U.S. Department of Education
Office of Inspector General

U.S. Virgin Islands Department of Education's Internal Controls over the Immediate Aid to Restart School Operations Program

June 3, 2019
ED-OIG/A04S0014

NOTICE

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

June 3, 2019

Mrs. Racquel Berry–Benjamin
Commissioner Nominee
U.S. Virgin Islands Department of Education
1834 Kogens Gade
St. Thomas, VI 00802

Dear Commissioner Nominee Berry–Benjamin:

Enclosed is our final audit report, "U.S. Virgin Islands Department of Education's Internal Controls over the Immediate Aid to Restart School Operations Program," Control Number ED-OIG/A04S0014. This report incorporates the comments you provided in response to the draft report. 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 Department of Education official, who will consider them before taking final Departmental action on this audit:

Frank Brogan
Assistant Secretary of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Ave., SW
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/S/

Christopher A. Gamble
Regional Inspector General for Audit

Enclosure

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Results in Brief

What We Did

Our audit objective was to determine whether the U.S. Virgin Islands Department of Education (Virgin Islands DOE) has effectively designed internal controls for the administration of Immediate Aid to Restart School Operations (Restart) program funds. Our audit covered May 14, 2018, the date the U.S. Department of Education (Department) awarded a Restart grant to the Virgin Islands DOE, through December 21, 2018.[1]

To answer our audit objective, we assessed the design of the Virgin Islands DOE's system of internal controls for monitoring the Restart program and for procuring goods and services using Restart program funds. We reviewed the Virgin Islands DOE's organizational structure for monitoring Department grants, including the Restart program; the Virgin Islands DOE's policies and procedures for monitoring Department grants; and the Restart program monitoring and internal control plan. In addition, we reviewed the Virgin Islands DOE's organizational structure and policies and procedures for procuring goods and services using Federal grant funds, including the Restart program. We also conducted limited testing of the Virgin Islands DOE's compliance with its procurement regulations and policies and procedures. Specifically, we reviewed a judgmentally selected sample of five procurement transactions totaling $986,804. Because the Virgin Islands DOE had not procured any goods or services using Restart program funds during our audit period, our sample consisted of procurement transactions funded with Consolidated Grant to the Insular Areas (Consolidated Grant) program funds.[2] The Virgin Islands DOE uses the same procurement process for all transactions funded with Department grants and plans to use the same process for transactions funded with Restart program funds.

What We Found

We found that the Virgin Islands DOE must enhance its designed system of internal controls to ensure that it will properly administer Restart program funds and meet program objectives. Specifically, we found that the Virgin Islands DOE's fiscal and

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[1] We continued to monitor the Virgin Islands DOE's drawdowns of Restart program and Consolidated Grant to the Insular Areas program funds through March 1, 2019.

[2] The Consolidated Grant program is the largest Department grant that the Virgin Islands DOE administers, with $15.2 million awarded for fiscal year 2018. The Restart program is the second largest, with $13.1 million awarded.

programmatic monitoring processes do not provide reasonable assurance that it will spend Restart program funds timely or that it will conduct effective monitoring of Restart program performance.[3] In addition, we found that the Virgin Islands DOE has not staffed its Internal Audit Division in accordance with planned staffing levels. Also, we found that the Internal Audit Division does not have standard operating procedures. The Virgin Islands DOE also does not have processes to assess fraud risks and report fraud. Without effectively designed internal controls to oversee Restart program funds, the Virgin Islands DOE does not have reasonable assurance that it will use Restart program funds timely and for the intended purposes of the program. Delaying the use of Restart program funds could ultimately lead to a loss of funds if they are not obligated within the required 24 months. As a result, school districts and nonpublic schools could be prevented from receiving assistance that they otherwise would have received and that could have expedited the restarting of school operations, reopening of schools, and reenrolling of students. In addition, inadequate monitoring of Restart program performance could result in program objectives not being met. Also, without processes to assess fraud risks and report fraud, the Virgin Islands DOE lacks a critical tool that could help it design internal controls to mitigate those risks in its administration of the Restart program.

Further, based on our review of the Virgin Islands DOE's procurement process and the results of our sample testing for the five transactions we reviewed, we concluded that the Virgin Islands DOE's internal controls over procurement are effectively designed in a way that provides reasonable assurance that the Virgin Islands DOE will comply with its procurement policies and procedures when purchasing goods and services using Federal funds.

What We Recommend

We recommend that the Assistant Secretary for Elementary and Secondary Education require the Commissioner Nominee of the Virgin Islands DOE to—

- Finalize its monitoring and internal control plan and implement processes for fiscal and programmatic monitoring of the Restart program that provide reasonable assurance that the Virgin Islands DOE will spend Restart program funds timely and conduct effective programmatic monitoring of the program.

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[3] Programmatic monitoring includes activities intended to evaluate program performance and determine whether program objectives are being met. Fiscal monitoring includes activities intended to ensure that the Virgin Islands DOE spends Department funds only on allowable costs and to prevent the lapse of Department funds.

- Update its monitoring and internal control plan once an external evaluator is contracted to include the role the external evaluator will ultimately have in assisting the Virgin Islands DOE in monitoring the Restart program and information about how the Virgin Islands DOE will oversee the contractor to ensure contract deliverables are met.
- Staff its Internal Audit Division at planned levels and develop and implement standard operating procedures to provide reasonable assurance that it will fulfill its responsibilities.
- Assess the risk of fraud in Department programs and develop and implement control activities to prevent, detect, and respond to potential fraud.
- Develop and implement a fraud reporting mechanism and display in public places the U.S. Department of Education Office of Inspector General hotline contact information, as required by Section 9203 of the Every Student Succeeds Act.

Virgin Islands DOE Comments

We provided a draft of this report to Virgin Islands DOE for comment. The Virgin Islands DOE neither explicitly agreed nor disagreed with the findings and recommendations. The Virgin Islands DOE described some of the actions it has taken or plans to take to address our recommendations, which include enhancing its internal control system by adding new procedures to its monitoring and internal control plan for the Restart program, drafting standard operating procedures for its Internal Audit Office, and increasing the number of fraud-related posters and signage. The Virgin Islands DOE included with its response a revised monitoring and internal control plan for the Restart program; the Department is currently reviewing that plan.

Office of Inspector General Response

In response to Virgin Islands DOE's comments, we slightly modified Recommendation 1.1 to acknowledge that the Virgin Islands DOE revised its monitoring and internal control plan for the Restart program. We also amended Recommendation 1.2 to stress the importance of updating that plan once a contract is awarded to an external evaluator. We did not make any changes to the findings or Recommendations 1.3–1.5. We summarize the Virgin Islands DOE's comments at the end of each finding and have included the full text of the Virgin Islands DOE's comments at the end of this report.

