



Virgin Islands Port Authority
(A Component Unit of the Government of
the U.S. Virgin Islands)

Schedule of Expenditures of Federal Awards
and Reports Required by *Government Auditing
Standards* and OMB Circular A-133
Year Ended September 30, 2015

Virgin Islands Port Authority
(A Component Unit of the Government of
the U.S. Virgin Islands)

Schedule of Expenditures of Federal Awards
and Reports Required by *Government Auditing*
Standards and OMB Circular A-133
Year Ended September 30, 2015

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

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Independent Auditor’s Report 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*

To the Governing Board
Virgin Islands Port Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virgin Islands Port Authority (the Authority), a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in greater detail in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs to be material weaknesses.

Finding #	Nature of Finding
2015-001	Reconciliation and Review Processes
2015-002	Lease Agreement(s) Administration
2015-003	Reversionary Property Leases
2015-004	Cash Based Revenue

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified below and described in greater detail in accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding #	Nature of Finding
2015-005	User Access and Program Change Management

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 24, 2016



Independent Auditor's Report on Compliance For Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Governing Board
Virgin Islands Port Authority

Report on Compliance for Each Major Federal Program

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, 2015. 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. The Authority is a component unit of the Government of the U.S. Virgin Islands.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on CFDA 20.106 Airport Improvement Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 20.106 Airport Improvement Program, as described in finding number 2015-008, for Special Tests and Provisions - Wage Rate Requirements.



Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 20.106 Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.106 Airport Improvement Program for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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, and as listed below. Our opinion on the major federal program is not modified with respect to these matters.

Finding #	CFDA #	Program Name	Compliance Requirement
2015-006	20.106	Airport Improvement Program	Data Collection Form and Single Audit Reporting Package
2015-007	20.106	Airport Improvement Program	Allowable Costs/Cost Principles - Payroll Activities

The Authority’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as listed below, to be a material weakness.

Finding #	CFDA #	Program Name	Compliance Requirement
2015-008	20.106	Airport Improvement Program	Special Tests and Provisions - Wage Rate Requirements

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 in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, and as listed below, to be significant deficiencies.

Finding #	CFDA #	Program Name	Compliance Requirement
2015-006	20.106	Airport Improvement Program	Data Collection Form and Single Audit Reporting Package
2015-007	20.106	Airport Improvement Program	Allowable Costs/Cost Principles - Payroll Activities

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Virgin Islands Port Authority, a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 24, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted 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 basic 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 basic financial statements.



The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, LLP

August 22, 2016

Schedule of Expenditures of Federal Awards

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Expenditures of Federal Awards

Year ended September 30,

2015

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. Department of Transportation:		
Federal Aviation Administration		
Direct Programs		
Airport Improvement Program Cyril E. King Airport	20.106	\$ 3,228,239
Airport Improvement Program Henry E. Rohlsen Airport	20.106	2,339,281
Small Community Air Service Development Program	20.930	23,844
<i>Total U.S. Department of Transportation Direct Programs</i>		5,591,364
U.S. Department of Homeland Security:		
Transportation Security Administration		
Direct Programs		
National Explosive Detection Canine Team Program Cyril E. King Airport	97.072	189,375
Law Enforcement Officer Reimbursement Agreement Program Cyril E. King Airport	97.090	191,230
Law Enforcement Officer Reimbursement Agreement Program Henry E. Rohlsen Airport	97.090	102,200
<i>Total U.S. Department of Homeland Security Direct Programs</i>		482,805
Total Expenditures of Federal Awards		\$ 6,074,169

See accompanying note to the Schedule.

Virgin Islands Port Authority
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Note to the Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Virgin Islands Port Authority (the Authority) under programs of the Federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Further, because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Basis of Accounting

Expenditures included in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis described above.

Schedule of Findings and Questioned Costs

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
• Significant deficiency(ies) identified?	<u> X </u> Yes <u> </u> None reported
• Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
• Significant deficiency(ies) identified?	<u> X </u> Yes <u> </u> None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u> X </u> Yes <u> </u> No

Identification of major programs:

CFDA Number
20.106

Name of Federal Program or Cluster
Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings

Finding 2015-001: Reconciliation and Review Processes

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports. We noted that in some cases, reconciliations were finalized in February - April 2016, which represents a significant delay when compared to the Authority's fiscal year-end. Capital asset reconciliations, prepaid supplies, accounts and accrued payables, journal entry analysis, lease revenues, and various other schedules, that form part of the year-end closing process, had not been reconciled on a periodic basis.

