



OMB CIRCULAR A-133 REPORT ON  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Virgin Islands Port Authority  
(a component unit of the Government of the United States Virgin  
Islands)

Year Ended September 30, 2010

Report of Independent Auditors on Compliance with  
Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133 and on  
the Schedule of Expenditures of Federal Awards

Ernst & Young LLP

Virgin Islands Port Authority  
OMB Circular A-133 Report on  
Federal Financial Assistance Programs  
Year Ended September 30, 2010

**Contents**

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards.....	1
Schedule of Expenditures of Federal Awards .....	4
Notes to Schedule of Expenditures of Federal Awards .....	5
Schedule of Findings and Questioned Costs .....	6
Summary Schedule of Prior Audit Findings .....	20

Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133 and  
on the Schedule of Expenditures of Federal Awards

To the Governing Board  
Virgin Islands Port Authority

### Compliance

We have audited the Virgin Islands Port Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 10-03 through 10-08.

## **Internal control over compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as findings 10-03 through 10-08. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Authority as of and for the year ended September 30, 2010 and have issued our report thereon dated October 19, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the audit committee, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

August 23, 2013

Virgin Islands Port Authority

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2010

Federal Grantor Federal Administrator Project Location	Program Title	Type of Grant	CFDA Number	Federal Expenditures
<b>U.S. Department of Transportation</b>				
<b>Federal Aviation Administration</b>				
Cyril E. King Airport	Airport Improvement Program	Direct	20.106	\$ 9,195,904
Henry E. Rohlsen Airport	Airport Improvement Program	Direct	20.106	1,999,755
<b>Total Department of Transportation</b>				<b>11,195,659</b>
<b>U.S. Department of Homeland Security</b>				
<b>Transportation Security Administration/FEMA</b>				
Cyril E King Airport	National Explosive Detection Canine Team Program	Direct	97.072	150,500
Cyril E King Airport/Henry E. Rohlsen Airport	Law Enforcement Officer Reimbursement Agreement Program	Direct	97.090	349,180
<b>Total Department of Homeland Security</b>				<b>499,680</b>
<b>U.S. Department of Energy</b>				
Past-through program from the Virgin Islands Energy Office	Energy Efficiency and Conservation Block Grant Program – ARRA	Indirect	81.128	57,094
<b>Total Department of Energy</b>				<b>57,094</b>
<b>Total Federal Financial Assistance</b>				<b>\$11,752,433</b>

*See notes to the Schedule of Expenditures of Federal Awards.*

# Virgin Islands Port Authority

## Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2010

### **1. General**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the funds expended by the Virgin Islands Port Authority (the Authority) from all federal financial assistance programs. The Authority's reporting entity is defined in Note 1 to the financial statements.

### **2. Basis of Accounting**

The accompanying Schedule includes the federal grant activity of the Authority and is presented in the accrual basis of accounting.

### **3. Other Project Expenditures**

The Government of the U.S. Virgin Islands (USVI) issued through its Public Finance Authority (PFA) \$26 million of Federal Highway Reimbursement Anticipation Loan Note Bonds (Bonds) mainly for the construction of two marine access projects: a commercial port with a pier at Enighed Pond on the island of St. John, and a full service ferry and marine terminal at Red Hook (the Projects). During fiscal year 2003, the U.S. Department of Transportation through the Federal Highway Administration (FHWA) authorized the U.S. Virgin Islands Department of Public Works (DPW) to advance the construction of the Projects. The Bonds are secured by the Highway Planning and Construction Federal Aid Program (CFDA #20.205), excluding bond related costs. In connection with these projects, FHWA, PFA, DPW and the Authority developed a memorandum agreement to establish the procedures, roles and responsibilities for managing the stewardship and construction of the Projects. In accordance with the memorandum agreement, the Authority is responsible for the construction of the Projects, including design, bidding and awards, project coordination, management, supervision and execution. Also, the Authority is responsible for certifying eligibility for payment of contractor's invoices. As discussed in Note 8 to the financial statements, the Projects' expenditures are recognized as a capital asset and grant income in the Authority's financial statements.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2010

**Part I – Summary of Auditors' Results**

**Internal Control over Financial Reporting**

Material weaknesses identified?..... Yes  
 Significant deficiencies identified? ..... None  
 Non-compliance material to financial statements noted?.....None

**Federal Awards Section**

Internal control over major programs:

Material weaknesses identified?..... No  
 Significant deficiencies identified? .....Yes

Identification of Major Programs and type of auditor’s report issued on compliance for major programs:

<b>CFDA Number</b>	<b>Major Program</b>	<b>Type of Report</b>
20.106	Airport Improvement Program	Unqualified
97.090	Law Enforcement Officer Reimbursement Agreement Program	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133.....Yes

Dollar threshold used to distinguish between Type A and Type B programs: .....\$300,000

Auditee qualified as low-risk auditee: .....No

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part II - Findings Related to the Financial Statements Which Are Required to be Reported  
in Accordance With Generally Accepted Auditing Standards**

**Finding Number: 10-01 and 10-02**

**Refer to separately issued Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated October 19, 2011.**

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section**

**Finding Number: 10-03**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA: 20.106  
U.S. Department of Homeland Security / Law Enforcement Officer Reimbursement Agreement Program / CFDA: 97.090.