Introduction

Background

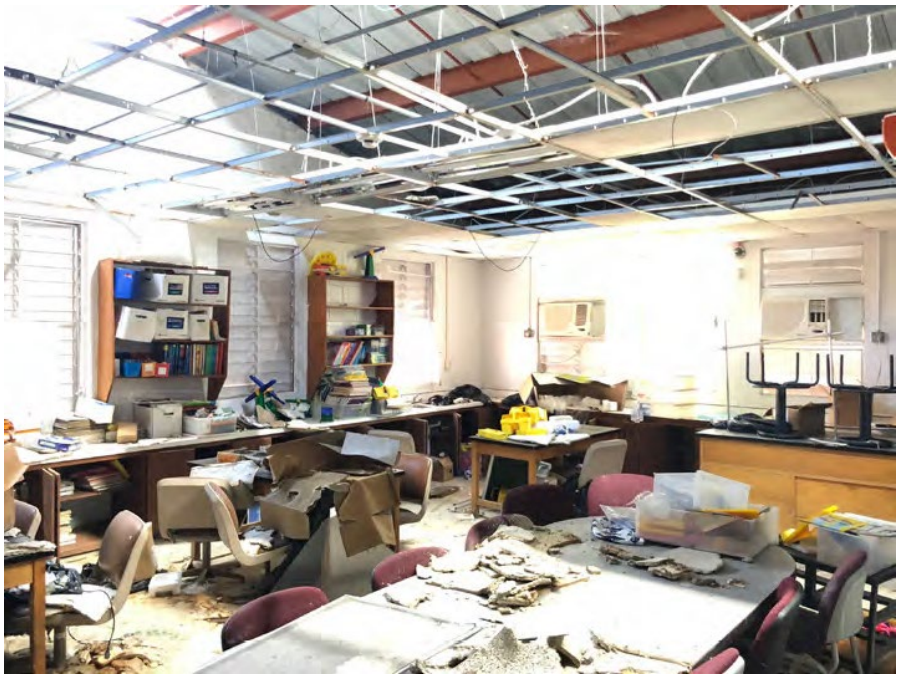
The Virgin Islands Department of Education (Virgin Islands DOE) is responsible for the development, management, and implementation of elementary and secondary education programs in the Territory of the U.S. Virgin Islands. The Virgin Islands DOE is both a State educational agency and a local educational agency for purposes of administering Federal financial assistance programs.

In September 2017, the U.S. Virgin Islands was impacted by Hurricanes Irma and Maria. Prior to Hurricanes Irma and Maria, the Territory had 27 public schools with over 13,000 enrolled students. According to the Virgin Islands DOE, Hurricanes Irma and Maria destroyed 12 of those schools, which enrolled 3,878 students. The pictures below, taken by U.S. Department of Education Office of Inspector General staff during a visit to the U.S. Virgin Islands in May 2018, show the Hurricanes' impact on classrooms from 2 of the 12 schools that were destroyed.

Figure 1. Alexander Henderson Elementary School in St. Croix

THIS CLASSROOM SUSTAINED WATER DAMAGE FROM HURRICANES IRMA AND MARIA, CAUSING MOLD AND MILDEW IN ITS FLOORS AND WALLS.

Figure 2. Addelita Cancryn Junior High School in St. Thomas

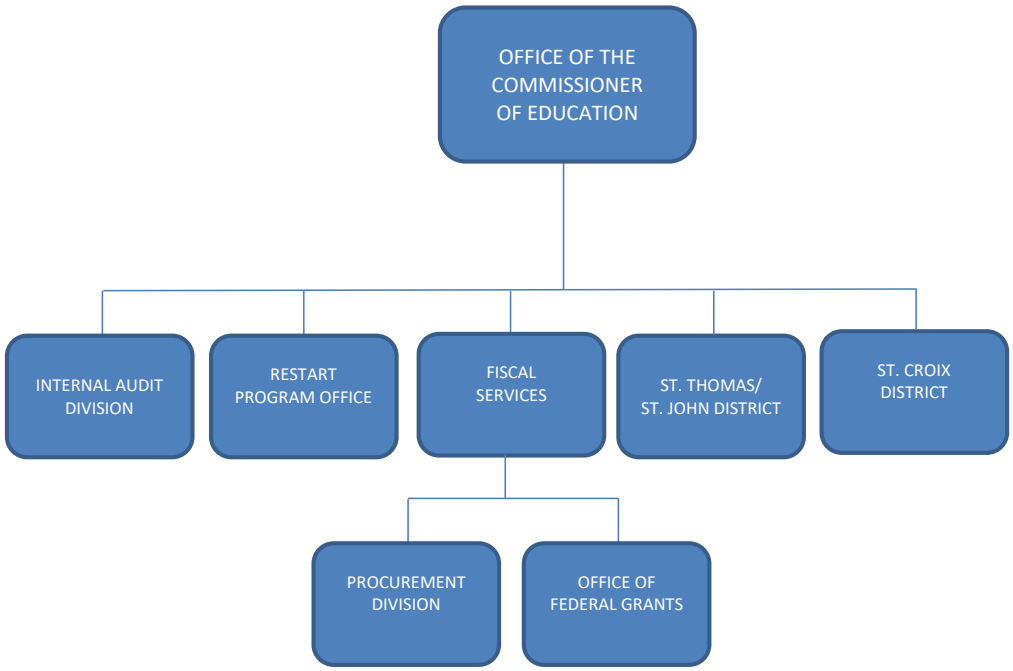


THE CEILING IN A CLASSROOM IS EXPOSED AND FURNITURE AND EDUCATIONAL MATERIALS ARE DESTROYED AFTER WIND AND WATER DAMAGE FROM HURRICANES IRMA AND MARIA.

The Bipartisan Budget Act of 2018 authorized the Immediate Aid to Restart School Operations (Restart) program to make awards to States and Territories affected by a major disaster or emergency. The purpose of this program is to assist local educational agencies and nonpublic schools with expenses related to the restart of elementary schools and secondary schools in areas affected by Hurricanes Harvey, Irma, and Maria or the California wildfires in 2017, which were major disasters or emergencies declared under sections 401 and 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Recipients must use funds to assist school administrators and personnel in restarting school operations, reopening schools, and reenrolling students. The U.S. Department of Education (Department) initiated plans to award the funds under a multiphase process intended to provide prompt initial funding while offering subsequent opportunities for additional assistance through future applications.

On May 14, 2018, the Department awarded $13.1 million in Restart program funds to the Virgin Islands DOE. The Virgin Islands DOE's divisions responsible for administering the Restart program include Fiscal Services, which comprises both the Office of Federal Grants and the Procurement Division; the Internal Audit Division; the Restart Program Office; and two school districts: the St. Thomas/St. John District and the St. Croix District. See Figure 3 for the Virgin Islands DOE's organizational chart for the administration of the Restart program.

Figure 3. The Virgin Islands DOE Organizational Chart for the Administration of the Restart Program[4]



The Office of Federal Grants is responsible for overseeing and monitoring grant management activities for the Virgin Islands DOE to ensure compliance with applicable regulations and guidelines and to prevent the lapsing of funds. The office has a director, an assistant director, three Federal grants managers, and a program assistant.
The Virgin Islands DOE's Procurement Division has managerial and operational oversight responsibility over all of the Virgin Islands DOE's purchasing, contracting, and distributing of goods and services for its schools, administrative offices, and school districts. The division has 19 staff, 10 of whom work at the districts.

