

**THE UNITED STATES VIRGIN ISLANDS**

**OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL**



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**AUDIT OF THE EDUCATION INITIATIVE FUND**

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DELIA M. THOMAS  
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## **EXECUTIVE SUMMARY**

The following summarizes the findings from the audit of the Education Initiative Fund (AR-03-40-22).

### ***Finding 1: School Funding (pages 5 to 10)***

- Education officials did not always: (1) ensure that the three phases of the formula, which provides an equal and fair distribution of funds to the schools and districts, were fully applied when determining the schools' annual Fund allotment; and (2) use the same year-end bank statement data to determine the schools' year-end balance. In addition, the schools' annual Fund allotment was not distributed by the October 15<sup>th</sup> deadline as specified by law.

### ***Finding 2: Monitoring of School Expenditures and Reporting (pages 11 to 15)***

- Although Education has made some improvements in monitoring schools' expenditures, more oversight is needed to ensure that schools adhere to the law regarding (1) the annual spending limits set for specific categories of expenses, and (2) the monthly reporting requirement. Specifically, we found schools routinely exceeded the \$3,500 annual spending limit set for equipment and supplies for administrative offices, and the \$2,500 annual limit set for personal services. In addition, we found some schools' monthly reports incomplete and not always accompanied by the required supporting documentation to account for expenditures. Also, one school did not submit monthly reports for two years.

### ***Finding 3: Undistributed and Unused Funds (pages 16 to 20)***

- Education did not expend and account for the undistributed and unused Fund monies following the Code's requirement. Specifically, of the \$11,673,644 expended from the Fund, we questioned \$5,195,162 in expenses paid for unallowable and questionable costs that were not aligned with the Fund's lawful purpose. In addition, Education did not require schools to return unused funds per the Code's requirement.

### ***Finding 4: The Law's Ambiguity (pages 21 to 22)***

- Thirteen years after the Office of the Virgin Islands Inspector General recommended in its 2011 audit report that Sections 3093 and 3100i of the Code be merged to address ambiguous and contradictory language, both sections remain active. Education officials informed us that a former senator was working on legislation to correct the existing legislation. However, as of this report date, no amendments to the law have been made.



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May 6, 2025

Dr. Dionne Wells-Hedrington  
Commissioner  
Virgin Islands Department of Education  
1834 Kongens Gade  
St. Thomas, Virgin Islands 00802

Dear Commissioner Wells-Hedrington:

This report contains the results of our audit of the Education Initiative Fund (Fund). The objectives of the audit were to determine whether the Department of Education (Education): (i) accurately and timely disbursed the funds to the applicable schools, (ii) monitored the schools' accounting of the funds in accordance with applicable laws, and (iii) expended funds and accounted for any undistributed and unused funds in accordance with the Code.

We found that while Education made some improvements since the V.I. Inspector General's audit report issued in 2011 on the Fund, more improvement is needed in oversight to ensure (a) the consistent and complete application of the funding formula, (b) the timely disbursement of the schools' fund annual allotment, and (c) the funds are appropriately accounted for and spent within the annual limits specified by the law.

Also, 13 years after the Office of the V.I. Inspector General recommended that Sections 3093 and 3100i of the law be merged to address ambiguous and contradictory statutes, both sections remain active.

As a result, (1) in Fiscal Year 2019, three St. Thomas/St. John district schools received an advantage totaling \$18,919 when Education officials inconsistently used year-end bank statements. Five other schools lost the ability to recoup \$16,762. (2) In Fiscal Year 2019, two schools in the St. Thomas/St. John district did not receive \$4,590 because those schools were not compensated the extra \$15 per student enrolled over 500. (3) The St. Croix district did not receive \$11,175 because step 3 of the formula was either not effectuated or applied in Fiscal Years 2019 and 2020. (4) The funds were disbursed to schools as many as 27 months after the October 15<sup>th</sup> date set by law. (5) As of this report's date, Education has not released as much as \$1,350,000 of the 2021 annual school funding. (6) Schools exceeded the annual spending limit imposed on specific categories of expenses by \$226,843. (7) There was at least \$14,540 in unsupported expenses. (8) The schools' monthly reports were not always completed according to Education's reporting requirements. (9) For two years, \$19,299 was expended from one

school without accounting for those expenditures. (10) Education expended \$5,195,162 in questionable costs from the Fund. (11) After 29 years since the law's enactment, the law should be updated to account for changes in needs, and the impact of inflation on administrative costs and the annual spending limits set on categories of expenses. Furthermore, the law's merger and statutory updates are needed to remove the existing ambiguities and standing contradictions, thereby improving the Fund's management.

We made several recommendations to address the causes of the findings in this report. Our recommendations concern funding, expenditures, internal controls, and the law.

An Exit Conference was held on March 27, 2025. There was general agreement with the findings and recommendations made in the report.

Education submitted a response to the recommendations on April 23, 2025, and is included as Appendix II beginning on page 27 of this report. The recommendations were adequately addressed. Fourteen of 15 recommendations were resolved, but not implemented. One recommendation was partially resolved, pending additional information.

If you require additional information, please call me at (340) 774-3388.

Sincerely,



Delia M. Thomas, CFE  
Virgin Islands Inspector General

cc: Honorable Albert Bryan, Jr., Governor of the Virgin Islands

# TABLE OF CONTENTS

	<b>Page</b>
<b>INTRODUCTION</b>	
Background.....	1
Objective, Scope, and Methodology.....	1
Prior Audit Coverage .....	2
<b>AUDIT RESULTS</b>	
Conclusion .....	3
Finding 1: School Funding .....	5
Criteria .....	5
Inaccurate Application of the Fund Formula.....	5
Step 2 of the Formula.....	6
Step 3 of the Formula.....	6
The Schools’ Fund Ending Balance.....	6
Timeliness of Disbursement .....	8
Undistributed Funds.....	8
Recommendations.....	9
Education’s Response .....	10
V.I. Inspector General’s Comments.....	10
Finding 2: Monitoring of School Expenditures and Reporting.....	11
Criteria .....	11
Non-Allowable Cost .....	11
Over \$3,500 Annual Limit.....	11
Over \$2,500 Annual Limit.....	12
Monthly Reports .....	13
St. Croix District.....	14
St. Thomas/St. John District .....	14
Unsupported Expenses.....	14
Annual Spending Limits .....	14
Recommendations.....	15
Education’s Response .....	15
V.I. Inspector General’s Comments.....	15
Finding 3: Undistributed and Unused Funds .....	16
Other Unallowable Fund Expenditures.....	16
FEMA-Funded Project.....	17
Worker Preparation Educational Program .....	17
Reimbursed Graduation Fee .....	18

## TABLE OF CONTENTS

	<b>Page</b>
Unallowable Fund Costs .....	18
Payroll Cost.....	18
Catering Services and Supplies.....	19
Recommendations.....	19
Education’s Response .....	19
V.I. Inspector General’s Comments.....	20
Finding 4: The Law’s Ambiguity .....	21
Lottery Allocation Amount.....	21
Recommendations.....	21
Education’s Response .....	22
V.I. Inspector General’s Comments.....	22
Other Matters .....	23

### **APPENDICES**

Appendix I	Laws, Rules and Regulations and Policies and Procedures .....	24
Appendix II	Education’s Response .....	27
Appendix III	Additional Information Needed to Close Recommendations .....	33
Appendix IV	Official Report Distribution.....	35

# INTRODUCTION

## BACKGROUND

In 1995, the Virgin Islands Legislature (Legislature) passed Act 6088, creating the Education Initiative Fund (the Fund) under VI Code (Code) Title 33, Subtitle 3, Chapter 111, Sections 3093. Initially established as a two-year pilot program under Act 5948 in 1994, the Fund plays a vital role in the educational system.

In 2002, the Legislature introduced a new section to the law, Section 3100i, which did not amend Section 3093. This new section updated specific requirements of Section 3093 while leaving other sections intact. As a result, the Fund is currently governed by Sections 3100i and 3093 of the Code. This legal framework forms the basis of the Fund's governance and operation.

Altogether, the Fund was created with a clear purpose: to enable schools to address emergencies so as not to disrupt the student learning process and to procure specific goods and services vital for the smooth operation of the schools.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether the Department of Education (Education):

- accurately and timely disbursed the funds to the applicable schools,
- monitored the schools' accounting of the funds in accordance with applicable laws, and
- expended funds and accounted for any undistributed and unused funds in accordance with the Code.

