



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JUN 5 2003

**Control Number**  
**ED-OIG/A02-C0011**

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
No. 21 Kongens Gade  
Charlotte Amalie  
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull:

This is our Final Audit Report entitled *The Virgin Islands Department of Education - St. Thomas/St. John School District's Control of Equipment Inventory*. The objective of our audit was to determine whether the Virgin Islands Department of Education St. Thomas/St. John School District (VIDE–St. Thomas) was appropriately controlling the equipment purchased with U.S. Department of Education (ED) funds. We found VIDE–St. Thomas did not maintain adequate inventory and management controls over equipment purchased with ED funds and could not account for \$1,451,218 in equipment. This number is not reliable since the VIDE–St. Thomas inventory contained numerous inaccuracies.

### **BACKGROUND**

The Virgin Islands Department of Education (VIDE) has had serious and recurring deficiencies in its administration of federally funded programs. As a result, ED's Office of Special Education and Rehabilitative Services (OSERS) designated VIDE a "high-risk" grantee and imposed special conditions on its fiscal year 1998 Special Education grant award. The special conditions required VIDE to provide ED with monthly reports on its efforts to come into full compliance with Part B of its Individuals with Disabilities Education Act (IDEA) grant. When VIDE did not demonstrate significant progress, OSERS proposed to VIDE a voluntary compliance agreement. Signed on December 12, 1999, the compliance agreement was a means of ensuring a continued flow of Part B of IDEA funds while VIDE implemented a structured plan to come into compliance with the statute.

On September 23, 2002, ED entered into a new compliance agreement with the Virgin Islands (VI). The compliance agreement addresses four crosscutting issues: (1) Program Planning, Design and Evaluation; (2) Financial Management; (3) Human Capital; and (4) Property Management and Procurement. Property management has been a concern because items purchased were not delivered to classrooms in a timely manner, if at all. Property cannot be effectively tracked and may remain in warehouses, be delivered to incorrect locations, or be stolen rather than benefiting students in classrooms.

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The new compliance agreement establishes performance measures that VIDE must comply with to address the serious property management problems previously identified by ED. These include:

- a target date of June 30, 2003 to provide ED with an inventory policy and implementation plan of the inventory management system, as well as the completion of reasonable steps to secure all property, in warehouses, schools, and other locations from larcenous behavior or inappropriate or unauthorized use;
- a target date of December 30, 2004 to fully implement an inventory policy and system that includes all property purchased with Federal program funds be tagged, entered into a tracking system, and delivered to the appropriate location within three calendar days of receipt;
- the return of all unaccounted-for items to either their intended locations, or their full value reimbursed to ED by March 31, 2005;
- the inventory management system to reflect minimal losses due to theft by the end of the second year of the Compliance Agreement; and
- audits to show minimal unaccounted for equipment by the end of the Compliance Agreement.

The VI was in the process of implementing an inventory program named WinAssets. The program is designed to track personal property owned by the VI Government, identify and/or determine which items are accounted for, and simplify compliance with the inventory and reporting requirements of the VI Department of Property and Procurement. Additionally, the program captures information needed for reporting on assets acquired with Federal funds.

The VI Single Audits have continually reported both monetary and procedural property management findings. Monetary findings include lack of justification for non-competitive bid purchases, improper administration of competitive bids, and failure to obtain price quotes for procurements under \$5,000. Procedural findings include lack of information and/or documentation for equipment disposition, property management, and physical inventories.

## AUDIT RESULTS

VIDE–St. Thomas could not account for \$1,451,218 in equipment.<sup>1</sup> This included \$754,913 of equipment missing from the 23 locations we tested (\$719,678 in the Property, Procurement and Auxiliary Services Director’s (Director) equipment inventory and \$35,235 in the Special Education equipment inventory.) It also included \$696,305 of unaccounted for equipment that was purchased, but not listed on the Director’s inventory records. In addition, at 17 of the 23 locations visited, we found other equipment not included in the inventory records. This occurred because VIDE–St. Thomas did not maintain adequate inventory and management controls over equipment purchased with ED funds. Specifically, VIDE–St. Thomas

- did not maintain adequate and consistent inventory records,

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<sup>1</sup> At least 77 percent of equipment was acquired with funds authorized by the Elementary and Secondary Education Act of 1965, as amended, 11 percent with funds provided through programs administered by the Office of Vocational and Adult Education, and 10 percent with funds authorized by the Individuals with Disabilities Act of 1997. The remaining three percent could not be determined. (The percentages have been rounded.)