***Category***

Internal Control / Compliance.

***Criteria***

OMB Circular A-133, Subpart C, Section 320a establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

***Condition***

The Authority did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended September 30, 2010. The due date for this report was no later than June 30, 2011.

***Questioned costs***

Not applicable.

***Cause***

The Authority did not have controls in place to ensure that the reporting package is submitted to the FAC within the required timeframe.

***Effect***

The Authority could be exposed to a reduction or elimination of funds by the federal awarding agencies.

***Recommendation***

We recommend that the Authority establish controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section**

**Finding Number: 10-03 (continued)**

***Management's Response***

The Authority concurs with the auditor's findings and recommendations.

***Action Plan***

The Authority is fully committed to the establishment of monthly closing schedules in order to effectuate the timely issuance and filing of the Single audit within the 270 day requirement. In fact, the Authority will develop a tactical plan to issue and file subsequent Single audits within a 180 day timeframe to ensure enough flexibility to meet the 270 day criterion.

***Implementation Date***

In an effort to realize timely issuance and filing of the Single audit within the 180 day tactical plan, the Authority will implement the aforesaid plan, effective immediately.

***Responsible officials for corrective action***

Chief Financial Officer and Accounting Manager.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-04**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA: 20.106  
U.S. Department of Homeland Security / Law Enforcement Officer Reimbursement Agreement Program / CFDA: 97.090.

***Category***

Internal Control / Compliance.

***Compliance Requirements***

Reporting.

***Criteria***

Pursuant to 7 CFR 3016.20(b)(1), accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with financial reporting requirements of the grant.

***Condition***

As part of our audit procedures, we requested the SF-425 reports for both programs and support for the financial amounts included therein, including reconciliation to the Authority's general ledger. Both SF-425 were not supported by any reconciling schedules. Also, we were not able to obtain support for the date the reports were formally submitted. Therefore, we could not verify that the reports were being submitted in a timely manner.

***Questioned costs***

Not applicable.

***Cause***

Internal controls to ensure complete and accurate reporting and reconciliation between the Authority's accounting records and federal financial reports are not operating effectively.

***Effect***

Ineffective internal controls to ensure that the annual SF-425 Reports are reviewed prior to submission may lead to inaccurate and incomplete reporting due to lack of support of amounts being reported.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-04 (continued)**

***Recommendation***

We recommend the Authority ensures controls over the accuracy of reports submitted to the FAA and Department of Homeland Security are being enforced to ensure compliance with post-award reporting requirements.

***Management's Response***

The Authority concurs with the auditor's findings and recommendations.

***Action Plan***

The Authority recognizes that the reconciling schedules were not provided to the auditors and as such will have those schedules attached to the SF-425 and an electronic format kept for each SF-425 prepared.

***Implementation Date***

This practice will be implemented immediately.

***Responsible officials for corrective action***

Chief Financial Officer and Accounting Manager.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-05**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA: 20.106.

***Category***

Internal Control / Compliance.

***Compliance Requirement***

Procurement, Suspension and Debarment.

***Criteria***

Pursuant 49 CFR 18.35, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, *Debarment and Suspension*.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

***Condition***

During our testing of contracts to verify compliance with suspension and debarment provisions, we were unable to verify that the Authority performed the required verifications to ensure contractors under covered transactions were not suspended or debarred from participating in federally-assisted programs. We selected 2 contracts from a population of 8 contracts. Exceptions were noted in 2 contracts. Furthermore, we did not observe any clause or condition in the project contracts reviewed, nor certifications from the contractor asserting they are not suspended or debarred. Nevertheless, we verified through EPLS that none of the contractors were suspended or debarred from participating in federally-assisted programs.

***Questioned costs***

No questioned costs were determined.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-05 (continued)**

***Cause***

Lack of monitoring activities or control activities that ensure verification with the EPLS is performed.

***Effect***

The Authority could be entering into contracts with suspended or debarred contractors which may lead to disallowance of payment to vendors who are suspended or debarred.

***Recommendation***

We recommend the Authority review current procedures to ensure compliance with suspension and debarment provisions by verifying the EPLS prior to conferring a contract and maintaining appropriate evidence supporting the performance of these procedures and including a clause or condition in project contracts, or obtaining a certification from the vendor.