The scope of our audit covered Fiscal Years 2019 through 2022.

To accomplish our audit objectives, we reviewed all the relevant laws, regulations, and procedures and examined the Fund records provided by Education and the St. Croix and St. Thomas/St. John public schools. We reviewed funding, expenditures, reporting, and monitoring records and interviewed key officials and employees from Education and the Department of Finance (Finance). For our review, we selected a judgmental sample of seven schools from both districts for each fiscal year under review, for a detailed analysis. Also, we reviewed the Education's School Fund Management Manual, issued in February 2009.

We conducted this performance audit in compliance with the Government Auditing Standards (GAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we performed such tests of records and performed other auditing procedures that were considered necessary under the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **PRIOR AUDIT COVERAGE**

There were no indications in the records we examined that the Fund had been audited within the past five (5) years. However, the Office of the Virgin Islands Inspector General audited and issued a report on the Fund in February 2011. The objectives of the audit were to determine if the resources of the Fund were allotted, expended, and accounted for in accordance with applicable laws and regulations. The audit objectives included the identification of inadequacies in the funding process, the use, management, and accounting of funds, the construction of the law, and recommendations to address the inadequacies found.

The 2011 audit found that (1) funds were not evenly distributed between the schools; (2) funds were generally disbursed to schools late, with schools receiving their funding as many as 48 months after the beginning of the fiscal year and the allotments released by the Office of Management and Budget (OMB); (3) Schools did not expend and account for the uses of The Fund monetary resources in accordance with the law; (4) of the estimated \$1,275,857 in school expenditures, \$257,802 was not allowable under the law; (5) Education did not adequately monitor the schools' uses of Fund monies through the review and reporting processes; and (6) The Code contains ambiguous and contradictory statutes addressing the Fund.

The recommendations addressed areas dealing with (i) funding, (ii) expenditure and reporting requirements, (iii) internal controls, and (iv) the construction of the law.

## **RESULTS**

### **CONCLUSION**

The results of our audit disclosed that while Education made some improvements since the V.I. Inspector General's audit report issued in 2011 on the Fund, more improvement is needed in oversight to ensure that the Fund is adequately managed to meet the law's requirements. Specifically, we found that improvements in oversight are required to ensure (a) the consistent and complete application of the funding formula, (b) the timely disbursement of the school's fund annual allotment, and (c) the funds are appropriately accounted for and spent within the annual limits specified by the law.

Also, 13 years after the Office of the VI Inspector General recommended that Sections 3093 and 3100i of the law be merged to address ambiguous and contradictory statutes, both sections remain active.

We attribute these conditions to Education officials not always accurately calculating and timely disbursing the funds to schools. In addition, while Education officials generally identified and held schools accountable for individual unallowable expenses, they did not ensure that schools adhered to the annual spending limit imposed on specific categories of expenses established by law. In Fiscal Year 2021, Education did not distribute funds to the territory's schools. In addition, many aspects of the law are outdated and have not been updated to address changing needs and inflationary measures. Also, although previously recommended and agreed to by the then-Commissioner of Education that the law be merged, this was not accomplished.

As a result, (1) in Fiscal Year 2019, three St. Thomas/St John district schools received an advantage totaling \$18,919 when Education officials inconsistently used year-end bank statements. Five other schools lost the ability to recoup a total of \$16,762. This inconsistency caused the unequal treatment of the schools when determining the schools' Fund allotment for the next year. (2) Also, because the Fund's allocation formula was not consistently applied throughout all three phases to ensure fair distribution among the schools, in Fiscal Year 2019, two schools in the St. Thomas/St. John district did not receive a total of \$4,590 because those schools were not compensated the extra \$15 per student enrolled over 500. (3) The St. Croix district did not receive a total of \$11,175 because step 3 of the formula ensuring that both districts received equal funding was either not effectuated or applied in Fiscal Years 2019 and 2020. (4) The funds were disbursed to schools as many as 27 months after the October 15th date set by law. (5) As of this report's date, Education has not released as much as \$1,350,000 of the 2021 annual school funding. (6) Schools exceeded the annual spending limit imposed on specific categories of expenses by \$226,843. (7) There was at least \$14,540 in unsupported expenses. (8) The schools' monthly reports were not always completed according to Education's reporting requirements. (9) For two years, \$19,299 was expended from one school without accounting for those expenditures. (10) Education expended \$5,195,162 in questionable costs from the Fund. (11) After 29 years since the law's enactment, the law should be updated to account for changes in needs and the impact of inflation on administrative costs and the annual spending limits set on categories of expenses. Furthermore, the law's merger and statutory updates are needed to remove the existing ambiguities and standing contradictions,

thereby improving the Fund's management. These findings highlight the need for improvement in oversight, reporting requirements, and updates to the law.

We made several recommendations to address the causes of the findings included in this report. Our recommendations concern funding, expenditures, internal controls, and the law.

## **WHAT WE FOUND**

### **FINDING 1: SCHOOL FUNDING**

Our audit found that Education officials did not always: (1) ensure that the three phases of the formula, which provides an equal and fair distribution of funds to the schools and districts, were fully applied when determining the schools' annual Fund allotment; and (2) use the same year-end bank statement data to determine the schools' year-end balance. In addition, the schools' annual Fund allotment was not distributed by the October 15<sup>th</sup> deadline as specified by law.

We attribute these conditions to Education's (i) inaccurate application of the Fund's distribution formula, (ii) inconsistent use of year-end fund balance data, (iii) ineffective process in distributing funds timely to schools, and (iv) decision to withhold the 2021 funds.

As a result, in Fiscal Year 2019, due to the inaccurate application of the Fund's distribution formula, (1) two schools did not receive \$4,590 for a student population greater than 500, and (2) when the same year-end bank statement data was not used, three schools received \$18,919 more in funds, and five schools received \$16,762 less in funding. Also, for Fiscal Years 2019 and 2020, the St. Corix school district did not receive a total of \$11,175 to equalize both districts' funding. In Fiscal Year 2021, funding to 27 territory schools, valued at as much as \$1,350,000, was not distributed. Finally, from Fiscal Year 2019 through 2022, schools did not receive their annual allotment until 12 to 27 months past the required date. The late distribution of funds to schools affected the schools' ability to maximize the benefit of having the funds available from the start of each fiscal year. This left school officials vulnerable to addressing emergencies impacting the school's daily operations. Consequently, the law's intent was minimized.

#### **Criteria**

Title 33, Section 3100i (c) of the Code requires schools to receive their Fund allotment within 15 days following the beginning of each fiscal year. Each school receives a base amount of \$50,000 and an additional \$15 for every enrolled student over 500. If one school district receives significantly more funds than the other, the district receiving the smaller sum is awarded an additional sum to equalize both districts' funding. The additional sum the district receives is divided proportionately by the number of students in each school.

#### **Inaccurate Application of the Fund Formula**

The Formula steps are as follows: Step 1 requires a base distribution of \$50,000 to each school. Step 2 requires that schools with student enrollment over 500 receive \$15 per student. Step 3 requires both districts to receive equal funding.

Our audit found that Education officials did not always follow all three steps of the formula to ensure the fair and equal distribution of funds to the schools and districts. As a result, two schools did not receive a total of \$4,590 in additional funds because step 2 of the formula was not carried out. Also, \$11,175 was not distributed to the St. Croix district because step 3 of the formula was not effectuated or applied.

**Step 2 of the Formula.** In Fiscal Year 2019, Education did not apply step 2 when allocating district funding. Specifically, two schools in the St. Thomas district had enrollment numbers above 500. Therefore, the schools should have received an additional \$15 for each student above that 500 enrollment number. One school did not receive the extra funding of \$3,345 (223 students x \$15), and the other school did not receive \$1,245 (83 students x \$15). The following schedule details how step 2 of the formula should have been applied to both schools.

Calculation of Funding Formula (Fiscal Year 2019)		
Funding Formula:	Lockhart Elementary School	Joseph Gomez Elementary School
Step 1: Base Amount	\$50,000	\$50,000
Step 2: (723-500) * \$15 = \$3,345 (583-500) * \$15 = \$1,245	\$3,345	\$1,245
Expected Allotment	\$53,345	\$51,245
Actual Allotment to the School	\$50,000	\$50,000
<b>Funding Shortage</b>	<b>\$3,345</b>	<b>\$1,245</b>

**Step 3 of the Formula.** In Fiscal Year 2019, the correct application of Step 2 would have given two schools in the St. Thomas/St. John district a total of \$4,590 in added funds. This act would have triggered the application of Step 3, which required both districts to be awarded equivalent sums of money. Therefore, the St. Croix district did not receive an additional \$4,590 that would have been proportionately distributed to each school. Thus, instead of the \$860,350 given to both districts, that amount should have been \$864,940, making the district funding for Fiscal Year 2019 short by \$9,180.