- lacked personnel trained in property management, and
- did not perform periodic physical inventories and reconcile the results with VIDE-St. Thomas property and VI Department of Finance records.

According to 34 C.F.R § 80.32 (d) (1)<sup>2</sup>

. . . Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, . . . the location, use and condition of the property, and any ultimate disposition data . . .

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.

The VI Government's Property Manual, Chapter 3, § (1) (A) requires the Property Management Officer of each Department or Agency to conduct a complete physical inventory of all capitalized equipment at least once biennially for effective property accounting, utilization, and control; and § (2) requires that the results of the prescribed physical inventory of property shall be reconciled for inventory control purposes. Chapter 6, § (5) states that adequate storage facilities shall be provided to ensure the safeguarding of all Government Property.

Prior to 2001, VIDE–St. Thomas had not prepared an equipment inventory. In July 2001, the Director provided us the first compiled inventory by recording equipment based on requisitions and documentation for equipment received from October 1996 to June 2001. However, the Director did not reconcile the inventory with the VI Department of Finance's accounting records or verify the accuracy of the schools' inventories. According to the Director, he not only lacked personnel to perform physical inventories, but the personnel did not have property management training. As a result, the inventory was incomplete and inaccurate.

### Missing Equipment

The Director's equipment inventory consisted of 5,145 items purchased between October 7, 1996, and June 18, 2001, with total recorded costs of \$2,222,829<sup>3</sup> at 66 locations. We judgmentally selected 23 sites based on purchases in excess of \$20,000 and location. However, one of the 23 sites had just \$8,572 in purchases.

The inventory records for the 23 locations listed 1,389 items (excluding items valued at or under \$250) with recorded costs of \$1,484,696. Of these 1,389 items, we were unable to find 727 items (52 percent) with recorded costs of \$719,678 (48 percent of the total recorded costs).

**Attachment A** identifies by location the number of items not found, found, and their associated dollar value.

<sup>2</sup> Unless otherwise specified, all regulatory citations are to the July 1, 2000 volume.

<sup>3</sup> The recorded cost of \$2,222,829 is based on the data the Director provided us. However, there were 56 duplicate tag numbers with associated costs of \$35,174 at one location.

| <b>23 Locations</b>    | <b>Quantity of Items</b> | <b>Quantity Percentage</b> | <b>Recorded Cost</b> | <b>Percentage of Recorded Cost</b> |
|------------------------|--------------------------|----------------------------|----------------------|------------------------------------|
| <b>Items Not Found</b> | <b>727</b>               | <b>52%</b>                 | <b>\$719,678</b>     | <b>48%</b>                         |
| <b>Items Found</b>     | <b>662</b>               | <b>48%</b>                 | <b>\$765,018</b>     | <b>52%</b>                         |
| <b>Totals</b>          | <b>1,389</b>             | <b>100%</b>                | <b>\$1,484,696</b>   | <b>100%</b>                        |

In addition, the Special Education Department had equipment that had been delivered directly to the Special Education State Office instead of to the Director. Although Special Education maintained its own inventory, we found it to be incomplete and in need of reconstruction. Special Education's inventory consisted of \$154,335 in equipment not included in the Director's inventory. We could not locate \$35,235 of this equipment (21 computers and 18 printers).

### **Unaccounted for Equipment**

After comparing requisitions of equipment purchases with the equipment inventory created by the Director, we found 23 requisitions that were recorded as received but not included in the inventory records. The total recorded cost for the 23 requisitions was \$535,450.

We identified three additional requisitions that were partially recorded in the Director's equipment inventory. These three requisitions, totaling \$576,071, indicated that all items of equipment were received, but \$160,855 in equipment did not appear in the Director's equipment inventory. This brought the total of unaccounted for equipment to \$696,305.

### **Other Equipment Found, But Not Recorded, and Record Keeping**

We found a total of 2,013 additional items that were not included in the inventory records at 17 of the 23 locations. Because we could not associate the 2,013 items with specific requisitions, we were unable to determine whether these items were part of the 26 requisitions referred to above.