***Management's Response***

The Authority concurs with the auditor's findings and recommendations.

***Action Plan***

For purposes of determining whether a prospective contractor is not suspended or debarred or is otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, *Debarment and Suspension*; the Authority will revise its policies and procedures to include the verification of prospective contractors via the Excluded Parties List System (EPLS) maintained by the General Services Administration, obtaining a certification from the entity, and/or adding a clause or condition to the contract with the entity.

***Implementation Date***

The Authority will ensure compliance with suspension and debarment provisions, effective immediately.

***Responsible officials for corrective action***

Executive Director, Chief Financial Officer, General Counsel, and Director of Engineering.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-06**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA No. 20.106.

***Category***

Internal Control / Compliance.

***Compliance Requirement***

Equipment and Real Property Management.

***Criteria***

45 CFR 92.32(C)(4)(d)(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

***Condition***

The Authority was unable to provide us with evidence of the performance of a physical inventory of property within the past two years.

***Questioned costs***

Not applicable.

***Cause***

The Authority does not appear to have a process in place for performing physical inventories, including a reconciliation of the inventory observed with inventory records, for property acquired with federal funds.

***Effect***

Inappropriate recordkeeping of equipment could lead to misappropriation of assets and noncompliance with federal regulations resulting in return of federal awards received.

***Recommendation***

The Authority should perform a physical inventory of equipment purchased with federal funds at least every two years as required and include unrecorded assets with V.I. Property and Procurement Office.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-06 (continued)**

***Management's Response***

The Authority concurs with the auditor's findings and recommendations.

***Action Plan***

To ensure that a physical inventory of property acquired with federal funds is taken and the results reconciled with property records at least once every two years, in accordance with the Authority's corrective action plan outlined in its fiscal year 07 Single audit, the Authority will reinvigorate its efforts to perform a physical inventory on a bi-annual basis, continuing in fiscal year 2014.

***Implementation Date***

The Authority will ensure that a physical inventory is completed in fiscal year 2014 and at least every two years thereafter.

***Responsible officials for corrective action***

Chief Financial Officer, Accounting Manager, and Purchasing and Procurement Supervisor.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding number: 10-07**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA: 20.106.

***Category***

Internal Control / Compliance.

***Compliance Requirement***

Cash Management.

***Criteria***

U.S. Department of the Treasury (Treasury) regulations at 31 CFR Part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require state recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR Part 205 (Subpart B).

***Condition***

During our testing of cash management procedures to verify the timing of cash draw downs were made as close as is administratively feasible, we selected three drawdown requests for a total of \$282,515 of a population of 12 (twelve) drawdowns amounting \$8,463,152. During our testing, we noted that for two instances totaling \$284,109 the costs for which reimbursement were requested were paid one and seven days after the date of the reimbursement. This situation evidences lack of sufficient or effective internal controls over drawdowns requirements and also, non-compliance with the Cash Management requirements.

***Questioned costs***

None.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding number: 10-07**

***Cause***

Internal controls of policies and procedures related to the request for reimbursement for this program appear not to be operating effectively to ascertain that costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

***Effect***

Delays in requesting and transferring federal funds to cover direct cost expenditures into the Authority's cash accounts could affect cash flow demands and may cause other programs to be indirectly funding Law Enforcement Reimbursement Agreement program activities. Also, requests may be rejected by grantor if they are made outside the period established.

***Recommendation***

The Authority should ensure that policies and procedures are enforced in order to comply with the cash management requirements.

***Management's Response***

The Authority concurs with the auditor's findings and recommendations in that there are instances when the cash management plan is departed from. This will happen from time to time and we concur that we have to provide documentation to support the reason for deviation.

***Action Plan***

The Authority recognizes the need for compliance with the cash management policies of our grants. The Authority will comply with the cash management policy and in those instances where there is a variance the appropriate justification will be documented, reviewed, and approved by the Accounting Manager and Chief Financial Officer.

***Implementation Date***

The above policy will be implemented immediately.

***Responsible officials for corrective action***

Chief Financial Officer and Accounting Manager.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-08**

***Program***

U.S. Department of Transportation / Airport Improvement Program / CFDA: 20.106.

***Category***

Internal Control and Compliance.

***Compliance Requirement***

Davis-Bacon Act.

***Criteria***

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

***Condition***

As part of our procedures, we verified the VI Paving contract, the only construction contract during the year, noting that it did not include the prevailing wage rate clause. In addition, we obtained a sample of certified payrolls submitted by the contractor, but there was no evidence of review by the Authority.

***Questioned costs***

Not applicable.