Also, in Fiscal Year 2020, Education did not apply step 3 of the formula after determining that the St. Thomas/St. John district allotment was \$718,825, and the St. Croix district allotment was \$712,240. Therefore, the St. Croix district's funding was short by \$6,585. Below is a summary of allotment disbursement per district for Fiscal Years 2019 through 2022.

School District Fund Distributed by Fiscal Year				
District	2019	2020	2021	2022
St. Thomas/St. John	\$860,350	\$718,825	\$0	\$714,490
St. Croix	\$860,350	\$712,240	\$0	\$714,490
Difference (total):	\$0	\$6,585	\$0	\$0

**The Schools' Fund Ending Balance.** The Code requires schools to return any unused funds remaining at the end of each fiscal year for redistribution in the next fiscal year. However,

Education officials decided to leave the funds with the schools and subtract the year’s ending balance from the school’s fund allotment for the next year.

In Fiscal Year 2019, to determine the schools’ year-end balance, Education used May’s bank statement for most schools and June’s bank statement for three schools in the St. Thomas/St. John district. The three schools in the St. Thomas/St. John district received a total of \$18,919 more in funding because their June bank statement ending balance was used instead of May’s statement ending balance, as was done for all other schools. This caused the three schools to receive an advantage because they were allowed 30 extra days of expenses, while five other schools were disadvantaged and did not receive a total of \$16,762 had they been afforded the additional 30 days.

To maintain equity, the same month's bank statement should have been used for all the school's Fund ending balance. We were informed that discussions between Finance and Education led to the September 30<sup>th</sup> bank statement ending balance being used since Fiscal Year 2020.

The following schedule details the three schools that received more funding and the five schools that lost the ability to recoup funds.

Unequal Treatment of Funds Ending Balance				
Schools	Bank Statements Ending Balance:		Advantage \$ (Received)	Disadvantage \$ (Lost)
	May	June		
Charlotte Amalie HS.	\$18,398	\$10,777	\$7,621	
Joseph Sibilly Elem.	\$29,206	\$20,278	\$8,928	
Edith Williams Alt.	\$40,429	\$38,059	\$2,370	
Addelita Cancryn Jr. HS	\$10,346	\$3,068		\$7,278
Julius E. Sprauve	\$30,007	\$24,171		\$5,836
Joseph Gomez Elem.	\$2,507	\$259		\$2,248
Day Adult Ed.	\$5,636	\$4,509		\$1,127
Raphael O. Wheatley	\$379	\$106		\$273
<b>Total</b>			<b>\$18,919</b>	<b>\$16,762</b>

As shown in the above schedule, the two schools that received the highest advantage were the Joseph Sibilly Elementary School, which received \$8,928, and the Charlotte Amalie High School,

which gained \$7,621. In contrast, the two schools with the most significant lost opportunity were the Addelita Cancryn Jr. High School, \$7,278, and the Julius Sprauve School, \$5,836.

### **Timeliness of Disbursement**

The Code requires that OMB allot funds to the schools by October 15th, fifteen days after starting a new fiscal year. This effort requires coordination with Education, Finance, and OMB working toward this end. However, we saw that it was the norm for the schools’ funds to be disbursed months later than the law stipulates. Below is a schedule showing the delay in months when checks were issued to the districts’ schools. Also noted are those exceptions of schools that did not receive their funds simultaneously as all other schools.

<b>Time Delay in Issuing Education Initiative Funds to Schools</b>				
<b>Fiscal Year</b>	<b>Required Distribution Date</b>	<b>School Districts’ Funding Distribution Date</b>	<b>Exception Noted</b>	<b>Lapse Time</b>
2019	Oct. 15, 2018	October 8, 2019	Raphael O. Wheatley Skills Center (Dec. 10, 2019)	12-13 months
2020	Oct. 15, 2019	Mar. 4, 2021	Ivanna Eudora Kean High School (Jan. 27, 2022)	16-27 months
2021	Oct. 15, 2020	No Funding*	All Schools	Not Disbursed*
2022	Oct. 15, 2021	Jan. 27, 2022	All Schools	3 months

\*No Fiscal Year 2021 funds were disbursed.

As shown above, for FY 2019 (10/1/18 to 9/30/19), the Fund’s checks were issued to most schools on October 8, 2019, one year after the required date. We noted one exception, the Raphael O. Wheatley Skills Center, which received its 2019 funding on December 10, 2019, 13 months later.

For Fiscal Year 2020 (10/1/19 to 9/30/20), checks were allotted to most schools on March 4, 2021, 16 months past the required time. We noted one exception, the Ivanna Eudora Kean High School, which did not receive its check until January 27, 2022, 27 months late. Education officials stated that the school's check had to be reissued in another custodian’s name, which took an additional 11 months to complete. Therefore, this school received its Fiscal Year 2020 and 2022 funds on January 27, 2022.

We noted that Education’s practice was to wait for all schools' annual reports to be completed before requesting the disbursements. Education officials stated that one contributing factor to the late fund's distribution was that some schools did not submit their annual reports on time to Education. However, officials said that as of Fiscal Year 2024, Education started to submit the individual school’s annual reports to Finance as they were completed.

**Undistributed Funds.** Education did not distribute the Fiscal Year 2021 Funds to the territory’s 27 schools. Although the VI Lottery contributions were remitted and officials calculated the allotment amounts due to each school, no funds were provided. Education officials indicated that

inaccurate enrollment numbers because of COVID and homeschooling were the reason for not disbursing the funds. However, the law allows for a base amount of \$50,000 to be distributed to every school regardless of enrollment numbers. Therefore, at a minimum, each school should have received \$50,000.

The decision not to fund the schools in Fiscal Year 2021 for as much as \$1,350,000 (\$50,000 x 27) circumvented the law's intent to support school-based management. School-based management promotes transferring decision-making authority from the district offices to the individual schools. It provides greater autonomy and flexibility in the school's daily operations and resource management. The responsibility for the lawful spending of the Fund is placed with the schools' principals as the Fund's custodians. The district offices provide the necessary oversight to ensure the Funds are adequately accounted for and spent according to the law's requirements. We did not find any provision in the law or Education policies addressing the non-distribution or discretionary distribution of funds to schools. It is our opinion that the law does not allow for Education to withhold funding from the schools, and the department should make provisions to adhere to the law.

We noted that in Fiscal Year 2022, the time it took for schools to receive their funds improved slightly. Schools received their funds three months after the required date.

### **Recommendations**

We recommend that the Commissioner of Education:

- 1.1 Ensure that the Code's requirements are followed, and the Fund's distribution formula is applied throughout all its phases.
- 1.2 Follow the Code's requirement or seek a Code amendment to the requirement that schools return all unused fund balances at the end of each Fiscal Year.
- 1.3 Work with OMB and Finance to ensure the distribution of the Fiscal Year 2021 schools' annual Fund allotment as the law stipulates.
- 1.4 Work with OMB and Finance to implement measures to ensure the timely distribution of the Fund's annual allotments to the territory's schools.
- 1.5 Work with OMB and Finance to: (1) determine the feasibility of allowing a percentage of the Fund's annual distribution to remain with the schools without penalty to alleviate the burden placed on school administrators when funds are distributed late and considering the September 30<sup>th</sup> spending deadline. (2) If feasible, request an amendment to the law to reflect this change.

## **Education's Response**

The response indicated agreement with all five recommendations. Education issued its plan of action, indicating the responsible Education officials and the expected implementation period.

- 1.1 The Commissioner, Financial Control Officers, School Administrators, and the Internal Audit Director will review and update VIDE's School Cash Handling Manual, ensuring it aligns with the Virgin Islands Code. They will develop a training and oversight protocol to ensure the Fund's distribution formula is correctly applied in all phases. VIDE's Internal Audit Division will conduct periodic audits to ensure Senior Leadership's assurance of compliance with the manual.
- 1.2 The Commissioner and Legal Affairs Division will conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.
- 1.3 The Commissioner and Deputy Commissioner of Fiscal & Administration will coordinate with OMB and Finance to review FY 2021 enrollment data and funding calculations to conclude on the appropriate handling [of] allotments.
- 1.4 The Commissioner and Deputy Commissioner of Fiscal & Administration will establish a timeline and workflow for fund disbursements.
- 1.5 The Commissioner, Deputy Commissioner of Fiscal & Administration, and Legal Counsel will evaluate fiscal impacts and administrative feasibility of retaining a percentage of funds at schools' year-end, and draft legislative proposals if benefits are demonstrated.