In addition, we found that property tags did not identify whether the equipment had been purchased with local or Federal funds. The locations visited did not maintain updated inventory records that accurately listed property by location. The Director and the locations visited did not maintain records of computer equipment lent to other schools or sent to the Curriculum Center or local merchants for repairs. As a result, VIDE–St. Thomas management could not easily track equipment purchases.

### **Inaccurate Record Keeping**

The Director's inventory contained inaccuracies. In many instances, the Director inconsistently allocated costs to inventory items. For example, he listed the cost of keyboards, mice and

calculators as \$1,824, \$899, and \$289. In other instances, the Director listed the costs of similar items as \$100, \$30, and \$84, respectively. However, we could not determine if the descriptions of the inventory items were incorrect or the costs inaccurately allocated, as we were not able to find these items during the physical inventory.

### **Recommendations**

We recommend that the Assistant Secretaries for Elementary and Secondary Education, Vocational and Adult Education, and Special Education and Rehabilitative Services require VIDE–St. Thomas to:

- 1) Account for all equipment or return to ED \$1,451,218 in missing or unaccounted equipment;
- 2) Implement controls and procedures to ensure that its property management system is maintained with reliable and consistent information that complies with Federal and VI property management requirements and issue property tags that indicate the funding source;
- 3) Provide property management training to its personnel;
- 4) Conduct physical inventories at the 43 schools not tested during our audit as soon as possible.
- 5) Perform physical inventories at all schools at least once every two years, requiring the Director to reconcile the inventory results with property records and original requisitions, and properly identify and maintain a list of all property purchased with Federal funds; and
- 6) Establish control logs for property removed from school premises.

### **VIDE's response**

The report incorporates as **Attachment B** the comments VIDE provided in response to the draft audit report.

VIDE did not concur with Recommendation No. 1 because it stated that at least \$526,677 of the \$719,678 in missing equipment mentioned in the audit was found by school authorities and are available for review. VIDE also questioned the basis for the determination that funds should be returned for 26 requisitions totaling \$696,305, since we were unable to determine whether these items were part of the 2,013 items found in other locations. VIDE also stated that they had personally identified numerous items of equipment at two sites during the inventory that were reported as missing by OIG. VIDE claimed that, if the repayment is inevitable for some unaccounted for items, depreciation of the equipment should be taken into account. VIDE contended that computers purchased and installed in 1995 do not have the same value today.

VIDE concurred with the remaining five recommendations and stated that it will develop procedures to ensure that data input is consistent; provide training to those employees responsible for property; implement a new internal accounting system; conduct physical inventories and reconcile results at the 43 locations not included in our review; complete a physical inventory at least once every two years to comply with Federal requirements; set up

control logs at various job sites to monitor equipment that is loaned; and implement a library check-out system for laptop computers at all schools.

**OIG's reply**

We considered VIDE's response to Recommendation No. 1, but our position remains the same because VIDE failed to provide documentary evidence supporting its contentions. When VIDE identified equipment to the auditors, we considered this equipment to be found, not missing. Further, since VIDE failed to provide a detailed listing of the \$526,677 of equipment found, we cannot determine its validity. Similarly, without VIDE providing evidence of the location of equipment associated with the 26 requisitions, we still consider the \$696,305 in equipment unaccounted for. VIDE should provide the evidence to ED officials when it responds to the audit resolution noted on page eight.

We also disagree with VIDE's claim that depreciation should be taken into account for equipment that was purchased and installed in 1995. First, our inventory included equipment purchased after October 1996. Most equipment was purchased during 1999, 2000 and 2001. Second, VIDE had no documentation to support disposition of the missing or unaccounted for equipment.

The corrective actions VIDE outlines in its response to the remaining five recommendations should help rectify the inventory and management control weaknesses identified in this report.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of our audit was to determine whether VIDE–St. Thomas was appropriately controlling the equipment purchased with ED funds. We performed physical inventories based on purchases made between October 7, 1996 and June 18, 2001, for 5,145 items with recorded costs of \$2,222,829. We performed fieldwork at VIDE–St. Thomas from May 15, 2001 through August 23, 2002, the date of our exit conference with VI government officials. To perform physical inventories, we made on-site visits, from December 3, 2001 through December 14, 2001, to the following 23 locations:

1. Bertha C. Boshulte Junior High School
2. Curriculum Center
3. Curriculum and Instruction (District)
4. Joseph Gomez Elementary School
5. Adult Education (District)
6. Adult/Vocational ED
7. Chapter II Office
8. Insular Superintendent's Office
9. Moravian Memorial School
10. Special Education
11. Vocational Skill Center
12. E. Benjamin Oliver Elementary School
13. Seventh Day Adventist
14. Joseph Sibilly Elementary School
15. Addelita Cancryn Junior High School

16. Antilles School
17. Ivanna Eudora Kean High School
18. Charlotte Amalie High School
19. Edith Williams Elementary School
20. Ulla F. Muller Elementary School
21. Stapleton – Curriculum Center
22. Committee
23. Julius Sprauve Elementary School

To accomplish our audit objective, we reviewed VIDE’s 1998, 1999, and 2000 Single Audit reports and working papers for findings related to equipment control. We also reviewed equipment purchase requisitions and interviewed VIDE–St. Thomas officials to determine St. Thomas’ inventory controls. We performed physical inventories at 23 of the 66 judgmentally selected locations. We selected the 23 sites based on purchases in excess of \$20,000 and location. With one exception, each site had at least \$20,000 in inventory purchased with ED funds. (The exception had just \$8,572 in purchases.) Our physical inventory excluded items valued at or under \$250.

To assist us in achieving our audit objectives, we relied, in part, on computer-processed data maintained by the VI Department of Finance on its Financial Management System (FMS). We tested the accuracy, authenticity, and completeness of the FMS data by comparing source documents to FMS data. Based upon these tests, we found the supporting documentation and FMS data to be consistent and reliable for the purposes intended. Our testing during the audit revealed that the inventory records provided by the Director were incomplete and inaccurate.

We conducted the audit in accordance with generally accepted government auditing standards appropriate to the limited scope of the audit described above.

### **STATEMENT ON MANAGEMENT CONTROLS**

We did not assess the adequacy of VIDE–St. Thomas’ management control structure applicable to equipment inventory. Instead, we gained an understanding of the Director’s controls over equipment and relied on substantive testing of school inventories. We also reviewed VIDE’s Single Audit reports and working papers for findings related to equipment control, reviewed equipment purchase requisitions, interviewed VIDE–St. Thomas officials, reviewed inventory lists obtained from VIDE–St. Thomas’ Director, and performed physical inventories at 23 of 66 locations.

Our testing identified major weaknesses in VIDE–St. Thomas’ inventory controls, including that VIDE–St. Thomas did not maintain adequate inventory and management controls over equipment purchased with ED funds and could not account for a significant amount of equipment. These weaknesses and their effects are fully discussed in the AUDIT RESULTS section of this report.

**ADMINISTRATIVE MATTERS**

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on the audit:

Eugene Hickok  
Acting Assistant Secretary  
Office of Elementary and Secondary Education  
U.S. Department of Education  
Federal Building No. 6  
400 Maryland Ave., SW, Room 3W315  
Washington, DC 20202

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with Freedom of Information Act (5 U.S.C. § 522), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,