The Internal Audit Division is responsible for conducting audit activities to provide reasonable assurance of the effectiveness and efficiency of the Virgin Islands DOE's operations, the reliability of financial data, and compliance with laws and regulations. It is also responsible for reviewing and evaluating the Virgin Islands DOE's internal control structure. The Internal Audit Division has a director and a chief internal auditor.

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[4] This organizational chart does not include all of the Virgin Islands DOE divisions and school district offices. It only shows key divisions responsible for administering the Restart program, monitoring the program, and procuring goods and services using program funds.

The Virgin Islands DOE established a Restart program office that consists of a program director, a program manager, and a program assistant who implement and administer the Restart program. The Virgin Islands DOE plans to hire an additional program manager who will be based in St. Croix, two contract specialists, and two purchase analysts who will assist with procurement activities for the Restart program.

The Restart grant award conditions required the Virgin Islands DOE to submit in writing to the Department a monitoring and internal control plan within 60 days of receipt of the Restart grant award, by July 13, 2018. The monitoring portion of the plan needed to include a description of how the Virgin Islands DOE would (1) manage its Restart grant and supported activities and (2) monitor the Restart program, including how the Virgin Islands DOE would develop and implement monitoring protocols and a schedule for subrecipient monitoring of programmatic and fiscal issues. The internal control portion of the plan needed to include the names of key personnel responsible for administration and monitoring and a description of (1) the application and award process that the Virgin Islands DOE would use to provide services to eligible local educational agencies and nonpublic schools, (2) how the Virgin Islands DOE would use funds for administration and oversight, and (3) how the Virgin Islands DOE would ensure the existence of necessary documentation to substantiate payments in review for purposes of conducting assessments of improper payments. The Restart grant award conditions also required the Virgin Islands DOE to spend Restart program funds within 24 months of the grant award date, by May 14, 2020, and to submit to the Department quarterly reports on its progress using Restart program funds.

The Virgin Islands DOE's Restart grant award is also subject to the special conditions the Department imposed on all grants awarded to the Virgin Islands DOE for fiscal year (FY) 2018. One of the special conditions is that a third-party fiduciary must perform financial management responsibilities for all Department grant funds awarded to the Virgin Islands DOE.[5] The special conditions also require the Virgin Islands DOE to develop a fully staffed independent internal audit group responsible for auditing and monitoring the Virgin Islands DOE activities with respect to the Department's programs and funds.

The Virgin Islands DOE submitted its monitoring and internal control plan to the Department on July 5, 2018, within the 60 days required to submit the plan. The Virgin

[5] A third-party fiduciary has been in place at the Virgin Islands DOE since 2006 because the Virgin Islands DOE has not demonstrated to the Department that it has the capacity to manage Department grants in compliance with Federal grant requirements and fiscal accountability without the use of a third-party fiduciary.

Islands DOE plans to use Restart program funds for district and nonpublic school expenses including (1) replacement of district information systems, including hardware and software; (2) purchase of school buses; (3) replacement of instructional materials and equipment, including textbooks; (4) technology equipment, such as laptops and computers; and (5) replacement of destroyed athletic uniforms, band instruments and uniforms, and other expenses. It also plans to use Restart program funds for administrative costs that include personnel, fringe benefits, and supplies.

Finding 1. The Virgin Islands DOE's Processes for Monitoring Department Grants Do Not Ensure Adequate Oversight of the Restart Program

The Virgin Islands DOE's processes for monitoring Department grants do not ensure adequate oversight of the Restart program. Specifically,

- the Virgin Islands DOE's processes for monitoring Department grants do not provide reasonable assurance that the Virgin Islands DOE will spend Restart program funds timely or that it will conduct effective monitoring of Restart program performance;
- the Virgin Islands DOE's Internal Audit Division is not staffed at planned levels and does not have standard operating procedures; and
- the Virgin Islands DOE does not have processes to assess fraud risks and report fraud.

Without effectively designed internal controls to oversee Restart program funds, the Virgin Islands DOE does not have reasonable assurance that it will use Restart program funds timely and for the intended purposes of the program. Delaying the use of Restart program funds could ultimately lead to a loss of funds if they are not obligated within the required 24 months. As a result, school districts and nonpublic schools could be prevented from receiving assistance that they otherwise would have received and that could have expedited the restarting of school operations, reopening of schools, and reenrolling of students. In addition, inadequate monitoring of Restart program performance could result in program objectives not being met. Also, without processes to assess fraud risks and report fraud, the Virgin Islands DOE lacks a critical tool that could help it design internal controls to mitigate those risks in its administration of the Restart program.

The Virgin Islands DOE Does Not Have Effective Processes for Monitoring Department Grants

We found that the Virgin Islands DOE's fiscal and programmatic monitoring processes do not provide reasonable assurance that it will spend Restart program funds within the required 24 months or that it will conduct effective programmatic monitoring of the Restart program.

Office of Federal Grants Fiscal Monitoring Process

The Virgin Islands DOE's Office of Federal Grants' process for fiscal monitoring of Department grants does not provide reasonable assurance that the Virgin Islands DOE will spend Restart program funds within the required 24-month period, by May 2020.

The Virgin Islands DOE has policies and procedures for monitoring Department grants (dated 2012) that include fiscal monitoring activities, to be performed by the Office of Federal Grants. Fiscal monitoring activities include the generation and dissemination of fiscal reports, the review of requisitions for purchases, and monthly discussions of grant balances with program managers. These policies and procedures are intended to ensure that the Virgin Islands DOE spends Department funds only on allowable costs and to prevent the lapse of Department funds.

We found that the director of the Office of Federal Grants disseminated weekly reports with Consolidated Grant to the Insular Areas (Consolidated Grant) balances to program managers, and that Office of Federal Grants staff reviewed requisitions for purchases using Consolidated Grant funds.[6] We were also told by the director of the Office of Federal Grants that staff conducted fiscal monitoring visits to program managers. However, the policies and procedures did not require Office of Federal Grants staff to document the discussions held or the results of these visits. As a result, we could not determine whether Office of Federal Grants staff appropriately emphasized to program managers the importance of spending funds before they lapse or identified specific concerns regarding actual or planned uses of funds.

The Virgin Islands DOE's Office of Federal Grants' fiscal monitoring process has not been effective at ensuring that the Virgin Islands DOE spends other Department grants timely. For example, as of March 1, 2019, the Virgin Islands DOE had spent only $16.5 million of the $45.6 million in Consolidated Grant funds it was awarded for FYs 2016, 2017, and 2018. The Consolidated Grant program is the largest Department grant that the Virgin Islands DOE administers, with $15.2 million awarded for FY 2018. Table 1 below shows Consolidated Grant amounts awarded to the Virgin Islands DOE, remaining balances as of March 1, 2019, and the period of availability of the funds for obligation by fiscal year.

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[6] The Consolidated Grant program allows Insular Areas, including the U.S. Virgin Islands, to apply to the Department for two or more eligible State-administered formula grant programs under one application and to choose how to allocate funds among programs within the consolidated application. Some of the programs that can be consolidated include the Improving Basic Programs Operated by Local Education Agencies program (Title I, Part A); the State Assessment Grants program (Title I, Part B); and the Supporting Effective Instruction program (Title II, Part A).