## **V.I. Inspector General's Comments**

We will consider recommendations 1.1, 1.2, 1.4, and 1.5 as resolved with pending implementation. We consider recommendation 1.3 as partially resolved, pending documentation of Education, OMB, and Finance's decision on the handling of the FY 2021 allotment to the schools.

## **FINDING 2: MONITORING OF SCHOOL EXPENDITURES AND REPORTING**

We found that although Education has made some improvements in monitoring schools' expenditures, more oversight is needed to ensure that schools adhere to the law regarding (1) the annual spending limits set for specific categories of expenses, and (2) the monthly reporting requirement. Specifically, we found schools routinely exceeded the \$3,500 annual spending limit set for equipment and supplies for administrative offices, and the \$2,500 annual limit set for personal services. In addition, we found some schools' monthly reports incomplete and not always accompanied by the required supporting documentation to account for expenditures. Also, one school did not submit monthly reports for two years.

These conditions are a direct result of Education not placing emphasis on the legally imposed annual spending limits on specific categories of expenses. In addition, the schools had as little as six months, including summer months, to spend funds received past the lawfully required date. Finally, the law on spending limits has not kept pace with inflation and the increased yearly Fund allotment provided to schools.

As a result, we found that during Fiscal Years 2019 through 2022, the schools in our sample spent \$226,843 over the annual spending limit on specific categories of expenses. A total of \$14,540 in expenses were not adequately supported. Also, one school spent \$19,299 over two years without accounting for those expenditures.

### **Criteria**

Title 33, Section 3100(i) (d) of the Code requires each school or facility's principal or next-ranking assistant principal to be authorized to spend the Fund's annual allotment. They must report monthly, detailing the amount, nature, and justification for each item purchased. The report on spending should be accompanied by receipts and any other documentation required by the Fund's guidelines. Also, Section 3093 (g) of the Code states that principals are not allowed to purchase more than \$3,500 worth of equipment and supplies per year for administrative offices, or more than \$2,500 for personal services per person, legal entity, employee, or representative, and not more than 50% of the schools' total allocation on personal services.

### **Non-allowable Cost**

During Fiscal Year 2019-2022, we reviewed \$1,859,235 in expenses and found that some schools in both districts exceeded the Fund's annual allowable spending limits for supplies, equipment, and personal services. Overall, at least \$226,843 was spent above the yearly allowable limit.

### **Over \$3,500 Annual Limit**

Of the \$226,843 spent above the annual allowable limits, \$143,533, or 63%, was for expenditures exceeding \$3,500 established for equipment and supplies for administrative offices. The following

schedule details by district, examples of those schools that exceeded the \$3,500 annual allowable limit by at least \$1,000.

<b>Over \$3,500 Limit for Equipment and Supplies for Administrative Offices</b>				
<b>District:</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>St. Croix Schools:</b>				
Arthur Richards Elem.	\$12,256			
Central High	4,527	\$5,710		
Career & Technical Edu.	3,666		\$1,914	
Lew Muckle Elem.	1,571			
Juanita Gardine Elem.		9,987		\$3,422
Ricardo Richards Elem		8,071		
John H. Woodson Jr. High		4,950	4,343	5,423
Educational Complex High			7,334	3,664
Pearl B. Larsen Elem.			3,006	
Adult Education			2,327	
<b>STX District Total:</b>	<b><u>\$22,020</u></b>	<b><u>\$28,718</u></b>	<b><u>\$18,924</u></b>	<b><u>\$12,509</u></b>
<b>STT/ STJ Schools:</b>				
Addelita Cancryn Jr. High	\$10,723			\$14,377
Charlotte Amalie High	7,935	\$3,853		
Bertha C. Boschulte Middle		9,388		
Yvonne E. Milliner-Bowsky Elem.				15,086
<b>STT/STJ District Total:</b>	<b><u>\$18,658</u></b>	<b><u>\$13,241</u></b>		<b><u>\$29,463</u></b>
<b>Territory-Wide Total:</b>	<b><u>\$40,678</u></b>	<b><u>\$41,959</u></b>	<b><u>\$18,924</u></b>	<b><u>\$41,972</u></b>

The school with the highest spending infraction in Fiscal Year 2019, the Arthur Richards Jr. High School, exceeded the \$3,500 annual spending limit for office equipment and supplies by \$12,256. In Fiscal Year 2020, the Juanita Gardine Elementary School exceeded the limit by \$9,987. Also, in Fiscal Year 2022, the Addelita Cancryn Jr. High School exceeded the limit by \$14,377, and the Yvonne E. Milliner-Bowsky Elementary School exceeded the limit by \$15,086.

### **Over \$2,500 Annual Limit**

Of the \$226,843 spent above the annual allowable limits, \$83,310, or 37%, was for expenditures exceeding the \$2,500 established for personal services. The following schedule details by district, examples of those schools that exceeded the \$2,500 annual allowable limit by at least \$1,000.

<b>Over \$2,500 Limit for Personal Services</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>St. Croix Schools:</b>				
Arthur Richards	\$1,543			
Central High	4,130	\$9,122		
Career & Technical Edu.		2,771		
Lew Muckle Elem.				
Juanita Gardine Elem.		3,000		
Pearl B. Larsen Elem.			\$2,065	
Alfredo Andrews Elem.				\$1,716
Positive Connections Alternative Education			2,283	
<b>St. Croix District Total:</b>	<b><u>\$5,673</u></b>	<b><u>\$14,893</u></b>	<b><u>\$4,348</u></b>	<b><u>\$1,716</u></b>
<b>STT/ STJ Schools:</b>				
Charlotte Amalie High	\$2,100			\$2,060
Leonard Dober Elem.	9,915			
Gladys Abraham Elem.	6,500			
Bertha C. Boschulte Middle		\$5,025	\$3,880	
Ulla F. Muller Elem.		12,023		
Lockhart Elem.		7,700		
Ivanna Eudora Kean High			2,500	
Raphael O. Wheatley Skill Center				4,977
<b>STT/STJ District Total:</b>	<b><u>\$18,515</u></b>	<b><u>\$24,748</u></b>	<b><u>\$6,380</u></b>	<b><u>\$7,037</u></b>
<b>Territory-Wide Total:</b>	<b><u>\$24,188</u></b>	<b><u>\$39,641</u></b>	<b><u>\$10,728</u></b>	<b><u>\$8,753</u></b>

The school with the highest spending infraction in Fiscal Year 2019, the Leonard Dober Elementary School, exceeded the \$2,500 established for personal services limit by \$9,915. In Fiscal Year 2020, the Ulla F. Muller Elementary School exceeded the limit by \$12,023. Also, in Fiscal Year 2021, the Bertha C. Boschulte Middle School exceeded the limit by \$3,880; in Fiscal Year 2022, the Raphael O. Wheatley Skill Center exceeded the limit by \$4,977.

### **Monthly Reports**

We audited a sample of schools' monthly reports submitted to account for the Funds. To meet the Code requirement, Education's procedure manual requires monthly reports to include an expense report, the bank statement, a reconciliation of the bank statement, copies of canceled checks, invoices, and receipts as support for the expenditures made.

**St. Croix District.** Our audit of the St. Croix district schools' monthly reports found that, with one exception, the schools mostly followed the Education manual's policies and procedures. We found that all the schools did not include a monthly bank reconciliation with their report. Also, except for one miscellaneous unsupported expense of \$30, all other reporting requirements fully complied with the standards set by Education.

**St. Thomas/St. John District.** We found that the St. Thomas/St. John district schools' monthly reports did not always meet the standards set by the Education to account for the expenditures. For the sampled schools, a cumulative of eighteen bank statements and 44 receipts for expenditures totaling \$14,510 did not accompany the respective monthly reports. Also, for Fiscal Years 2021 and 2022, no monthly reports were submitted to account for expenditures made by the Adult Education program. Based on information provided by Education officials, the Adult Education program started in Fiscal Year 2021 with a balance of \$30,504. At the end of Fiscal Year 2022, the balance was \$11,205. Therefore, \$19,299 was expended from this account over two years without accounting for how those funds were used. We noted that no additional funding has been provided to the Adult Education program since Fiscal Year 2020.