Virgin Islands Port Authority

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2010

**Part III – Federal Award Findings and Questioned Costs Section (continued)**

**Finding Number: 10-08 (continued)**

*Cause*

Lack of monitoring activities or control activities that ensure verification with the Davis-Bacon Act is performed.

*Effect*

Without proper internal controls, the risk increases that laborers could be paid rates that did not meet federal regulations which could lead to disallowance of federal expenditures by the grantor.

*Recommendation*

We recommend the Authority to establish and follow internal controls to ensure it complies with the requirements of the Davis-Bacon Act. The Authority should review contracts with vendors and ensure required clauses are included. We also recommend the Authority obtain certified weekly payrolls for the project and determine if federal prevailing wages were paid.

*Management's Response*

The Authority concurs with the auditor's findings and recommendations.

*Action Plan*

The Authority recognizes the need for compliance with the Davis Bacon Act and as such going forward from fiscal year 2014 all contracts where applicable shall have the prevailing wage rate clause. In addition, payrolls of vendors/developers will be monitored on a periodic basis to ensure compliance with the Davis-Bacon Act.

*Implementation Date*

The above mentioned recommendation will be implemented for contracts starting fiscal year 2014.

*Responsible officials for corrective action*

Legal Counsel and Federal Programs Coordinator.

Virgin Islands Port Authority

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2010

Finding Number: 09-03

---

<b>CFDA Number</b>	All Major Programs
<b>Name of Federal Program</b>	All Major Programs
<b>Major Program</b>	All Major Programs
<b>Type of Compliance Requirement</b>	Other
<b>Amount of Questioned Costs</b>	Not applicable
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Not corrected. Refer to current year finding 10-03

Finding Number: 09-04

---

<b>CFDA Number</b>	20.106
<b>Name of Federal Program</b>	U.S. Department of Transportation / Airport Improvement Program
<b>Major Program</b>	Yes
<b>Type of Compliance Requirement</b>	Reporting
<b>Amount of Questioned Costs</b>	No questioned costs were determined
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Corrected

Finding Number: 09-05

---

<b>CFDA Number</b>	20.106
<b>Name of Federal Program</b>	U.S. Department of Transportation / Airport Improvement Program
<b>Major Program</b>	Yes
<b>Type of Compliance Requirement</b>	Procurement, Suspension and Debarment
<b>Amount of Questioned Costs</b>	Not questioned costs were determined.
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Not corrected. Refer to current year finding 10-05

Virgin Islands Port Authority

Summary Schedule of Prior Audit Findings (continued)

Year Ended September 30, 2010

Finding Number: 09-06

---

<b>CFDA Number</b>	20.106
<b>Name of Federal Program</b>	U.S. Department of Transportation / Airport Improvement Program
<b>Major Program</b>	Yes
<b>Type of Compliance Requirement</b>	Equipment and Real Property Management
<b>Amount of Questioned Costs</b>	Could not be determined
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Not corrected. Refer to current year finding 10-06

Finding Number: 09-07

---

<b>CFDA Number</b>	97.090
<b>Name of Federal Program</b>	U.S. Department of Homeland Security, Transportation Security Administration / Law Enforcement Officer Reimbursement Agreement Program
<b>Major Program</b>	Yes
<b>Type of Compliance Requirement</b>	Cash Management
<b>Amount of Questioned Costs</b>	Not applicable.
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Corrected

Virgin Islands Port Authority

Summary Schedule of Prior Audit Findings (continued)

Year Ended September 30, 2010

Finding Number: 08-02

---

<b>CFDA Number</b>	All major programs
<b>Name of Federal Program</b>	All major programs
<b>Major Program</b>	All major programs
<b>Type of Compliance Requirement</b>	Other
<b>Amount of Questioned Costs</b>	Not applicable
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Not corrected. Refer to current year finding 10-03

Finding Number: 08-03

---

<b>CFDA Number</b>	20.106
<b>Name of Federal Program</b>	U.S. Department of Transportation / Airport Improvement Program
<b>Major Program</b>	Yes
<b>Type of Compliance Requirement</b>	Reporting
<b>Amount of Questioned Costs</b>	No questioned costs were determined.
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Corrected.

Finding Number: 08-04

---

<b>CFDA Number</b>	All major programs
<b>Name of Federal Program</b>	All major programs
<b>Major Program</b>	All major programs
<b>Type of Compliance Requirement</b>	Reporting
<b>Amount of Questioned Costs</b>	Procurement, Suspension and Debarment
<b>Contact Person Responsible for Corrective Action Plan</b>	Executive Director
<b>Status</b>	Not corrected. Refer to current year finding 10-05

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

**About Ernst & Young**

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit [www.ey.com](http://www.ey.com)

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.

Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