As a result, detailed schedules supporting general ledger accounts did not always agree with the respective general ledger balances. Approximately one hundred and sixty (160) post-closing adjustments were provided during the audit process. Such a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system on a timely basis, renders the accounting information virtually useless in making well informed business decisions.

In order to prevent significant errors in the financial records and financial statements as well as prevent possible irregularities, including fraud, to exist and continue without notice, we recommend that all accounts, accruals, and reconciliations be reviewed on a periodic basis. The review could include tests of mechanical accuracy and tracing of items on the reconciliations to the relevant source documents. The composition of any unreconciled differences should be determined and followed up on, and any journal entries, deemed necessary as a result, should be recorded.

We further believe that the year-end closing could proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific personnel. The closing procedures could be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished.

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Plan:

The Authority concurs and has developed a year-end closing process, to be used in Fiscal Year 2016, which identifies the responsible persons for each task to include due dates.

Implementation Date:

May 2016

Responsible Official(s) for Corrective Action:

Chief Financial Officer and Controller.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Finding 2015-002: Lease Agreement(s) Administration

The Authority leases properties to outside users which are governed under the terms of a significant number of lease agreements. Leased facilities can include warehouse space, terminal counter space, terminal retail space, commercial space, and office space. We selected a sample of leases for our test work and noted the following:

- Various lease agreements required rental increases every three (3) years, based on the higher of the change in the Consumer Price Index (CPI) or 5%, which had not been implemented by the Authority.
- Several lease agreements noted that the lease should not be renewed after the expiration period; however, the lease had not been terminated or revised accordingly.
- Several occurrences where lease agreements, supporting rental collections recorded in the general ledger, were not available. We understand that the Authority has several leases that have lapsed and are on month-to-month terms; however, in these instances, there were no previous lease agreements available to evidence that the leases had in fact, lapsed and were now operating on a month-to-month basis.
- Instances where lease agreements required a set amount to be deposited with the Authority and the actual amount deposited did not agree to the lease terms.

Given the significant number of leases entered into by the Authority, these issues can result in a loss of control and efficiency. We recommend that the Authority develop a lease rental database application package that would integrate with the general ledger package. This should also serve as the central database of all business documents. A system-generated lease revenue summary should be analyzed and reconciled with the general ledger on a periodic basis. This procedure will help ensure that proper billing and related information is posted to the general ledger and that lease revenues are accurate.

Furthermore, a workable mechanism should be maintained to alert management to important dates that require timely attention, such as renewal clauses, rate changes, option dates, addendum values, and expiration dates.

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Plan:

The Authority concurs and is currently in the final stages of addressing these issues through the implementation of the financial management system's (SAP) Lease Management Module (LMM) to:

- Account for all active, non-active, or month to month arrangements in LMM.
- Reconstitute the data elements underlying each active, non-active, or month to month tenancies in LMM to improve the accuracy of billing and reconciliation to the general ledger.
- Note all dates in each active, non-active, or month-to-month tenancy in LMM and integrate with Microsoft Outlook to automate and ensure timely attention to required lease provisions (i.e. rent changes, option exercise, term expirations, etc.).

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Implementation Date:

September 2016

Responsible Official(s) for Corrective Action:

Executive Director, Director of Property Management, and the General Manager-Crown Bay Center.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Finding 2015-003: Reversionary Property Leases

The Authority has entered into several long-term ground leases, some of which contain provisions allowing tenants to improve said premises over time in order to recover their investment in the improvements and to enjoy those premises through the end of the lease agreement, including any option periods. Such provisions also state that upon the expiration of the lease term, the property reverts back to the Authority.

We noted that the Authority was not able to provide a comprehensive schedule of all leased properties with reversionary clauses. We recommend that management conduct a thorough review of its lease agreements and identify those with reversionary clauses. A schedule should then be drawn up to include the name of the property, the lease period, the nature of the leasehold improvement expected to revert to the Authority and lastly, the dates when the reversion is anticipated to occur. This schedule should then be made available to the Accounting department.