Table 1. Consolidated Grant Award Balances for FYs 2016, 2017, and 2018

Fiscal Year	Awarded Amount	Remaining Balance as of March 1, 2019	Period of Availability
2016	$15,616,487	$3,781,825	July 1, 2016–September 30, 2018*
2017	$14,749,680	$10,053,779	July 1, 2017–September 30, 2019
2018	$15,250,804	$15,250,804	July 1, 2018–September 30, 2020
Total	**$45,616,971**	**$29,086,408**	**-**

*In August 2018, the Office of Federal Grants requested an extension from the Department to spend the FY 2016 Consolidated Grant funds. The Department approved the extension request and the Virgin Islands DOE now has until September 30, 2019, to obligate the remaining balance of FY 2016 Consolidated Grant program funds.

The Virgin Islands DOE's Restart program office prepared a timeline to plan the expenditure of Restart program funds within the required 24-month period. According to the timeline, the Restart program office planned to have budgets approved by August 2018 and uploaded in the Virgin Islands DOE's financial management system by October 2018 so that Restart program staff could begin the process of acquiring needed goods and services using the funds. However, as of December 21, 2018, the Virgin Islands DOE had only an approved and uploaded grant administration budget of $696,546 of the $13.1 million in Restart program funds awarded. As of March 1, 2019, more than 9 months after being awarded Restart program funds, the Virgin Islands DOE had drawn down only $27,495 of the funds. This is concerning given that the Restart program is the second largest Department grant that the Virgin Islands DOE currently administers, the short timeframe within which the Virgin Islands DOE must spend Restart program funds, and the challenges that the Virgin Islands DOE has encountered in timely using Consolidated Grant program funds.

At the time of our exit conference in December 2018, the director of the Restart program stated that since her appointment in August 2018, the Virgin Islands DOE had not drawn down Restart program funds because it prioritized creating a structure for the administration of the program, hiring and training Restart program staff, assessing the needs of districts and nonpublic schools after the Hurricanes, creating budgets that include allowable activities, and developing an implementation plan for the Restart program ahead of drawing down funds.

Office of Federal Grants Programmatic Monitoring Process

We found that the Virgin Islands DOE's Office of Federal Grants' process for programmatic monitoring of Department grants does not provide reasonable assurance that it will conduct effective programmatic monitoring of the Restart program performance. The Virgin Islands DOE's written policies and procedures for monitoring Department grants (dated 2012) include programmatic monitoring activities that the Office of Federal Grants conducts to determine whether program objectives are being met. Programmatic monitoring activities include dissemination of self-assessment tools to program managers to evaluate program performance, review of the completed self-assessment tools, and periodic site visits to ensure that program managers are properly executing their program requirements. However, the Office of Federal Grants did not conduct these programmatic monitoring activities for Department programs in FY 2017.

According to the director of the Office of Federal Grants, the staff did not complete the required programmatic monitoring activities for Department grants in FY 2017 because they deemed fiscal monitoring activities to be more important given the risk that FY 2016 Consolidated Grant funds could lapse and they could not conduct both fiscal and programmatic monitoring activities with the same staff. The director of the Office of Federal Grants also stated that conducting programmatic monitoring of the Restart program will be a challenge because this grant was awarded in addition to the other disaster recovery grants awarded to the Virgin Islands DOE after the 2017 Hurricanes and the Department grants that the Virgin Islands DOE is normally awarded each year.[7] Given the decision not to conduct programmatic monitoring in FY 2017 and the challenges the Office of Federal Grants expects to have in monitoring the various grants awarded to the Virgin Islands DOE, there is no reasonable assurance that the Office of Federal Grants will effectively monitor Restart program performance.

According to 2 Code of Federal Regulations (C.F.R.) § 200.303 (a) and (c) the non-Federal entity is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the

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[7] For example, the Department awarded the Virgin Islands DOE $4.2 million in Temporary Emergency Impact Aid for Displaced Students program funds for the costs of educating public and nonpublic school students displaced by the 2017 Hurricanes. The Department also awarded the Virgin Islands DOE $2 million in Project School Emergency Response to Violence program funds. The purpose of this program is to fund short- and long-term education-related services for local educational agencies and institutions of higher education to help them recover from a violent or traumatic event in which the learning environment has been disrupted.

Federal award. Further, the non-Federal entity must also evaluate and monitor its compliance with statutes, regulations, and the terms and conditions of Federal awards.

Also, according to 2 C.F.R. § 200.328(a), the non-Federal entity is responsible for oversight of the operations of the Federal award-supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and that performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function, or activity.

Without effective internal controls to oversee Restart program funds, the Virgin Islands DOE does not have reasonable assurance it will use Restart program funds within the required 24 months and for the intended purposes of restarting school operations, reopening schools, and reenrolling students.

Monitoring and Internal Control Plan for the Restart Program

The Virgin Islands DOE submitted its monitoring and internal control plan to the Department on July 5, 2018, within the required 60 days. In its plan, the Virgin Islands DOE included a description of its processes for administering and overseeing the Restart grant, as required under the grant award conditions. It also stated that it had a programmatic and fiscal monitoring system and the internal controls needed to successfully implement the Restart program. This system includes oversight by the Office of Federal Grants and the use of a third-party fiduciary, which plays a key role in financial management at the Virgin Islands DOE and must authorize all federally funded transactions. The Virgin Islands DOE further stated in its plan that it would hire a Restart program director (which it did in August 2018), who would manage and put in place the proper fiscal and monitoring controls to administer the grant funds.

Although the Virgin Islands DOE stated in its plan that its established system of controls would allow it to successfully implement the Restart program, its actions after submitting the plan to the Department, as well as other information learned during our audit, demonstrate that improvements are needed. For example, the plan describes the Office of Federal Grants' oversight responsibilities for the Restart program, which include conducting a desktop audit to verify that the Virgin Islands DOE developed and implemented effective policies, procedures, and contracting practices and maintained documents supporting program implementation and demonstrating compliance. However, as discussed earlier in this finding, the director of the Office of Federal Grants expects to have challenges in monitoring the various additional grants awarded to the Virgin Islands DOE after the 2017 Hurricanes at current staff levels.

In November 2018, the Restart program director requested the Department's approval to contract with an external evaluator to assist in monitoring the Restart program (the hiring of an external evaluator was not included in the plan submitted to the Department). The request to the Department stated that the Virgin Islands DOE needed additional resources to monitor the program. The Department approved the use of $60,000 in Restart program funds for an external evaluator in December 2018. At the time of our exit conference in December 2018, the Virgin Islands DOE's Restart program director was in the process of determining the scope of work of the external evaluator in order to develop and issue a request for proposal. The Restart program director plans to work with the external evaluator to update the Restart program's monitoring and internal control plan and submit a second version to the Department.

The Virgin Islands DOE's Internal Audit Division Is Not Staffed at Planned Levels and Does Not Have Standard Operating Procedures

We found that the Virgin Islands DOE has not staffed its Internal Audit Division in accordance with planned staffing levels and that the Internal Audit Division does not have standard operating procedures.