### **Unsupported Expenses**

From the school's monthly reports sampled territory-wide, we found \$14,540 in unsupported costs. Of that amount, the St. Thomas/St. John district schools account for \$14,510 (99.8%). We found that 96%, or \$13,992, represented missing support from one school.

The following schedule shows the two schools with the highest dollar value in unsupported expenses from Fiscal Year 2019-2021.

<b>Unsupported Expenditure s</b>					
<b>School</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Grand Total</b>
Jane E. Tuitt Elementary School	-	-	-	<u>\$360</u>	\$360
Raphael O. Wheatley Skill Center	<u>\$6,877</u>	<u>\$7,115</u>	-	-	<u>\$13,992</u>
	<u>\$6,877</u>	<u>\$7,115</u>	<u>\$0.00</u>	<u>\$360</u>	<u>\$14,352</u>

### **Annual Spending Limits**

In our opinion, the annual spending limits of \$3,500 and \$2,500 imposed on specific categories of expenses should be increased to account for the increased base annual allotment provided to the schools since 2002. Specifically, the annual spending limits were not changed when the schools' base allotment changed from \$10,000 to \$50,000 per year. As a result, the percentage for allowable spending at \$3,500 changed from 35% (\$3,500/10k) to 7% (\$3,500/50K). Likewise, the allowable spending at \$2,500 changed from 25% (\$2,500/\$10K) to 5% (\$2,500/50K).

## **Recommendations**

We recommend that the Commissioner of Education:

- 2.1 Ensure that funds are spent within the allowable limits established by the Code.
- 2.2 Implement measures to ensure schools' Fund reports meet the reporting requirements.
- 2.3 Seek Code amendments to update Section 3093 to increase the annual spending limits of \$3,500 and \$2,500.

## **Education's Response**

The response indicated agreement with all three recommendations. The plan of action is as follows:

- 2.1 The Commissioner, Deputy Commissioner for Fiscal & Administration, and Fiscal Control Officers will conduct training for school finance personnel and establish compliance checkpoints to ensure spending remains within the Code's revised limits.
- 2.2 The Deputy Commissioner for Fiscal & Administration, Fiscal Control Officers, and the Internal Audit Division will update the Fund reporting manual and deploy a standardized monthly reporting tool to be used by all schools. Conduct compliance checks quarterly.
- 2.3 The Commissioner, Legal Counsel, and Legislative Liaison will conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

## **V.I. Inspector General's Comments**

We will consider these recommendations as resolved pending implementation.

### **FINDING 3: UNDISTRIBUTED AND UNUSED FUNDS**

We found that Education did not expend and account for the undistributed and unused Fund monies following the Code's requirement. Specifically, of the \$11,673,644 expended from the Fund, we questioned \$5,195,162 in expenses paid for unallowable and questionable costs that were not aligned with the Fund's lawful purpose. In addition, Education did not require schools to return unused funds per the Code's requirement. (see page 8, "The Schools' Fund Ending Balance)."

The Code Section 3093 states that Education (1) "may use 80% of the annual balance on September 30th at the end of each Fiscal Year, after funds have been utilized for public school and public adult education allocations, for textbooks and textbook-related purposes." (2) in "each fiscal year, the sum of \$75,000 shall be allocated from the Fund to the Department of Education for the purpose of covering administrative costs incurred in the operation of the Fund. From those funds, the Commissioner of Education shall retain one Accountant per school district to provide assistance to Principals in complying with the reporting requirements of the Fund and to verify the accuracy of such reports before the submission to the Department of Finance." (3) Code section 3100i (e) states that any sum remaining in the Imprest Fund Checking Account at the end of the Fiscal Year shall be returned to the Fund for redistribution in the next Fiscal Year.

The Fund was not utilized as the law intended, as a separate and distinct fund in the government's treasury. Specifically, three special projects unrelated to the Fund operated through the account, causing revenues and expenses to be commingled. Furthermore, Education used the Fund to pay for expenses not allowed per the Code's requirement. In addition, Education did not require schools to return the remaining monies in their Imprest Fund Checking Account at the end of each fiscal year.

As a result, \$5,195,162 in unallowable and questionable costs was paid using Fund monies. Specifically, Education used the Fund to pay for three projects whose costs were unrelated to the Fund, including \$1,483,143 for a FEMA-funded project, \$413,687 for graduation fees reimbursed, and \$6,659 for a Worker Preparation Program. In addition, Education used the Fund to pay for \$3,273,178 in questionable payroll costs, \$11,954 for catering, and \$6,541 for supplies.

#### **Other Unallowable Fund Expenditures**

The law required the Fund to be established as a separate and distinct fund within the government's treasury. This avoids the commingling of funds, which can create challenges in accurately accounting for the funds and ensuring that the monies explicitly granted for such purposes are used in strict compliance with the law. However, the Fund covered \$1,903,489 in costs for three projects operated through the account: a FEMA project, the Worker Preparation Educational Program, and Graduation Fees.

The following schedule details the three project expenses and audited adjustments made for each fiscal year 2019-2022.

Fiscal Year	FEMA Project	Worker Preparation Program	Graduation Fees	Total
2019	\$838,686	\$8,703	-	\$847,389
2020	\$690,957	\$47,566	-	\$738,523
2021	(\$13,563)	\$12,471	-	(\$1,092)
2022	-	\$69,068	\$203,077	\$272,145
Sub-Total	\$1,516,080	\$137,808	\$203,077	\$1,856,965
Adjustments (Audited)	(\$32,937)	(\$131,149)	\$210,610	\$46,524
Total Questionable Expenses	<b>\$1,483,143</b>	<b>\$6,659</b>	<b>\$413,687</b>	<b>\$1,903,489</b>

**FEMA-Funded Project.** Our audit of the Fund account identified \$1,483,143 in questionable costs associated with a FEMA-funded project granted for cleanup, temporary repairs, and emergency protective measures at the territory's public schools. We noted that \$1,516,080 in net costs were charged directly to the project's cost code, and \$32,937 in associated reimbursed travel costs were posted to the Fund account's code. Therefore, this project's net expenses totaled \$1,483,143. The schedule below details the revenues collected from FEMA and expenses and adjustments associated with this project.

FEMA Funded Project					
Description	2019	2020	2021	2022	Total
Rev Coll (FEMA)	(\$226,298)	(\$96,498)	(\$13,563)	-	(\$336,359)
Judgment	(56,409)				(56,409)
Professional Services	613,573				613,573
Supplies/Equip	181,326				181,326
Travel	152,461	(51,709)			100,752
Vehicle	53,000				53,000
Superintendent Office	50,000				50,000
Maintenance/Repair	30,016				30,016
Transportation	21,770				21,770
Cell Phone Bills	8,085				8,085
Textbook/Related	6,542	839,164	-	-	845,706
Training	4,620	-	-	-	4,620
Sub-Total	<b>\$838,686</b>	<b>\$690,957</b>	<b>(\$13,563)</b>	<b>-</b>	<b>\$1,516,080</b>
Adjustments (Audited)					(32,937)
Total Questioned Costs					<b>\$1,483,143</b>

**Worker Preparation Educational Program.** The Fund paid \$6,659 for costs associated with the Worker Preparation Educational Program. We found that \$131,149 in casino revenues was posted to the Fund account as the revenue source for the program's costs. However, the actual

expenses totaled \$137,808, leaving the Fund account to cover the excess cost of this project. The schedule below details the expenses associated with this project.

Worker Preparation Program						
Fiscal Year	Equipment & Supplies	Membership Fees	Travel Expense	Stipend	Text-books	Total
2019	\$ 703	\$8,000	-	-	-	\$ 8,703
2020	15,146		\$11,339	11,340	9,741	47,566
2021	12,471		-	-	-	12,471
2022	25,176		\$26,617	\$17,000	275	69,068
<b>Sub-Total</b>	<b>\$53,496</b>	<b>\$8,000</b>	<b>\$37,956</b>	<b>\$28,340</b>	<b>\$10,016</b>	<b>\$137,808</b>
Casino Revenues						<b>(\$131,149)</b>
<b>Total Questionable Expenses</b>						<b>\$ 6,659</b>

**Reimbursed Graduation Fee.** In Fiscal Year 2022, the Fund reimbursed \$413,687 to twelve schools for graduation fees incurred in 2021 and 2022. The supporting documentation to justify the payments indicated that the Fund would be “refunded” from the Governor’s CARES/ARP grant. We have not found that the Fund was reimbursed as of this report's date.