As the reversion dates approach, plans should be coordinated amongst the concerned departments and appraisals should also be obtained, from independent sources, on the reversionary properties. Upon receipt of the appraisal report(s), we recommend that an internal exercise involving senior members of the Accounting and Property Management departments be carried out whereby the report(s) are analyzed for reasonability of the assumptions employed, methods utilized, and the fair market values assigned to the improvements made on the reverted properties. The Accounting department should then use this analysis as the basis for assigning and recording values to the improvements made on the reverted properties.

In recent years, management has made a significant correcting entry during the annual audit process, to properly reflect the improvements made on the reverted properties. We believe the recommended practice(s) will aid in maintaining the accuracy of accounting data and financial information that comprise both interim and year-end financial statements along with producing an efficient and smooth year-end closing.

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Plan:

The Authority concurs and mitigation procedures will include the implementation of SAP's Lease Management Module (LMM) to:

- Account for and uniquely codify all active leases with reversionary clauses in LMM.
- Modify the data elements underlying each active reversionary lease to enhance reporting (i.e. tenant, property address, lease period, description of improvement expected to revert to the Authority, and date when reversion is expected, etc.).
- Integrate "reversionary dates" with Microsoft Outlook to automate and ensure timely attention is given to commencing appraisals from independent sources.
- Property and Accounting will review appraisal reports for purposes of assessing the reasonability of the assumptions employed, methods utilized, and the fair market values assigned to the improvements.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Implementation Date:

September 2016

Responsible Official(s) for Corrective Action:

Executive Director, Director of Property Management, General Manager-Crown Bay Center, and the Controller.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Finding 2015-004: Cash Based Revenue

A well-designed system for the revenue cycle is very important for the success of any business enterprise. There must be a process that appropriately bills and collects. Further, a strong revenue cycle contains adequate segregation of duties and overall organization and timing are critically important to its effectiveness.

At present, marine docking, marine pilotage, private yachts/small boat dues, ferry passenger fees, and various marine and aviation parking lot fees are collected by various dock masters and/or other operators in the form of cash. We noted the following:

- The dock masters who are in-charge of billing are also collecting the corresponding fees.
- Information, such as a vessel's specifications (e.g. length, draft, gross tonnage) in the eCollect marine database which is used for billing calculations, is not reviewed on a periodic basis.

A study by the Association of Certified Fraud Examiners found that more than 80 percent of occupational fraud cases involve asset misappropriation, and cash is the targeted asset 90 percent of the time. We understand that management is working on various steps in separating closely related functions in the cash receipts system in order to reduce the risk that receipts could be improperly deposited, lost, or misappropriated. We recommend that management continue with and accelerate its effort(s).

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Plan:

The Authority concurs that the dock master performs both billing and collecting of corresponding fees. The following are mitigating measures which are being implemented by the Authority to address this finding:

- The Authority has hired a Marine Revenue Specialist who is responsible for the receipt and input of marine revenues associated with the marine tariff, harbor use fees, and facility use fees. This individual is also responsible for the daily reconciliations and review of the Dock Masters' end of day report, and resolving any discrepancies related to Harbor Pilots and Dock Masters' eCollect invoices. A second review of the Dock Masters' input and collections, to ensure source information is correct, is also performed by the bookkeeper.
- Additionally, the Authority is working to further mitigate this issue by eliminating cash transactions at all public seaport facilities through a customer account system or the use of a credit/debit card. Further, in instances where cash may be collected, the vessel owner will be required to provide a copy of vessel certificate registry, which includes vessel dimensions prior to leaving the port.

The Authority concurs with the finding that information such as the dimensions of the vessels, which are the basis for the calculation of the amount due, is not maintained and reviewed on a periodic basis.

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Schedule of Findings and Questioned Costs

- The Marine Division will perform annual periodic reviews of its marine database to ensure that information utilized is updated and in line with certificates of inspection and/or certificates of registry for billing purposes.

Implementation Dates:

On-going through December 2016

Responsible Official(s) for Corrective Action:

Chief Financial Officer, Controller, Marine Managers, and Internal Audit.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Finding 2015-005: User Access and Program Change Management

Inappropriate or excessive access may result in unauthorized data changes or transactions. As such, user access and administration (user addition, modification, removal) controls should be adhered to in order to ensure that appropriate access is granted and terminated employees are removed in a timely manner.

- We noted that a periodic review of user access is not performed to support continuing appropriate rights or to manage the risk of terminated employees retaining access. For terminated employees, among other procedures, there should be a process for immediate deletion of passwords on the network and various applications, as well as passwords for hardware and software. In addition, management may consider a periodic reconciliation of application accounts as compared to active Authority employees.
- We also noted that administrative access rights had been provided to several business users.