Helen Lew  
Assistant Inspector General  
for Audit Services

**Attachment A**  
Items Found and Not Found By Location

|               | LOCATION                               | ITEMS NOT FOUND |                  |                   | ITEMS FOUND |                  |               | TOTAL        |                    | RECORDED COST % |            |
|---------------|--|-----------------|------------------|-------------------|-------------|------------------|---------------|--------------|--------------------|-----------------|------------|
|               |  | QUANTITY        | RECORDED COST    | % ITEMS NOT FOUND | QUANTITY    | RECORDED COST    | % ITEMS FOUND | QUANTITY     | RECORDED COST      | NOT FOUND       | FOUND      |
| 1             | Bertha C. Boschulte Junior High School | 42              | \$36,642         | 45%               | 51          | \$47,146         | 55%           | 93           | \$83,788           | 44%             | 56%        |
| 2             | Curriculum Center                      | 38              | \$83,837         | 61%               | 24          | \$36,756         | 39%           | 62           | \$120,593          | 70%             | 30%        |
| 3             | Curriculum and Instruction (District)  | 51              | \$34,959         | 59%               | 35          | \$52,903         | 41%           | 86           | \$87,862           | 40%             | 60%        |
| 4             | Joseph Gomez Elementary School         | 24              | \$17,262         | 35%               | 44          | \$53,005         | 65%           | 68           | \$70,267           | 25%             | 75%        |
| 5             | Adult Education (District)             | 32              | \$20,363         | 71%               | 13          | \$7,687          | 29%           | 45           | \$28,050           | 73%             | 27%        |
| 6             | Adult/Vocational ED                    | 36              | \$34,499         | 97%               | 1           | \$349            | 3%            | 37           | \$34,848           | 99%             | 1%         |
| 7             | Chapter II Office                      | 37              | \$30,260         | 61%               | 24          | \$31,539         | 39%           | 61           | \$61,799           | 49%             | 51%        |
| 8             | Insular Superintendent's Office        | 52              | \$41,572         | 67%               | 26          | \$25,122         | 33%           | 78           | \$66,694           | 62%             | 38%        |
| 9             | Moravian Memorial School               | 7               | \$7,514          | 13%               | 47          | \$38,659         | 87%           | 54           | \$46,173           | 16%             | 84%        |
| 10            | Special Education                      | 14              | \$7,516          | 27%               | 38          | \$74,745         | 73%           | 52           | \$82,261           | 9%              | 91%        |
| 11            | Vocational Skill Center                | 6               | \$6,482          | 86%               | 1           | \$349            | 14%           | 7            | \$6,831            | 95%             | 5%         |
| 12            | E. Benjamin Oliver Elementary School   | 3               | \$1,228          | 7%                | 43          | \$34,608         | 93%           | 46           | \$35,836           | 3%              | 97%        |
| 13            | Seventh Day Adventist                  | 27              | \$29,523         | 51%               | 26          | \$26,375         | 49%           | 53           | \$55,898           | 53%             | 47%        |
| 14            | Joseph Sibilly Elementary School       | 4               | \$2,380          | 11%               | 31          | \$40,434         | 89%           | 35           | \$42,814           | 6%              | 94%        |
| 15            | Addelita Cancryn Junior High School    | 26              | \$27,520         | 43%               | 34          | \$35,079         | 57%           | 60           | \$62,599           | 44%             | 56%        |
| 16            | Antilles School                        | 45              | \$27,015         | 74%               | 16          | \$12,644         | 26%           | 61           | \$39,659           | 68%             | 32%        |
| 17            | Ivanna Eudora Kean High School         | 131             | \$130,832        | 69%               | 58          | \$62,585         | 31%           | 189          | \$193,417          | 68%             | 32%        |
| 18            | Charlotte Amalie High School           | 95              | \$91,462         | 67%               | 47          | \$41,322         | 33%           | 142          | \$132,784          | 69%             | 31%        |
| 19            | Edith Williams Elementary School       | 17              | \$24,680         | 43%               | 23          | \$21,527         | 58%           | 40           | \$46,207           | 53%             | 47%        |
| 20            | Ulla F. Muller Elementary School       | 9               | \$3,669          | 14%               | 56          | \$68,620         | 86%           | 65           | \$72,289           | 5%              | 95%        |
| 21            | Stapleton - Curriculum Center          | 0               | \$0              | 0%                | 20          | \$48,048         | 100%          | 20           | \$48,048           | 0%              | 100%       |
| 22            | Committee                              | 20              | \$46,238         | 100%              | 0           | \$0              | 0%            | 20           | \$46,238           | 100%            | 0%         |
| 23            | Julius Sprauve Elementary School       | 11              | \$14,225         | 73%               | 4           | \$5,516          | 27%           | 15           | \$19,741           | 72%             | 28%        |
| <b>TOTALS</b> |  | <b>727</b>      | <b>\$719,678</b> | <b>52%</b>        | <b>662</b>  | <b>\$765,018</b> | <b>48%</b>    | <b>1,389</b> | <b>\$1,484,696</b> | <b>48%</b>      | <b>52%</b> |

Attachment B



Government of the United States Virgin Islands

Department of Education

Office of the Commissioner

#44-46 Kongens Gade

St. Thomas, U.S. Virgin Islands 00802

Tel: (340) 774-1110

Fax: (340) 779-7153

April 25, 2003

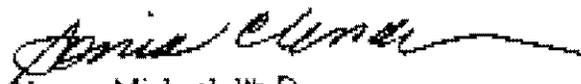
Daniel P. Schultz  
Regional Inspector General for Audit  
U.S. Department of Education  
Office of Inspector General  
75 Park Place, 12<sup>th</sup> Floor  
New York, NY 10007

Dear Regional Inspector General Schultz:

Transmitted herewith is the Department of Education's Response to Audit No. ED-OIG/A02-C0011 entitled "*The Virgin Islands Department of Education-St. Thomas/St. John School District's Control of Equipment Inventory.*"

Please contact Mr. Dwight Simmonds, Director, Federal Grants & Audit if there are any concerns at 340-774-0100 extension 3155.