**Unallowable Fund Costs**

Our audit found that of the \$11,673,644 in expenses paid from the Fund, \$9,639,005 was directly attributable to the Fund account code. Of that amount, we identified \$6,347,332 in approved expenses and \$3,291,673 in questionable costs. Specifically, Education paid \$3,273,178 in questionable payroll costs, \$11,954 for catering services, and \$6,541 for supplies. The following schedule details the expenses charged to the Fund’s account code.

Education Initiative Fund Expenditures Fiscal Year 2019-2022					
Description	2019	2020	2021	2022	Total
<b>Payroll</b>	\$ 826,378	\$ 766,404	\$ 951,172	\$1,029,224	\$3,573,178
<b>Schools</b>	1,217,008	-	920,355	1,025,532	3,162,895
<b>Transfer (DPW)</b>	536,454	1,042,548	-	1,305,435	2,884,437
<b>Catering</b>	4,997	-	-	6,957	11,954
<b>Supplies</b>	3,606	-	-	2,935	6,541
<b>Total:</b>	<b>\$2,588,443</b>	<b>\$1,808,952</b>	<b>\$1,871,527</b>	<b>\$3,370,083</b>	<b>\$9,639,005</b>

**Payroll Cost.** For four years, of the \$3,573,178 in payroll cost paid, only \$300,000 was lawfully allowed, leaving \$3,273,178 unallowable. The Code’s section 3093 states that in each fiscal year, \$75,000 shall be allocated from the Fund to Education to retain one Accountant per school district to assist Principals in complying with the Fund's reporting requirements and verifying the accuracy

of reports before submission to Finance. Over four years, this would allow for \$300,000. We found that the Fund pays for more than two accountants at costs higher than the Code allows.

Education officials, when asked, cited Title 17, Section 60d (d) of the Code, as the authority to hire additional accountants to the public schools. Specifically, this code section stated, “The Virgin Islands Department of Education shall employ and assign persons trained and experienced in fiscal and budgetary management at each public junior high and senior high school in the Virgin Islands to assist principals in the procurement processes and audits.” Education was granted this authority in 2002. However, Education did not provide the support to justify using the Fund account to pay for the additional accountants.

We must note that Code Section 3093, which made an allowance of \$75,000 annually from the Fund to Education to cover administrative costs for two accountants, was codified in 1995. Therefore, 29 years later, and adjusted for inflation, this amount is inadequate.

**Catering Services and Supplies.** We noted that Education paid \$11,954 for catering services over the four-year audited period. The fund was also used to purchase \$6,541 for general office supplies and office equipment repair and maintenance.

## **Recommendations**

We recommend that the Commissioner of Education:

- 3.1 Ensure that all FEMA-eligible expenses are reimbursed to the Fund account.
- 3.2 Ensure the Fund is reimbursed by the Governor’s Cares/ARP grant.
- 3.3 Ensure the Fund monies are expended per the Code's requirements.
- 3.4 Ensure that the Fund Account is not commingled with other unrelated projects to maintain its integrity as a separate and district fund.
- 3.5 Request that the law be updated to increase the annual administrative cost contribution.

## **Education’s Response**

The response indicated agreement with all five recommendations. The plan of action is as follows:

- 3.1 The VIDE Fiscal & Administrative Division will collaborate with FEMA and VIDE internal stakeholders to identify eligible expenses and submit them for reimbursement. They will track reimbursements to ensure they are credited to the Fund.
- 3.2 The Commissioner and Deputy Commissioner for Fiscal & Administrative Affairs will liaise with the Governor’s Office to verify the status of CARES/ARP reimbursements and submit reimbursement requests with supporting documentation.

- 3.3 Education officials will (1) develop written procedures to guide future fund disbursements; (2) provide training for school finance personnel; and (3) conduct internal audits to assess adherence to the Code and policies and procedures.
- 3.4 Education officials will segregate all Fund transactions from unrelated project accounts in the financial management system and ensure monthly reconciliations are conducted.
- 3.5 The Commissioner, Legal Counsel and the Legislative Liaison will conduct a comprehensive legislative review to: (1) merge the applicable sections of the law, (2) update outdated spending limits, (3) clarify contradictory provisions in the law regarding lottery fund percentages, (4) modernize the annual administrative cost allowance, and (5) evaluate actions to be taken to regarding requirements such as unused fund returns and fund usage flexibility. Based on their review, they will draft and propose amendments, as needed.

**V.I. Inspector General's Comments**

We will consider these recommendations as resolved pending implementation.

## **FINDING 4: THE LAW'S AMBIGUITY**

Thirteen years after the Office of the Virgin Islands Inspector General recommended in its 2011 audit report that Sections 3093 and 3100i of the Code be merged to address ambiguous and contradictory language, both sections remain active. Education officials informed us that a former senator was working on legislation to correct the existing legislation. However, as of this report date, no amendments to the law have been made.

The Fund is governed by Title 33, Code Sections 3093 (promulgated in 1995) and Section 3100i (promulgated in 2002). Instead of amending the initial governing Section 3093, the VI Legislature added Section 3100i to address changes in how the Fund was to be administered, thereby updating some requirements of Section 3093. The subjects addressed under the laws include (1) The Virgin Islands Lottery contribution percentage, (2) the base distribution to schools, (3) reporting requirements, (4) the non-allowable use of funds, (5) the return of the school's unused funds, and (6) the schools' annual allocations distribution date.

Section 3100i updated the requirements of Section 3093 for the base allocation to schools from \$10,000 to \$50,000, the reporting requirements from quarterly to monthly, and the return of the schools' unused funds from greater than \$100 to any amount. Other sections of Section 3093 not included in 3100i are (a) the VI Lottery contribution, (b) the non-allowable use of the funds, and (c) the schools' annual allocations distribution date.

### **Lottery Allocation Amount**

Title 33, Section 3093 and Title 32, Section 246 of the Code contradict each other in that the former requires the Lottery to transfer 35% of the proceeds it derives from contractor gaming revenues to the Fund. The latter, however, set the transfer amount at 15% from 25% as amended by Act 7131. Both Code sections are linked to Act 6590, which was approved on August 1, 2003.

The Office of the Virgin Islands Inspector General maintains that having both sections of the law remain active leaves room for misinterpretation. Therefore, as noted throughout this report, in addition to addressing updates to the law, both sections should be merged to maintain clarity and avoid conflicting language.

### **Recommendations**

We recommend that the Commissioner of Education:

- 4.1 As previously proposed and agreed to in our 2011 audit report, propose that Title 33, Sections 3093 and 3100i of the Code be merged into one section and remove all contradictory and ambiguous language.
- 4.2 Propose that the contradictory percentages referenced in Title 33, Section 3093(b) (35%) and Title 32, Chapter 13, Section 246(a)(11)(iv) (15%) agree to ensure the law's intent.

### **Education's Response**

The response indicated agreement with both recommendations. For both recommendations, the Commissioner, Legal Counsel, and the Legislative Liaison will conduct a comprehensive legislative review as previously stated in their response to Recommendation 3.5.

### **V.I. Inspector General's Comments**

We will consider these recommendations as resolved pending implementation.

## **OTHER MATTERS**

### **Undistributed Funds for Textbooks and Textbook-Related Purposes**

The Code Section 3093 states, in part, that Education may use 80% of the annual balance on September 30<sup>th</sup> at the end of each Fiscal Year for textbooks and textbook-related purposes and that all unspent funds remain until expended. We noted that over the 4-year audited period, 2019-2022, Education used less than 10% of the undistributed funds for textbooks and textbook-related purposes. In an interview with the bill's original sponsor, the bill's original sponsor explained that this section of the Code was necessary because, at the time, Education had problems purchasing schoolbooks and workbooks for students. Therefore, a provision was made for Education to buy textbooks and textbook-related items.

We do not question the need for textbooks and related items. However, we find that Education should evaluate the extent to which this law remains relevant since its enactment in 1995. This will allow Education to determine if these funds could be utilized more effectively within the framework for which the Fund was established.

**Laws, Rules and Regulations and Policies and Procedures**

Two existing laws govern the Education Initiative Fund: Title 33, Chapter 111, Sections 3093 and 3100i. Section 3100i updated some of the requirements of Section 3093 without amending it, creating conflicting statutes in the law.