The Department and the Office of Inspector General have long recommended that the Virgin Islands DOE develop a strong internal audit function that could help it address persistent financial management and compliance issues related to its administration of Department programs and funds. The September 2002 Compliance Agreement that the Department entered into with the Virgin Islands DOE required that it develop an independent internal audit function. In November 2009, we conducted an audit and found that the Virgin Islands DOE had an internal auditor to perform independent audits. [8] We reported that, as a high-risk grantee, the Virgin Islands DOE required a stronger independent internal audit function with a staff of sufficient size and experience level to ensure proper use and accounting of Department funds. In our audit report, we recommended that the Virgin Islands DOE develop a fully staffed, independent internal audit group responsible for auditing and monitoring the Virgin Islands DOE's activities with respect to the Department's programs and funds. In its response to the audit report, the Virgin Islands DOE agreed to implement this recommendation. However, the Department conducted technical assistance visits to the Virgin Islands DOE in February and April 2018 and found that the Virgin Islands DOE had not implemented this recommendation. In June 2018, the Department imposed special

[8] ED-OIG/A04J0004, "Virgin Islands Department of Education's Current Efforts to Address Prior Audit Findings." Refer to https://www2.ed.gov/about/offices/list/oig/auditreports/fy2010/a04j0004.doc.

conditions on all FY 2018 grants awarded to the Virgin Islands DOE, which require the Virgin Islands DOE to implement a fully staffed and independent internal audit group.

At the time of the Department's visits in February and April 2018, the Virgin Islands DOE's Internal Audit Division was composed of one internal auditor. In August 2018, the Virgin Islands DOE hired a director for the Internal Audit Division and promoted the prior internal auditor to chief internal auditor. The Internal Audit Division prepared an audit plan for FY 2019 that proposes the hiring of an audit coordinating officer and two internal auditors. Based on the audit plan, the Internal Audit Division will be fully staffed at five staff members after these hires are made. However, as of November 2018, the hiring of the additional staff had not been approved. Without an Internal Audit Division that is staffed at planned levels, the Virgin Islands DOE does not have reasonable assurance that its Internal Audit Division will be able to fulfill all of its responsibilities. These responsibilities include conducting audit activities and assessing the Virgin Islands DOE's internal controls to provide reasonable assurance of the effectiveness and efficiency of the Virgin Islands DOE's operations, the reliability of financial data, and compliance with laws and regulations.

In a March 2018 summary report that the Department issued related to its February 2018 technical assistance visit to the Virgin Islands DOE, the Department recommended that the Virgin Islands DOE develop and implement standard operating procedures for its Internal Audit Division. In a June 2018 summary report the Department issued related to its follow-up technical assistance visit to the Virgin Islands DOE in April 2018, the Department reiterated this recommendation. However, as of November 2018, the Internal Audit Division had not developed standard operating procedures. Without standard operating procedures, the Internal Audit Division lacks a key control that should help ensure that staff perform high-quality internal audit work in accordance with applicable professional standards. Also, the procedures could help the Internal Audit Division develop the capacity to manage Department grants in compliance with Federal grant requirements and fiscal accountability without the use of a third-party fiduciary.

The Virgin Islands DOE Does Not Have Processes to Assess Fraud Risks and Report Fraud

The Virgin Islands DOE does not have risk assessment processes that could help it design and implement the internal control activities needed to effectively prevent, detect, and respond to potential fraud. According to the director of the Office of Federal Grants, he is not aware of any risk assessment processes where the risk of fraud in Department programs is considered. We also did not identify any processes for assessing fraud risks in the Virgin Islands DOE's monitoring policies and procedures for Department grants (dated 2012) or in its procurement policies and procedures (dated August 2018).

Examples of internal control activities that could help the Virgin Islands DOE to prevent, detect, and respond to identified fraud risks include fraud reporting mechanisms, fraud awareness initiatives, and data-analytic activities.[9]

According to 2 C.F.R. § 200.303 (a), the non-Federal entity's internal controls over Federal awards should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States, or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. According to the "Standards for Internal Control in the Federal Government" (September 2014), one of the five components of an effective internal control system is risk assessment. Under this component, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. The standards for internal control require managers to consider the potential for fraud when identifying, analyzing, and responding to risks.

By not considering the risk of fraud in its design of internal controls, the Virgin Islands DOE is not using a critical tool that could help it safeguard Restart and other Federal program funds from fraud, waste, and abuse.

In addition, we did not see U.S. Department of Education Office of Inspector General hotline contact information displayed in the Virgin Islands DOE's administrative offices in St. Thomas or the St. Thomas/St. John District offices that we visited, or on the Virgin Islands DOE's official website. According to Section 9203 of the Every Student Succeeds Act, the Secretary of Education must require that each recipient of a grant or subgrant under the Elementary and Secondary Education Act of 1965 display, in a public place, the hotline contact information of the Department's Office of Inspector General so that any individual who observes, detects, or suspects improper use of taxpayer funds can easily report such improper use.[10] Because the Virgin Islands DOE did not display this hotline contact information in those offices or on its official website, people who interact with those offices or who frequent that website may not know how to properly report fraud, which could decrease the likelihood that they report potential fraud. Our hotline information is required to be posted in public places and is a key tool that can

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[9] The U.S. Government Accountability Office's "A Framework for Managing Fraud Risks in Federal Programs" (July 2015) recommends Federal government managers design and implement these internal control activities to prevent and detect fraud.

[10] The U.S. Department of Education Office of Inspector General hotline can be reached by telephone at 1-800-MIS-USED (1-800-647-8733) and online at http://oighotline.ed.gov.

help in the detection of potential fraud in Department programs, including the Restart program.

Recommendations

We recommend that the Assistant Secretary for Elementary and Secondary Education require the Commissioner Nominee of the Virgin Islands DOE to—

1.1 Finalize its monitoring and internal control plan and implement fiscal and programmatic monitoring processes for the Restart program that provide reasonable assurance that the Virgin Islands DOE will spend Restart program funds within the required 24 months and conduct effective programmatic monitoring of the Restart program.

1.2 Update its monitoring and internal control plan once an external evaluator is contracted to include the role the external evaluator will ultimately have in assisting the Virgin Islands DOE in monitoring the Restart program and information about how the Virgin Islands DOE will oversee the contractor to ensure contract deliverables are met.

1.3 Staff its Internal Audit Division at planned levels and develop and implement standard operating procedures to provide reasonable assurance that it will fulfill its responsibilities.

1.4 Assess the risk of fraud in the Restart program and develop and implement control activities to prevent, detect, and respond to potential fraud.

1.5 Develop and implement a fraud reporting mechanism and display in public places the U.S. Department of Education Office of Inspector General hotline contact information, as required by Section 9203 of the Every Student Succeeds Act.

Virgin Islands DOE Comments

In its response to the draft report, the Virgin Islands DOE neither agreed nor disagreed with this finding and recommendations. The Virgin Islands DOE included with its response a revised monitoring and internal control plan for the Restart program. The plan describes processes that the Virgin Islands DOE stated it is implementing to enhance its designed system of internal controls to provide assurance that it will properly administer Restart program funds, meet program objectives, and prevent, detect and respond to potential fraud. The following summarizes Virgin Islands DOE comments on the recommendations.