Sincerely,

  
Norcen Michael, Ph.D.  
Commissioner

cc: Joel T. Molloy, Chief of Staff, Government House

## Attachment B

**AUDITORS FINDINGS****SITUATION:**

VIDE- St. Thomas could not account for \$1,451,218 in equipment. This included \$734,913 worth of equipment missing from 23 locations and \$696,305 worth that were purchased and recorded as received, but not listed as inventory. Additionally, in 17 of 23 locations visited, USDOE-OIG found 2,013 pieces of equipment also not included in inventory records.

**CAUSE:**

- VIDE – St. Thomas did not maintain adequate and consistent inventory records
- VIDE – St. Thomas personnel lacked property management training, and
- VIDE – St. Thomas did not perform periodic physical inventories and reconcile results with property records.

**RECOMMENDATIONS:**

1. Account for all equipment or return to ED \$1,451,218 in missing or unaccounted for equipment;
2. Implement Controls and procedures to ensure that its property management system is maintained with reliable and consistent information that complies with Federal and VI property management requirements and issue property tags that indicate the funding sources;
3. Provide property management training to its personnel;
4. Conduct physical inventories at the 43 schools not tested during the audit as soon as possible.
5. Perform inventories at all schools at least once every two years, requiring the Director to reconcile the inventory results for each school with property records and original requisitions, and properly identify and maintain a list of all property purchased with Federal funds.
6. Establish control logs for property removed from school premises.

**DEPARTMENT'S RESPONSE****TO SITUATION:**

VIDE does not concur that \$1,451,218 in equipment could not be accounted for as stated in the audit results. Based on a preliminary review, VIDE was able to ascertain that at least \$526,577 of the \$719,678 in missing equipment mentioned in the audit was found by school authorities and are available for review.

## Attachment B

Secondly, the Department questions the basis upon which the U.S. Department of Education made the determination that funds should be returned for 26 requisitions totaling \$696,305 (\$160,855 + \$535,450). USDOT clearly states in its findings that they "were unable to determine whether these items were part of" the 2,013 items found in other locations. Finally, if repayment is inevitable for some unaccounted for items, depreciation of the equipment should be taken into account. Certainly, computers purchased and installed in 1995 do not have the same value today.

### TO RECOMMENDATIONS:

#### *Recommendation # 1:*

VIDE does not concur. The value of an item that is missing or unaccounted for depreciates over time, especially computer equipment. If the Department is ultimately required to pay, it should be at the depreciated cost of the equipment. Also, two sites at which the auditors stated that numerous items of equipment were claimed to be missing, were personally identified to the auditors when they came to conduct the inventory. However, many of these items still appear in the draft report as unaccounted for property.

Persons Responsible: William Frett, Insular Superintendent NTT/STJ

Sonia Cleudimon, Deputy Commissioner,  
Fiscal & Administrative Services

#### *Recommendation # 2:*

VIDE concurs that stronger controls are necessary to account for property purchased with other federal or local funds. The issue is currently being addressed as VIDE attempts to fully meet requirements under the Compliance Agreement. VIDE will develop procedures to ensure that data input is consistent and staff is trained to work in all phases of the purchasing, receiving and distribution of property inventory. The property tagging (color coded tags) was implemented in March 2013 in the St. Croix and the St. Thomas District. (Please see Exhibit A.)

Also, as stated above, VIDE concurs that all posting into the database (Property Records) should be consistent. This will be reinforced through the training that will be conducted for all personnel handling the inputting of data. Further, some of these problems will be immediately rectified with the implementation of our new internal accounting system, namely the Comprehensive Information Management System (CIMS). Location Code, Category, and Classification Code are all pre-set in CIMS. Persons performing input functions will not be allowed to change the manner in which data are inputted into the system. When inventory items are received, they will be automatically entered into the fixed assets inventory.