**Section of 3100i updates to Section 3093**

3100i	3093
<p>“There is established within the Treasury of the Virgin Islands, a fund to be known as the Virgin Islands Education Initiative Fund (the “Fund”). The Commissioner of Finance shall provide for the administration of the Fund as a separate and distinct fund in the Treasury.”</p>	<p>“There is established within the Treasury of the Virgin Islands, a fund to be known as the Virgin Islands Education Initiative Fund (the “Fund”). The Commissioner of Finance shall provide for the administration of the Fund as a separate and distinct fund in the Treasury and shall promulgate rules and regulations for the expenditure of funds and the reporting of such expenditures pursuant to the provisions of this section.”</p>
<p>“The Fund shall consist of all sums appropriated thereto by the Legislature of the Virgin Islands in the annual budget of the Department of Education, all donations, gifts, and bequests.”</p>	<p>“The Fund shall consist of 35% 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 V.I.C. 246(a)1) all sums appropriated thereto by the Legislature of the Virgin Islands, all donations, gifts, and bequests.”</p>
<p>“Monies in the Fund shall be dispersed by the Commissioner of Finance into an Imprest Fund Checking Account for each public school in the Virgin Islands pursuant to the following formula: Each public school shall be awarded a base amount of \$50,000. Each public school shall receive an additional sum of \$15 per student for every student enrolled over an enrollment of 500. In the event that one school district receives a larger sum than the other, the district receiving the smaller sum shall be awarded an additional sum so that each district receives an equivalent sum. The additional sum received by the district shall be divided proportionately to the number of students in each school.”</p>	<p>“Monies from the Education Initiative fund shall be allotted to the various public schools and public adult education facilities of the Virgin Islands according to the following Formula: (1) Each public school and public adult education facility shall be awarded a base amount of \$10,000. For every enrolled student over 500, as determined by the fall school population report of the Office of Testing, Planning, and Evaluation, and Department of Education, each public school and public adult education facility shall receive the additional sum of \$15.00. (2) In the event that one school district receives a larger sum than the other under the above formula, the district receiving the smaller sum shall be awarded an additional sum so that each district receives equivalent sums. The additional sum received by the district shall be divided proportionately to the number of students in each school or facility.”</p>

<p>“The Principal of each school, or the next ranking Vice-Principal, shall be the sole authority empowered to write checks on the school’s Imprest Fund Checking Account. Each Principal shall provide a <b>monthly report</b> detailing the amount, the nature, and a justification of each item of expenditure, in addition to receipts and other documentation.”</p>	<p>“The Principal of each school or facility, or the next ranking Assistant Principal in the Principal’s absence, shall be the sole authority empowered to expend monies allocated to the school from the Education Initiative Fund. Each Principal, by the 30<sup>th</sup> day of the month following the <b>end of each quarter</b>, or upon expenditure of all funds received in the current increment, shall <b>provide to the Commissioner of Education and the Insular Superintendent</b> of the respective school district, a <b>quarterly report</b> detailing the amount a, the nature, and justification for each item of expenditure made in the previous quarter or increment. This report shall be accompanied by receipts and any other such documentation required by the guidelines of the Virgin Islands Education Initiative Fund and the Laws of the Virgin Islands Government. <b>An Annual Financial Report</b> of the fiscal year’s activity shall be compiled by the Department of Education and submitted to the Legislature of the Department of Finance by the 30<sup>th</sup> of the month following the end of the fiscal year.”</p>
<p>“<b>Any sum remaining</b> in the Imprest Fund Checking Account at the end of the Fiscal Year shall be returned to the Virgin Islands Education Initiative Fund for redistribution in the next Fiscal Year.”</p>	<p>“<b>All monies in excess of \$100 remaining</b> from a school’s allocation at the end of the fiscal year shall be returned to the Virgin Islands Education Initiative Fund for redistribution in the next fiscal year.”</p>
<p>“The <b>Commissioner of Finance</b> shall maintain a record of all monies deposited into and dispersed from the fund and shall annually report to the Governor and the Legislature on the status of the Fund.”</p>	<p>“The <b>Commissioner of Education</b> shall maintain a record of all monies deposited into and disbursed from the fund and shall annually report to the Governor and the Legislature on the status of the Fund. <b>The Department of Education shall provide such documentation as may be necessary to substantiate the financial report.</b> The Department of Finance Accounting Division shall review the annual reports submitted by the Department of Education for compliance with the guidelines established by the Virgin Islands Initiative Fund and the Laws of the Government of the Virgin Islands and shall provide a Findings and Exception Report within 30 days after submission of the report.”</p>

**Other Sections of 3093 laws not included in Section 3100i**

•Section 3093(f): “Each fiscal year, the sum of \$75,000 shall be allocated from the Fund to the Department of Education for the purpose of covering administrative costs incurred in the operation of the Fund. From those funds, the Commissioner of Education shall retain one Accountant per school district to provide assistance to Principals in complying with the reporting requirements of the Fund and to verify the accuracy of such reports before the submission to the Department of Finance.”

•Section 3093(g): “Principals shall not use monies from the Education Initiative Fund to purchase: (1) entertainment items, goods, or services; (2) more than \$3,500 worth per year of equipment and supplies for administrative offices; (3) donations, raffle tickets, or other related expenditures; (4) more than \$2,500 for personal services per person, legal entity, employee, or representative thereof, and not more than 50% of the school's total allocation on personal services; (5) vehicles; or (6) travel.”

•Section 3093 (l): “The Office of Management and Budget shall allocate all monies due to schools and educational facilities within 15 days following the beginning of each Fiscal Year.”

•Section 3093 (n): “Principals shall consult with the School Based Management Team at their respective sites prior to making any expenditure over \$500, except that Principals may make expenditures prior to seeking approval in cases of emergency. Such emergency expenditures over \$500 must be reported to the School Based Management team at the next meeting of the body. The requirements of this section shall not apply to any school whose School Based Management team has not met in 30 days prior to the time of expenditure.”

•Section 3093(o): “The Department of Education may use 80% of the annual balance on September 30th at the end of each Fiscal Year, after funds have been utilized for public school and public adult education allocations, for textbooks and textbook-related purposes. A “textbook” means (1) any version of a book including hard-covered or paperback books, manuals, and workbooks; and (2) any courseware or other instructional materials including electronic textbooks, on-line technologies, CD-ROMS, digital applications or any other format that is used to contribute to the learning process of students.”

•Section 3093 (p): “The sums allocated pursuant to subsection (o) remain available until expended.”

#### **Other laws with a direct impact on the Education Initiative Fund include**

•Title 32, Chapter 13, Section 246(a)(11)(iv): requires the “transfer of 15% of the proceeds derived from 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 V.I.C 246(a)(1), into the Virgin Islands Initiative Fund established in 33 V.I.C 3093.”

•Title 17, Chapter 15, Section 190(ee) (f) states that “Funds for the Psychiatric Medical Doctoral Program Scholarship shall be made available from an annual appropriation from the Education Initiative Fund. Any money collected as a result of non-compliance with subsection (e) shall be deposited in the Education Initiative Fund.”

#### **The Department of Education Policies and Procedures**

•Education has a School Fund Management Manual that mirrors and reiterates some of the requirements of the Code. However, some additional policies and procedures included in the manual address how monitoring functions are to be performed. The manual provides detailed guidelines on how:

- (a) monthly reconciliations are to be performed,
- (b) purchases over \$1,000 are to be sourced,
- (c) reports are to be maintained and
- (d) unreconciled checks/deposits not cleared within two months should be investigated.

The manual also identifies the employees responsible for performing specific tasks.

## EDUCATION'S RESPONSE

APPENDIX I  
APPENDIX I  
APPENDIX I

**Dionne Wells-Hedrington, Ed.D.**  
Commissioner

GOVERNMENT OF THE VIRGIN ISLANDS  
DEPARTMENT OF  
**EDUCATION**



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April 23, 2025

Delia Thomas  
Virgin Islands Inspector General  
2315 Kronprindens Gade #75  
Charlotte Amalie, St. Thomas, V.I. 00802-6468

Dear Inspector General Thomas:

Thank you for the opportunity to review and respond to the draft audit report regarding the Education Initiative Fund. We appreciate your thorough review and the constructive recommendations provided.

We are grateful for the opportunity to address longstanding concerns about the Fund's administration and oversight. The Department is committed to strengthening its internal controls, ensuring compliance with applicable laws, and improving the timely and equitable disbursement and monitoring of funds.

The Department's action plans for each recommendation are in the pages following this letter.