At the present time, there are varying degrees of formality of controls over program changes.

- Once changes are developed and tested by the Authority's outside consultant, they are moved to a test environment at the Authority where the enhancements are piloted. Subsequent to a successful pilot effort, the Information Technology (IT) Manager and outside IT consultant collaborate to identify when and how to move the changes to a production environment. All documentation of development and testing is exchanged via email and no ongoing evidence is maintained.

It is further noted that support for authorizing the move to production is limited to a successful pilot process; it does not consider an analysis of other potential risks.

Inappropriate system modifications to applications can cause incorrect calculations and compromise functionality. The Authority may consider centralizing its documentation process to mitigate the risk of any potential change being implemented without the appropriate approval(s). Further, the Authority should consider if significant changes to existing applications should also be supported by a study of costs and benefits.

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Plan:

The Authority concurs and is in the process of implementing the following measures to address this finding:

- As of December 2015, the Authority issued a management of access and permissions to network domain and financial automated systems policy. The provisions of section II (policies and procedures) and section VII (review and validation) of this policy will address this deficiency noted.
- As of February 2016, the procedures specified in Section III (user authorization and permissions) of the management of access and permissions to network domain and financial automated systems policy has been implemented.

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Schedule of Findings and Questioned Costs

Further, consultants that require administrative accesses are isolated to local rights to that specific device. For those consultants that provide direct and day to day support to users on specific applications that may require administrative access, a spreadsheet is set up to keep a log of that support.

- As of June 2016, the Authority's Information Technology division has implemented the change management process document, which requires formal processes to implement program changes. Application program changes will be documented with specifics related to change impact and benefit to the Authority. Additionally, the document requires sign-off from end user departments who are required to participate in pilot testing. Once sign-offs are obtained, the program change can be moved to production. Additionally, the Authority will be implementing a new redundant server system that will support a development and/or change environment. This is expected to be operational in August 2016.

Implementation Date:

August 2016

Responsible Official(s) for Corrective Action:

Information Technology Manager and Human Resources Director.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs

Finding 2015-006: Data Collection Form and Single Audit Reporting Package

Information on Federal Program(s) - U.S. Department of Transportation:
Federal Aviation Administration

Airport Improvement Program
CFDA Number: 20.106

Criteria or Specific Requirement - 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, 2015. The due date for this report was no later than June 30, 2016 (nine months after the end of the audit period).

Questioned Costs - Not applicable.

Context - This is a condition identified per review of the Authority's compliance with specified requirements.

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

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

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

Views of Responsible Officials and Planned Corrective Actions:

The Authority concurs and will comply with required submission dates for the data collection form and reporting package to the FAC, which is no later than nine months after the end of the audit period, in the future.

Implementation Date:

August 2016

Responsible Official(s) for Corrective Action:

Chief Financial Officer and the Controller.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Findings and Questioned Costs

Finding 2015-007: Allowable Costs/Cost Principles - Payroll Activities

Information on Federal Program(s) - U.S. Department of Transportation:
Federal Aviation Administration

Airport Improvement Program
CFDA Number: 20.106

Criteria or Specific Requirement - OMB Circular A-87 requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition - The Authority was unable to provide a timesheet showing proper supervisory approval for one (1) out of twenty (20) sampled transactions.

Questioned Costs - Not applicable.

Context - This is a condition identified per review of the Authority's compliance with specified requirements. The total amount of payroll expenditures charged to the program in the fiscal year 2015 was \$61,778.

Effect - Failure to properly review and support payroll expenditures can result in noncompliance with laws and regulations along with loss of funding.

Cause - The Authority did not strictly adhere to its policies and procedures which ensure that timesheets are properly reviewed.

Recommendation - Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports (time and attendance) or equivalent documents in accordance with OMB Circular A-87 and such information should be monitored and approved by a responsible official of the Authority in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

The Authority concurs and the Engineering Department will be required to submit timesheets to the Accounting Division's Payroll Unit for processing on a bi-weekly basis in support of federal payroll expenditures.

Implementation Date:

August 2016

Responsible Official(s) for Corrective Action:

Chief Financial Officer, Controller, and Engineering Director.