- Recommendation 1.1. The Virgin Islands DOE stated that the revised monitoring and internal controls plan includes fiscal and programmatic monitoring processes that provide reasonable assurance that it will spend Restart program funds timely and that it will conduct effective monitoring of Restart program performance.

- Recommendation 1.2. The Virgin Islands DOE stated that it is seeking an external evaluator that will assist the Restart program in facilitating external audit standard operating procedures and program performance. The revised monitoring and internal controls plan states that the Restart program director will perform a monthly deliverable audit to ensure that the external evaluator meets contract deliverables.
- Recommendation 1.3. The Virgin Islands DOE stated that it is in the process of structuring the audit office to enhance the audit function and has draft standard operating procedures that it plans to implement.
- Recommendation 1.4. The Virgin Islands DOE stated that the revised monitoring and internal control plan describes procedures that it has in place to assess fraud risks and processes it has implemented to prevent, detect, and respond to potential fraud. These include a process to create budgets for schools and districts that include allowable and reasonable costs, tools to monitor schools' spending of Restart program funds and track fixed assets purchased with the funds, and a process to evaluate nonpublic schools' requests for reimbursements.
- Recommendation 1.5. In the revised monitoring and internal control plan it included with its comments, the Virgin Islands DOE states that the U.S. Department of Education Office of Inspector General hotline contact information is displayed on the second floor of the Virgin Islands DOE's headquarters in St. Thomas and that it plans to implement additional procedures such as conducting a public relations campaign and posting additional signage.

Finally, the Virgin Islands DOE stated that it had not drawn down Restart program funds during our audit period and did not have a finalized monitoring and internal control plan because it was in the process of hiring and training staff, assessing fraud risks, and putting in place procedural guidelines for the Restart program. See "Virgin Islands DOE Comments" for the full text of the comments.

OIG Response

In response to the comments, we slightly modified Recommendation 1.1 to acknowledge that the Virgin Islands DOE had revised its monitoring and internal control plan for the Restart program. We also amended Recommendation 1.2 to stress the importance of updating that plan once a contract is awarded to an external evaluator. We did not revise the finding or Recommendations 1.3—1.5 based on the Virgin Islands DOE's comments.

We commend the Virgin Islands DOE for revising its monitoring and internal control plan to include processes for the administration and oversight of the Restart program aimed at improving its designed system of internal controls. However, the revised plan had not been implemented at the time of our review and should not be considered the final version; it is currently under review by the Department, and the Virgin Islands DOE is still in the process of awarding a contract to an external evaluator. As such, the plan does not include the role the external evaluator will ultimately have in assisting the Virgin Islands DOE in monitoring the program once a contract is awarded. While the actions proposed or presented by the Virgin Islands DOE are generally responsive to our recommendations, it is important for the Department to confirm that these actions have been fully implemented.

We agree that effectively designed internal controls need to be in place for the administration of the Restart program. Such internal controls should provide reasonable assurance that Restart program funds are spent within the required 24 months and for the intended purposes of the program in order to provide school districts and nonpublic schools the assistance they need to expedite the restarting of school operations, reopening of schools, and reenrolling of students. While progress is being made to put in place these controls, it is important that they be implemented timely so that funds can be spent timely and effectively.

Finding 2. The Virgin Islands DOE Has Effectively Designed Controls over Procurement

Based on our assessment of the Virgin Islands DOE's procurement process, including conducting testing on a limited sample of recent transactions, we found that the Virgin Islands DOE's internal controls over procurement are effectively designed in a way that provides reasonable assurance that the Virgin Islands DOE will comply with its procurement policies and procedures when purchasing goods and services using Federal funds. We reviewed a judgmental sample of 5 procurement transactions totaling $986,804, from a universe of 105 transactions totaling $1,668,949, and we found that the Virgin Islands DOE carried out the procurement process in accordance with its policies and procedures.

The Virgin Islands DOE's Procurement Process

The U.S. Virgin Islands procurement regulations allow the Virgin Islands DOE to purchase goods and services that do not exceed $50,000 in cost. The Government of the U.S. Virgin Islands' Department of Property and Procurement carries out the procurement process for purchases above the $50,000 threshold.

Procurement Process for Purchases up to $50,000

Authorized buyers from program offices initiate the procurement process for goods and services. For the purchase of goods, the buyer must solicit bids from at least three vendors that are included on a master list of approved vendors maintained by the third-party fiduciary.[11] For the purchase of services, the buyer is required to send a request for proposals to at least three approved vendors. The buyer must select the lowest most responsive and responsible bidder and submit the following documents to the Procurement Division: a copy of the bid request, written quotes from at least three vendors, evidence of verification in the U.S. General Services Administration's System for Award Management that the selected vendor has not been suspended or debarred

[11] To be in the in the master list of approved vendors, a buyer must submit to the third-party fiduciary documentation that includes a completed U.S. Internal Revenue Service W-9 tax form, a copy of the vendor's current business license, and a standardized form completed by the vendor with the vendor's Taxpayer Identification Number, official address, contact information, and status to do business in the U.S. Virgin Islands. The third-party fiduciary is required to review the documents and if it approves the vendor, it adds the vendor to the master list and notifies the buyer.

from Federal procurement, and a justification letter.[12] For sole-source purchases, the justification letter must explain the reason for using a sole-source vendor and cite the specific purchase requirements that make a competitive process unfeasible.[13] The procurement documentation for sole-source purchases must also include a letter from the vendor stating that it is the sole-source provider or authorized reseller of the good or service.[14] The procurement director is required to review the selection and procurement documentation for completeness, accuracy, and compliance with policies and procedures. After the review, the procurement director can approve purchases up to $5,000 and the Commissioner of Education can approve purchases above $5,000.

After approval, the Procurement Division sends the procurement documentation back to the buyer. The buyer must enter a requisition for the purchase in the Virgin Islands DOE's financial management system with the applicable procurement documentation, where it is routed through a series of approvals by a program manager, a district superintendent, an Office of Federal Grants program manager, the director of the Office of Federal Grants, and, finally, the third-party fiduciary. If the purchase is above $10,000, the requisition must also be approved by the director of Financial Services before it is approved by the third-party fiduciary.

Of the five procurement transactions we reviewed, three transactions were related to the procurement of goods and services up to the $50,000 threshold. These included two transactions for goods and one transaction for services. Our review of two transactions related to the procurement of goods included 2,719 textbooks purchased with Consolidated Grant funds plus shipping costs of $37,352, and a portable planetarium system purchased with Consolidated Grant funds plus shipping costs of $24,265. The Virgin Islands DOE used a sole-source procurement process to purchase the textbooks. The transaction related to the procurement of services we reviewed consisted of the award of a professional services contract to a vendor for planning and providing a 3-day

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[12] Justification letters must be submitted using an approved template included in the Virgin Islands DOE's policies and procedures. The letters must include the goods and services to be purchased, how the vendor was selected, and the number of bids received and respective vendor costs.

[13] A sole-source purchase is a purchase of goods or services that are usually unique in nature and have performance characteristics and/or other attributes that can only be obtained from one supplier. This process is most commonly used for books and other copyrighted materials that are available from only a proprietary publisher and for services that have limited available providers on the island.