Thank you again for your continued partnership in promoting transparency and accountability.

Sincerely,

A handwritten signature in black ink that reads "Dionne Wells-Hedrington".

Dr. Dionne Wells-Hedrington,  
Commissioner of the Virgin Islands Department of Education

cc: Honorable Albert Bryan, Jr., Governor of the Virgin Islands

**Recommendations & Action Plans: OIG-Education Initiative Fund Audit Report**

**Finding 1**

*Recommendation 1.1*

Ensure that the Code's requirements are followed, and the Fund's distribution formula is applied throughout all its phases.

**Plan of Action:** Review and update VIDE's School Cash Handling Manual ensuring it aligns with the Virgin Islands Code. Develop a training and oversight protocol to ensure the Fund's distribution formula is correctly applied in all phases. VIDE's Internal Audit Division will conduct periodic audits to Senior Leadership assurance of compliance to the manual.

**Person(s) Responsible:** Commissioner of Education, Financial Control Officers, School Administrators, Internal Audit Director

**Expected Implementation Date:** Q2 2026

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*Recommendation 1.2*

Follow the Code's requirement or seek a Code amendment to require schools to return all unused fund balances at the end of each Fiscal Year.

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**Plan of Action:** Conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

**Person(s) Responsible:** Legal Affairs Division, Commissioner of Education

**Expected Implementation Date:** Q2 2026

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Recommendation 1.3

Work with OMB and Finance to ensure the distribution of the Fiscal Year 2021 schools' annual Fund allotment as the law stipulates.

**Plan of Action:** Coordinate with OMB and Finance to review FY 2021 enrollment data and funding calculations to conclude on the appropriate handling allotments.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner Fiscal & Administration, Office of Management and Budget, Department of Finance

**Expected Implementation Date:** Q2 2026

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Recommendation 1.4

Work with OMB and Finance to implement measures to ensure the timely distribution of the Fund's annual allotments

**Plan of Action:** Establish a timeline and workflow for fund disbursements, including inter-department coordination.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner Fiscal & Administration

**Expected Implementation Date:** Q2 2026

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Recommendation 1.5

Determine the feasibility of allowing a percentage of the Fund's annual distribution to remain with the schools; if feasible, request a legal amendment

**Plan of Action:** Evaluate fiscal impacts and administrative feasibility of retaining a percentage of funds at schools' year-end, and draft legislative proposals if benefits are demonstrated.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner Fiscal & Administration, Legal Counsel

**Expected Implementation Date:** Q2 2026

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**Finding 2**

Recommendation 2.1

Ensure that funds are spent within the allowable limits established by the Code.

**Plan of Action:**

Conduct training for school finance personnel and establish compliance checkpoints to ensure spending remains within the Code's revised limits.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner Fiscal & Administration, Financial Control Officers

**Expected Implementation Date:** Q2 2026

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Recommendation 2.2

Implement stronger internal controls to ensure schools' Fund reports meet reporting requirements.

**Plan of Action:** Update the Fund reporting manual and deploy a standardized monthly reporting tool to be used by all schools. Conduct compliance checks quarterly.

**Person(s) Responsible:** Deputy Commissioner of Fiscal & Administrative Affairs, Financial Control Officers, Internal Audit Division

**Expected Implementation Date:** Q2 2026

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Recommendation 2.3

Seek amendments to Section 3093 to increase the annual spending limits for specific categories.

**Plan of Action:** Conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

**Person(s) Responsible:** Commissioner of Education, Legal Counsel, Legislative Liaison

**Expected Implementation Date:** Q2 2026

**Finding 3**

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Recommendation 3.1

Ensure all FEMA-eligible expenses are reimbursed to the Fund account.

**Plan of Action:** The VIDE Fiscal & Administrative Division will collaborate with FEMA and VIDE internal stakeholders to identify eligible expenses and submit them for reimbursement. Track reimbursements to ensure they are credited to the Fund

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner of Fiscal & Administrative Affairs, Disaster Recovery Office

**Expected Implementation Date:** Q4 2025

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Recommendation 3.2

Ensure the Fund is reimbursed by the Governor's CARES/ARP grant.

**Plan of Action:** Liaise with the Governor's Office to verify the status of CARES/ARP reimbursements and submit formal reimbursement requests with supporting documentation.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner of Fiscal & Administrative Affairs, Commissioner of Education

**Expected Implementation Date:** Q4 2025

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Recommendation 3.3

Ensure Fund monies are expended per Code requirements

**Plan of Action:**

1. Develop written procedures to guide future fund disbursements that align with the revised Code.
2. Conduct training for school finance personnel and establish compliance checkpoints to ensure spending remains within the Code's revised limits.
3. Conduct Internal Audits to assess adherence to the revised Code and written policies and procedures.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner of Fiscal & Administrative Affairs, Financial Control Officers, School Administrators, Internal Audit Division.

**Expected Implementation Date:** Ongoing, with full compliance review by Q2 2026

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Recommendation 3.4

Prevent commingling of Fund resources with other unrelated projects.

**Plan of Action:** Segregate all Fund transactions from unrelated project accounts in the financial management system and ensure monthly reconciliation reports are conducted.

**Person(s) Responsible:** Commissioner of Education, Deputy Commissioner of Fiscal & Administrative Affairs

**Expected Implementation Date:** Q4 2025

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Recommendation 3.5

Request an update to the law to increase the annual administrative cost contribution.

**Plan of Action:** Conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

**Person(s) Responsible:** Commissioner of Education, Legal Counsel, Legislative Liaison

**Expected Implementation Date:** Q2 2026

#### **Finding 4**

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##### Recommendation 4.1

Propose that Sections 3093 and 3100i of Title 33 be merged into one section and clarify all ambiguities.

**Plan of Action:** Conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

**Person(s) Responsible:** Commissioner of Education, Legal Counsel, Legislative Liaison

**Expected Implementation Date:** Q2 2026

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##### Recommendation 4.2

Propose that the contradictory percentages in Title 33 and Title 32 be reconciled to ensure legislative clarity.

**Plan of Action:** Conduct a comprehensive legislative review to: (1) merge Sections 3093 and 3100i into a single, coherent statute; (2) update outdated spending limits using inflation-adjusted metrics; (3) clarify contradictory provisions regarding lottery fund percentages in Titles 32 and 33; (4) modernize the annual administrative cost allowance; and (5) evaluate whether to maintain, amend, or repurpose requirements such as unused fund returns and fund usage flexibility. Draft and propose necessary amendments based on this review.

**Person(s) Responsible:** Commissioner of Education, Legal Counsel, Legislative Liaison

**Expected Implementation Date:** Q2 2026

## ADDITIONAL INFORMATION NEEDED TO CLOSE RECOMMENDATIONS

<b>Recommendation Number and Status</b>	<b>Additional Information Needed</b>
<b>Finding 1: School Funding</b>	
1.1 Resolved, but not implemented.	Provide the updated School Cash Handling Manual, and evidence of training.
1.2 Resolved, but not implemented.	Provide evidence of action taken to propose amendments to the law.
1.3 Partially resolved.	Provide evidence of the FY 2021 allotments to the schools.
1.4 Resolved, but not implemented.	Provide evidence of established timeline and workflow for fund disbursements.
1.5 Resolved, but not implemented.	No further action is needed.
<b>Finding 2: Monitoring of School Expenditures and Reporting</b>	
2.1 Resolved, but not implemented.	A future follow-up will be necessary to ensure compliance with the allowable spending limits.
2.2 Resolved, but not implemented.	A future follow-up will be necessary to ensure compliance with reporting requirements.
2.3 Resolved, but not implemented.	Provide evidence of action taken to propose amendments to the law.
<b>Finding 3: Undistributed and Unused Funds</b>	
3.1 Resolved, but not implemented.	Provide evidence of action taken to reimburse the Fund account.
3.2 Resolved, but not implemented.	Provide evidence of action taken to reimburse the Fund account.

3.3 Resolved, but not implemented. A future follow-up will be necessary to ensure expenditures comply with Code requirements.  
APPENDIX III

3.4 Resolved, but not implemented. A follow-up will be required to ensure that the Fund is managed according to the Code requirement.

3.5 Resolved, but not implemented. Provide evidence of action taken to propose amendments to the law.

**Finding 4: The Law’s Ambiguity**

4.1 Resolved, but not implemented. Provide evidence of action taken to propose amendments to the law.

4.2 Resolved, but not implemented. Provide evidence of action taken to propose amendments to the law.

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