Virgin Islands Port Authority
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Schedule of Findings and Questioned Costs

Finding 2015-008: Special Tests and Provisions - Wage Rate Requirements

Information on Federal Program(s) - U.S. Department of Transportation:
Federal Aviation Administration

Airport Improvement Program
CFDA Number: 20.106

Criteria or Specific Requirement - 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 Department of Labor (DOL). 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).

Further, 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 DOL regulations.

Condition: We reviewed twenty-seven (27) weekly certified payroll reports as submitted to the Authority, by its contractors, and noted the following:

- Seven (7) weekly certified payroll reports had not been submitted on a timely basis by the contractor(s), as required.
- Six (6) weekly certified payroll reports had been submitted on a timely basis by the contractor(s), as required; however, there was no further evidence that the Authority had reviewed these reports in order to determine if the federal prevailing wage rate had been paid.

Questioned Costs - Not applicable.

Context - This is a condition identified per review of the Authority's compliance with specified requirements.

Effect - The Authority is not in compliance with federal program requirements for timely review of supporting documentation (i.e. certified payrolls). There is a potential that contractors or subcontractors could have paid their employees less than the prevailing wage rates established by the DOL.

Cause - The Authority did not strictly implement the terms of the construction contracts and Davis-Bacon Act requirements when monitoring its contractors or subcontractors.

Recommendation - The Authority should ensure that responsible project management personnel obtain and review, on a timely basis, the required certified payroll reports for each week in which a contractor or subcontractor's work is performed. The review should include, but not be limited to, ensuring that the federal prevailing wages were paid and should include evidence that such a review has been performed.

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Schedule of Findings and Questioned Costs

Views of Responsible Officials and Planned Corrective Actions:

The Authority concurs and prior to remitting payments, the Accounting Division will require the Engineering Department to provide evidence that they have obtained and reviewed, on a timely basis, certified payroll reports for each contractor or subcontractor who performed work. The Project Manager will perform periodic reviews of files to ensure that information is in compliance with the Davis-Bacon Act.

Implementation Date:

August 2016

Responsible Official(s) for Corrective Action:

Chief Financial Officer, Controller, and Engineering Director.

Summary Schedule of Prior Audit Findings

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Summary Schedule of Prior Audit Findings

Individual(s) Responsible for Corrective Action Plan:

Carlton Dowe
Executive Director
340-774-1629

Donna Frett-Gregory
Chief Financial Officer
340-714-6622

Anna Mauricia Penn
Controller
340-714-6612

<i>Finding Number</i>	<i>Program Name</i>	<i>Program CFDA Number</i>	<i>Type of Finding</i>	<i>Current Status</i>
2014-001	Reconciliation and Review Processes	Not Applicable	Internal Control	Repeated; Finding Number 2015-001.
2014-002	Lease Agreement(s) Administration	Not Applicable	Internal Control	Repeated; Finding Number 2015-002.
2014-003	Reversionary Property Leases	Not Applicable	Internal Control	Repeated; Finding Number 2015-003.
2014-004	Cash Based Revenue	Not Applicable	Internal Control	Repeated; Finding Number 2015-004.
2014-005	User Access and Program Change Management	Not Applicable	Internal Control	Repeated; Finding Number 2015-005.
2014-006	Airport Improvement Program	20.106	Data Collection Form and Single Audit Reporting Package	Repeated; Finding Number 2015-006
2014-007	Airport Improvement Program	20.106	Davis-Bacon Act	Repeated. Finding Number 2015-008.
2014-008	Airport Improvement Program	20.106	Equipment and Real Property Management	Corrected.

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Summary Schedule of Prior Audit Findings

<i>Finding Number</i>	<i>Program Name</i>	<i>Program CFDA Number</i>	<i>Type of Finding</i>	<i>Current Status</i>
2013-01	Reconciliation and Review Processes	Not Applicable	Internal Control	Repeated; Finding Number 2015-001.
2013-02	Lease Agreement(s) Administration	Not Applicable	Internal Control	Repeated; Finding Number 2015-002.
2013-03	Reversionary Property Leases	Not Applicable	Internal Control	Repeated; Finding Number 2015-003.
2013-04	Cash Based Revenue	Not Applicable	Internal Control	Repeated; Finding Number 2015-004.
2013-05	User Access and Program Change Management	Not Applicable	Internal Control	Repeated; Finding Number 2015-005.
2013-07	Airport Improvement Program	20.106	Davis-Bacon Act	Repeated. Finding Number 2015-008.