[14] For sole-source purchases, the procurement director has the right and the obligation of rejecting a selected vendor if the selected vendor did not meet the overall value, price, or service criteria that is expected.

training to 80 participants for $49,450 using Consolidated Grant funds. We found that the Virgin Islands DOE complied with the procurement process applicable to each of these three transactions and maintained the required documentation.

Procurement Process for Purchases Higher Than $50,000

For purchases of goods and services higher than $50,000, authorized buyers from program offices are required to send the Procurement Division a copy of the bid request, a justification letter addressed to the Commissioner of Education, and a justification letter addressed to the Commissioner of the Department of Property and Procurement. After review and approval by the director of the Procurement Division and the Commissioner of Education, the director is required to send a request to the Commissioner of the Department of Property and Procurement to solicit the goods and services from vendors. The Department of Property and Procurement carries out the solicitation, evaluation, and award processes and notifies the Procurement Division of the results. After approval, the Procurement Division sends the procurement documentation back to the buyer, which enters a requisition in the Virgin Islands DOE's financial management system and follows the same approval process as the one for purchases up to $50,000 mentioned above.

The remaining two procurement transactions from the five transactions we reviewed were related to the procurement of services above the $50,000 threshold. One of the transactions was for obtaining 3 years of training services, job shadowing, and coaching and related materials for 30 prospective and current school administrators for $637,337 using Consolidated Grant funds. The second transaction we reviewed was for obtaining 1 additional year of hosting, support, and technical services for the Virgin Islands DOE's existing longitudinal data system for $238,400 using Consolidated Grant funds. We found that the Virgin Islands DOE complied with the procurement process applicable to each of these two transactions and maintained the required documentation.

Virgin Islands DOE Comments

The Virgin Islands DOE did not provide any comments in response to this finding. Therefore, no OIG response is required.

Appendix A. Scope and Methodology

We reviewed the design of the Virgin Islands DOE's systems of internal controls for the administration of Restart program funds. Specifically, we reviewed the Virgin Islands DOE's internal controls for (1) monitoring Department grants, including the Restart program, and (2) the procurement of goods and services acquired using Federal funds. Our review covered May 14, 2018, the date the Department awarded a Restart grant to the Virgin Islands DOE, through the end of our fieldwork on December 21, 2018.[15] To achieve our audit objective, we performed the following procedures.

Review of Internal Controls Over Department Grants Oversight

As part of our review of internal controls over the Virgin Islands DOE's oversight of Department grants, we performed the following.

- Interviewed the Virgin Islands DOE officials responsible for overseeing Department grants to gain an understanding of the design of internal controls for monitoring Department grants, including the Restart program.
- Evaluated the Virgin Islands DOE's written policies and procedures for Department grants monitoring, draft monitoring protocols and risk assessment tools, and the organizational charts for the Office of Federal Grants and Restart program office to determine whether the Virgin Islands DOE had an organizational structure and process in place for the fiscal and programmatic monitoring of Department grants, including the Restart program.
- Reviewed the monitoring and internal control plan that the Virgin Islands DOE submitted to the Department on July 5, 2018, to gain understanding of the internal controls and monitoring activities the Virgin Islands DOE planned to implement to ensure Restart program funds are used for allowable purposes and that the purposes of the program are met.
- Reviewed the first Restart program quarterly report that the Virgin Islands DOE submitted to the Department in October 2018, preliminary allocations of funds to school districts and nonpublic schools, and preliminary budgets of Restart program funds to determine the status of the Virgin Islands DOE's use of Restart program funds. We also reviewed data from G5, the official system of record for

[15] We continued to monitor the Virgin Islands DOE's drawdowns of Restart program and Consolidated Grant program funds in G5, the official system of record for the Department's grants data, through March 1, 2019.

the Department's grants data, to determine the amount of Restart program and Consolidated Grant program funds the Virgin Islands DOE had drawn down and remaining balances as of March 1, 2019.

Review of Internal Controls over Procurement of Goods and Services

As part of our review of internal controls over the Virgin Islands DOE's procurement of goods and services, we performed the following.

- Interviewed the Virgin Islands DOE officials responsible for carrying out and overseeing the Virgin Islands DOE procurement processes to gain an understanding of the design of internal controls over the procurement of goods and services acquired using Federal funds, including the Restart program.
- Evaluated the Virgin Islands DOE's procurement policies and procedures, workflows of procurement processes, and the Procurement Division's organizational chart to determine whether the Virgin Islands DOE had an organizational structure and process in place for procuring and acquiring goods and services with Restart program funds.
- Conducted limited testing for a judgmental sample of five procurement transactions to determine whether the Virgin Islands DOE complied with applicable procurement regulations, policies, and procedures. For details on our judgmental selection criteria, refer to the "Sampling Methodology" section below. Our testing consisted of reviewing documentation supporting whether the Virgin Islands DOE carried out the required procurement process in accordance with established procurement thresholds and maintained the required documentation. Because the Virgin Islands DOE had not made any procurement transactions using Restart program funds at the time of our audit, we reviewed transactions that the Virgin Islands DOE made using Consolidated Grant funds. The Virgin Islands DOE plans to use the same procurement process for goods and services using Restart program funds.
- Gained an understanding of Federal and State laws, regulations, and guidance relevant to the audit objective including the Bipartisan Budget Act of 2018; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Part 200, subparts D and E (Title 2 of the C.F.R.); U.S. Government Accountability Office's "Standards of Internal Control in the Federal Government" (September 2014) and "A Framework for Managing Fraud Risks in Federal Programs" (July 2015); Section 9203 of the Every Student Succeeds Act; Restart Grant Award Conditions (May 2018); Special Conditions the Department imposed on all Department grants awarded to the Virgin Islands DOE for FY 2018; and conflict of interest regulations in the

U.S. Virgin Islands Code Annotated, Title Three, Chapter 37, § 1100 through 1108.

We conducted site visits at the Virgin Islands DOE, Saint Thomas, from August 13, 2018, through August 17, 2018, and September 17, 2018, through September 21, 2018. We held an exit conference with Virgin Islands DOE officials on December 21, 2018, to discuss the results of the audit.

Sampling Methodology

To determine whether the Virgin Islands DOE complied with applicable procurement regulations, policies, and procedures, we conducted limited testing for a judgmental sample of 5 procurement transactions totaling $986,804 from a universe of 105 transactions totaling $1,668,949. We used a judgmental sampling approach rather than statistical sampling to ensure that specific characteristics discussed below were represented in our sample, including transactions for goods and services up to and above the Virgin Islands DOE's procurement threshold of $50,000. Consequently, our results cannot be projected to the universe of procurement transactions.