## Attachment B

It is anticipated that CIMS will be operational by 06/01/03. (Please see Exhibit B.4

Person Responsible: Cosmore Wheatley, Director Property & Procurement  
STT/STJ District

Due Date: June 30, 2003

***Recommendation # 3:***

VIDE concurs that training is always necessary for its employees to effectively discharge their duties and responsibilities. Therefore, training will be given to those employees that handle the Department's property. Although the USDA Graduate School is able to provide this type of training, VIDE is seeking at least two other qualified bidders who can perform this function to ensure that competitive bidding requirements have been met.

Person Responsible: Sonia Clendinen, Deputy Commissioner,  
Fiscal & Administrative Services

Due Date: June 30, 2003

***Recommendation # 4:***

VIDE concurs. Physical inventories will be conducted at the other 43 locations and the results will be reconciled to the Department's inventory records. An inventory of the district will be conducted by August 30, 2003.

Person Responsible:

William Felt, Insular Superintendent STT/STJ

Sonia Clendinen, Deputy Commissioner,  
Fiscal & Administrative Services

Cosmore Wheatley, Director Property & Procurement  
STT/STJ District

Due Date: August 30, 2003

**Attachment B*****Recommendation # 5:***

VIDE concurs that a physical inventory is needed at least once every two years and will ensure that one is completed at least once every two years to comply with federal requirements. The results of the physical inventory will be compared with the inventory records and updated as required. VIDE expects to complete this year's inventory/reconciliation by August 30, 2003.

Person Responsible: Sonia Clendien, Deputy Commissioner,  
Fiscal & Administrative Services

Cosmore Wheatley, Director Property & Procurement  
STT-STJ District

Due Date: August 30, 2003

***Recommendation # 6:***

VIDE concurs that adequate records should be maintained on VIDE's premises for property removed from the school premises. Control Logs will be set up at various job sites to monitor equipment out on loan by June 30, 2003. A library check-out system for laptop computers will be implemented by June 30, 2003 at all schools to streamline this process. Finally, items identified in the 26 requisitions as not recorded in the computerized system will be entered or update the electronic records prior to completing a physical inventory.

Person Responsible:

William Frost, Insular Superintendent (STT:STJ)

Sonia Clendien, Deputy Commissioner,  
Fiscal & Administrative Services

Due Date: June 30, 2003

Attachment B

EXHIBIT A

A SAMPLE OF THE COLOR CODED TAG TO  
BE IMPLEMENTED IN THE ST. THOMAS/ST.  
JOHN DISTRICT

- ITEMS COLOR CODED IN RED  
REPRESENT LOCAL FUNDS
  
- ITEMS COLOR CODED IN BLUE  
REPRESENT FEDERAL FUNDS

## Attachment B

EXHIBIT B

### CIMS PROGRESS REPORT

02/10/03

The implementation of the Comprehensive Information Management for Schools (CIMS) is progressing on schedule. CIMS is a financial and human resources software package that is designed for school districts. It is currently in use by over 1,000 school districts in the United States. Several states have adopted it for all of their school districts. The cities of Pittsburgh, PA and El Paso, TX have recently adopted the software.

#### Installation and Initial Setup

In May of 2002, the software was installed on the AS/400. The AS/400 had already been upgraded with increased memory and hard drive storage to accommodate the CIMS software. Also, in April a CIMS consultant spent two weeks with the Department of Education's fiscal and human resource managers explaining the software and helping the staff to make decisions on configuring the software to meet our needs. Areas covered included setting up the account string, selecting system parameters for the general ledger, purchasing, accounts payable, payroll, human resources, and the position inventory. Also covered was the application control module, which involved user setup, security, menu modification, file backup, and software revision installation. Some of the tables in the software were filled with data based on decisions that were made.

#### Programs to Convert NOPA Data

As part of the consultants visit, a plan was developed to convert the Department's existing personnel and position control information (NOPA) into the CIMS software. The file layouts and field names for the CIMS software were identified. A program was developed to convert the NOPA data into the new codes for CIMS organized by CIMS files and using CIMS filed names.

The government Office of Personnel notified the Department of Education that they were implementing new position codes. A program was written to convert existing position codes in our NOPA file to the new codes.

#### Training

In July of 2002, a CIMS trainer spent two weeks in the Virgin Islands training users on the various modules of the CIMS software:

- General Ledger
- Purchasing
- Employee Management
- Payroll
- Accounts Payable

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