisal to establish the asset's estimated value.
6. **Reconcile the Physical Inventory with Existing Records.** Reconcile the verified physical inventory with existing fixed-asset ledgers and general ledger records by asset class and acquisition year. This process should identify discrepancies.
7. **Update the Fixed-Asset System.** Incorporate all verified assets into the fixed-asset management system, including tangible and intangible assets such as equipment, software, patents, land, and buildings. Each asset should be assigned a unique identification number to facilitate tracking and accountability.
8. **Establish a Comprehensive Asset Database.** Maintain a centralized database containing complete and accurate information for all fixed assets. The system should include, at a minimum, asset identification, acquisition date and cost, location, condition, useful life, depreciation, and disposition information.
9. **Calculate Depreciation.** Calculate depreciation for applicable assets or asset classes in accordance with the Government's applicable accounting policies and requirements. Depreciation records should be reviewed periodically to ensure accuracy and proper classification.
10. **Generate final cost reconciliation reports**, identifying all unrecorded retirements for write-off and documentation of tax savings.

ANALYSIS

Bill No. 36-0308 proposes to appropriate **$150,000** from the *Virgin Islands Education Initiative Fund* to the Virgin Islands Department of Education to conduct a biannual fixed asset inventory. The measure supports the Department's responsibility to maintain accurate records and accountability for publicly funded property.

VIDE is required to conduct a physical inventory every two years and must ensure that tangible personal property acquired through U.S. Department of Education grants is managed in accordance with *34 CFR § 80.32(a) and (c)-(g).* Property with a purchase price of *$5,000 or greater* must be properly inventoried, maintained, and safeguarded against loss, damage, or theft. Following the physical count, the inventory must be reconciled with the property records maintained in VIDE's fixed asset system of record (ERP) to ensure that the system reflects accurate and current information.

The proposed funding would support the *physical inventory count, to be completed by September 30, 2026; reconciliation of the inventory and updating of the ERP; and preparation and delivery of a final report.* Consistent with prior OIG findings concerning weaknesses in documentation, monitoring and internal controls related to the Education Initiative Fund, these activities could strengthen internal controls, improve asset accountability, and ensure compliance with federal property-management requirements.

SUMMARY

The Department of Education seeks funding to conduct a biannual fixed asset inventory of equipment, furniture, computers, and other Department-owned assets. An initiative to support compliance with local and federal financial reporting requirements while ensuring an accurate, complete, and current record of fixed assets; the process strengthens asset accountability, improve financial management, and help ensure that Department’s resources are properly documented, safeguarded, and utilized.

The Post Audit Division ***recommends approval of Bill No. 36-0308***, which appropriates $150,000 from the Virgin Islands Education Initiative Fund for this purpose. While the measure supports an important compliance and internal-control function, *the VIDE should establish a sustainable process for future inventories, as the physical inventory is a recurring biennial requirement.*

Theodora Philip, DBA

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Post Auditor

APPENDIX A

GOVERNMENT OF THE VIRGIN ISLANDS
VI EDUCATION INITIATIVE FUND - 2185/2188
March 31, 2026

Beginning Balance from F/Y '24		$ 12,823,682.58
Revenues F/Y '24	$ 5,664,696.46	
Expenses F/Y '24	(10,699,463.16)	
Adjustment F/Y'24	(61,796.12)	
Net Activity F/Y '24		(5,096,562.82)
Ending Balance 09/30/2024		7,727,119.76
Beginning Balance from F/Y '25		7,727,119.76
Revenues F/Y '25	5,284,816.49	
Expenses F/Y '25	(3,341,350.21)	
Net Activity F/Y '25		1,943,466.28
Ending Balance 09/30/2025		9,670,586.04
Beginning Balance from F/Y '26		9,670,586.04
Revenues F/Y '26	2,616,624.28	
Expenses F/Y '26	(2,672,720.05)	
Net Activity F/Y '26		(56,095.77)
Ending Balance 03/31/2026		**$ 9,614,490.27**
Budgeted Balance - Unobligated		(1,308,718.08)
Encumbrances		(153,644.80)
Payment In Process		(515,893.01)
Requisition In Process		(168,156.32)
Available for Budget		**$ 7,468,078.06**

Note:
This unaudited balance includes appropriations and encumbrances available but not yet expended

DOF - General Ledger
CD - 05/05/2026