Because the Virgin Islands DOE had not made any procurement transactions using Restart program funds at the time of our audit, we selected part of our judgmental sample from the universe of purchase orders and related invoices the Virgin Islands DOE paid using Consolidated Grant funds from May 23, 2018, through September 13, 2018. The universe included 92 purchase orders for goods acquired up to the Virgin Islands DOE's procurement threshold of $50,000 with paid invoices totaling $351,348 and 2 purchase orders for services above the Virgin Islands DOE's procurement threshold of $50,000 with paid invoices totaling $875,737.[16] Of the 92 purchase orders for goods acquired up to the Virgin Islands DOE's procurement threshold of $50,000, we judgmentally selected the 2 purchase orders with the largest paid invoices, which totaled $61,617. (See the second row in Table 2 below.) In addition, we judgmentally selected the only two purchase orders in the universe for services above the Virgin Islands DOE's procurement threshold of $50,000 with paid invoices, which totaled $875,737. (See the third row in Table 2 below.)

Because the data did not include purchase orders for services below the Virgin Islands DOE's procurement threshold of $50,000, we obtained a list of professional services contracts the Virgin Islands DOE awarded in August and September 2018. To make our

[16] The data with the universe of purchase orders included invoices related to the two purchase orders for services that totaled $55,313 for the time period covered by the data, but the contract award amount for these two purchase orders totaled $875,737.

selection, we identified a universe of 11 contracts totaling $441,864 with the following characteristics: (1) awarded amounts below the Virgin Islands DOE's procurement threshold of $50,000; (2) received for review by the Virgin Islands DOE's Procurement Division after it implemented its updated procurement policies and procedures on August 1, 2018; and (3) funded using Consolidated Grant funds. Of the 11 contracts, we judgmentally selected the contract with the largest awarded amount of $49,450. (See the fourth row in Table 2 below.)

Table 2. Universe and Sample of Procurement Transactions

Category (as determined by transaction type and threshold)	Universe Count and Dollar Amount	Sample Count and Dollar Amount	Judgmental Selection Method
Goods over $50,000	0	0	Not Applicable
Goods up to $50,000	92 purchase orders $351,348	2 purchase orders $61,617	Two largest purchase orders
Services over $50,000	2 purchase orders $875,737	2 purchase orders $875,737	All purchase orders
Services up to $50,000	11 contracts $441,864	1 contract $49,450	Largest contract award amount
Total	**105 transactions** **$1,668,949**	**5 transactions** **$986,804**	-

Use of Computer-Processed Data

We relied, in part, on computer-processed data from the Virgin Islands DOE's financial management system consisting of a list of purchase orders and related invoices the Virgin Islands DOE paid using Consolidated Grant funds from May 23, 2018, through September 13, 2018. We used the data to select our sample of procurement transactions for testing. To assess the accuracy and completeness of the data in the Virgin Islands DOE's financial management system, we compared data elements of the sampled transactions, such as vendor name, purchase order number, and amount with supporting documentation, including vendors' quotes, approved purchase orders, and justification letters. Based on the work we performed, we determined the information was sufficiently reliable for us to use in meeting the audit objective. We also relied on computer-processed data obtained from G5. We used G5 to identify the amount of Restart program and Consolidated Grant program funds the Virgin Islands DOE had drawn down and remaining balances as of March 1, 2019. G5 is the official system of

record for the Department's grants data. As a result, we considered it to be the best available data for the purpose of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B. Acronyms and Abbreviations

Consolidated Grant	Consolidated Grant to the Insular Areas
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
FY	fiscal year
Restart	Immediate Aid to Restart School Operations
Virgin Islands DOE	Virgin Islands Department of Education

Virgin Islands DOE Comments

THE VIRGIN ISLANDS
DEPARTMENT OF EDUCATION

Racquel Berry-Benjamin
Commissioner Designee

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May 16, 2019

Mr. Christopher A. Gamble
Regional Inspector General for Audit
400 Maryland Ave, SW
Washington, DC 20202-1510

Dear Regional Inspector General Gamble:

We have reviewed your draft audit report, "U.S. Virgin Islands Department of Education's Internal Controls over the Immediate Aid to Restart School Operations Program", Control Number ED-OIG/A04S0014. Attached to this document, you will find the Restart Program Monitoring and Internal Controls Plan.

Below, please see our written comments to the recommendations found in the above mentioned audit draft.

Recommendations and Responses

1.1: ***Develop and implement processes for fiscal and programmatic monitoring of Department programs, including the Restart program that provide reasonable assurance that the Virgin Islands DOE will spend Restart program funds timely and meet program objectives.***
The Virgin Islands Department of Education Restart program has enhanced its designed system of internal controls to ensure that it will properly administer Restart program funds and meet program objectives. Specifically, it's fiscal and programmatic monitoring processes provide reasonable assurance that it will spend Restart program funds timely and that it will conduct effective monitoring of Restart program performance.
**Please see the revised Restart Program Monitoring and Internal Controls Plan, which includes an Implementation Plan, Restart Program Forms, Risk Prevention, Fiscal and Program monitoring, etc.*

1.2: ***Update its monitoring and internal control plan to include the role of the external evaluator in assisting the Virgin Islands DOE in monitoring the Restart program and information about how the Virgin Islands DOE will oversee the contractor to ensure contract deliverables are met.***
An External Evaluator will assist the Restart program in facilitating the External Audit standard operating procedures and program performance. Contract deliverables will be monitored as noted in the scope of work section.
**Please see the Restart Monitoring and Internal Controls document (Pages 14-18 & Appendix A)*

1.3. ***Staff its Internal Audit Division at planned levels and develop and implement standard operating procedures to provide reasonable assurance that it will fulfill its responsibilities.***
As mentioned in the OIG audit draft, the Internal Audit Office currently has a director and a chief internal auditor. Virgin Islands DOE is in the process of structuring the audit office to enhance the audit function. The audit office standard operating procedures are in draft and will be implemented to provide assurance measures over DOE's operations.

1.4 ***Assess the risk of fraud in Department programs and develop and implement control activities to prevent, detect, and respond to potential fraud.***
The Restart program has in place procedures to assess fraud risks and has implemented several processes to prevent, detect and respond to potential fraud.
**Please see the Restart Monitoring and Internal Controls document (Specifically pages 4-14)*

1.5 ***Develop and implement a fraud reporting mechanism and display in public places the U.S. Department of Education Office of Inspector General hotline contact information, as required by Section 9203 of the Every Student Succeeds Act.***
The Restart program has in place procedures to assess fraud risks and has implemented several processes to prevent, detect and respond to potential fraud. Additional procedures throughout the VIDE shall be implemented such as a public relations campaign and the expansion of signage posting throughout the department within the next 30 days.
**Please see the Restart Monitoring and Internal Controls document (Specifically pages 4-14)*

Restart Program comments in regards to the report:

The main reason funds were not drawn down and a finalized internal control plan was not in place, was due to the fact the Restart Director was hired in quarter two. The Director of the Restart program needed to take the necessary time to recruit, hire and train staff, assess fraud risks and put in place reasonable assurances through procedural guidelines. These practices would assist the VIDE in meeting its operating, financial, reporting and compliance objectives of the program; while limiting the risks of the programs failure to meet its objectives. Additionally, taking time to put these procedures in place safeguarded funds from fraud, waste and abuse.
**Please see Program Monitoring and Internal Controls document, which includes an Implementation Plan.*

Please feel free to contact if you have any questions.

Sincerely,

[redacted]

For Racquel Berry-Benjamin
Commissioner Designee