



# United States Department of the Interior

## Office of Inspector General

### Western Region


Federal Building  
2800 Cottage Way, Suite E-2712  
Sacramento, California 95825

Report No. W-VS-OIA-0007-2007

October 18, 2007

#### Memorandum

To: Assistant Secretary for Policy, Management and Budget  
(Attention: Associate Director for Finance, Policy and Operations)  
Director, Office of Insular Affairs

From: Michael P. Colombo   
Regional Audit Manager

Subject: Verification Review of Five Recommendations from our January 2003 Audit Report  
*Compliance with the Memorandum of Understanding Between the Governor of the Virgin Islands and the Secretary of the Interior* (No. 2003-I-0003)

The Office of Inspector General has completed a verification review of five recommendations presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented by the Office of Insular Affairs (OIA). We did not refer the recommendations to the Office of Financial Management in the Office of Policy, Management and Budget.

#### **Background**

Our January 2003 audit report *Compliance with the Memorandum of Understanding Between the Governor of the Virgin Islands and the Secretary of the Interior* (No. 2003-I-0003) made 11 recommendations to the Governor of the Virgin Islands and OIA relating to the Memorandum of Understanding (MOU) between the Governor of the Virgin Islands and the Secretary of the Interior. Recommendations 1 through 6 were addressed to the Governor of the Virgin Islands and Recommendations 7 through 11 to OIA. We limited this verification review to the recommendations addressed to OIA, which related to achieving the performance and reporting standards of the MOU, updating the Government of the Virgin Islands' (GVI) capital improvement plan, upgrading GVI's financial management system, enhancing natural resources, and modifying the MOU.

In an August 16, 2002 response to the draft of the subject report, OIA did not provide a specific action plan, including target dates, for implementing Recommendations 7 through 10

and did not address Recommendation 11. Accordingly, we considered all five recommendations unresolved. On May 16, 2003, OIA provided an updated response to the subject report. Based on this response, the Assistant Inspector General for Audits considered the five recommendations to be resolved and implemented.

## **Scope and Methodology**

We limited the scope of this review to determining whether OIA took action to implement the recommendations. To accomplish our objective, we interviewed an OIA official and reviewed supporting documentation related to each of the five recommendations provided by OIA.

We did not perform site visits or conduct detailed audit fieldwork to determine whether the underlying deficiencies initially identified have actually been corrected. As a result, this review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

## **Results of Review**

Our current review found that OIA did not have the opportunity to fully implement Recommendations 7, 8, 9, 10, and 11 because the MOU between GVI and the Department of the Interior lapsed and was not renewed. Accordingly, no further action was required by OIA to implement the recommendations. The status of the recommendations is summarized in the Appendix.

**Recommendation 7: “Closely monitor and report to the Secretary of the Interior on the progress of the Government of the Virgin Islands in achieving the performance and reporting standards contained in the Memorandum of Understanding, so that the Secretary can make an informed decision as to whether or not a certification is warranted that the Government has achieved ‘substantial compliance’ with the Memorandum of Understanding.”**

In its May 16, 2003 response to the final report, OIA stated that it was possible that the MOU would be revised and that the specific terms and conditions could change. OIA stated that if the performance and reporting standards changed, it would certainly monitor them closely. OIA conferred with local officials to meet MOU requirements and reporting standards, but no consensus was ever reached.

**Recommendation 8: “Confer with Government of the Virgin Islands officials to update the Government’s capital improvement plan and, upon certification of ‘substantial compliance’ by the Secretary of the Interior, request funding in future budget proposals for high priority projects identified in the capital improvement plan.”**

In its May 16, 2003 response, OIA stated that it would continue to confer with GVI on its capital improvement needs. OIA further stated that it would seriously consider future funding requests for GVI’s high priority capital improvement projects.

**Recommendation 9: “Confer with Government of the Virgin Islands officials to develop and implement a plan of action to upgrade the Government’s financial management system so that it will meet the long-term needs of the Government and provide the capability to produce comprehensive annual financial reports within 120 days of the end of each fiscal year.”**

In its May 16, 2003 response, OIA agreed that GVI’s financial management system must be upgraded or replaced. However, the U.S. Virgin Islands and the U.S. Department of Education had entered into a Compliance Agreement, which provided for development of a credible financial management system. OIA stated that it would seriously consider any requests for technical or financial assistance for that project.

**Recommendation 10: “Take a lead role in coordinating with other Department of the Interior agencies to accomplish the action items related to the enhancement of the natural resources of the Virgin Islands.”**

In its May 16, 2003 response, OIA stated that its discussions with GVI would include a reevaluation of GVI objectives with respect to enhancing natural resources. OIA also stated that it would discuss whether there was a viable means of funding for the Virgin Islands Conservation Trust. OIA further stated that it would continue to monitor progress on the proposed cooperative agreement between the National Park Service and GVI for management of the Salt River Marine and Ecological Park and urge the parties to finalize and implement the agreement. OIA reported that it worked closely with National Park Service officials at Christiansted National Park and the Virgin Islands National Park.

**Recommendation 11: “Confer with Government of the Virgin Islands officials to determine whether the Memorandum of Understanding should be modified based on the status of actions taken to date to comply with the existing Memorandum of Understanding, the current and projected future financial status of the Government, and the current priorities of the Governor of the Virgin Islands and the Secretary of the Interior.”**

In its May 16, 2003 response, OIA stated that implementation of this recommendation was underway. OIA reported that it made numerous attempts to revise the MOU with the former administration.

## **Conclusion**

We consider all five of the recommendations closed since the MOU lapsed and was not renewed, requiring no further action by OIA.

We informed OIA officials of the results of this review at an exit conference on October 3, 2007.

## **Responding to the Report**

A response to this report is not required. If you have any questions regarding this report, please contact me at (916) 978-5653.

cc: Focus Leader for Management Control and Audit Follow-up, Office of Financial  
Management, Office of Assistant Secretary for Policy, Management and Budget  
Audit Liaison Officer, Department of the Interior  
Audit Liaison Officer, Office of Insular Affairs

**STATUS OF PRIOR AUDIT REPORT RECOMMENDATIONS**

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
7 through 11	Closed; Not Implemented	No further action required because the MOU between the Governor of the Virgin Island and the Secretary of the Interior lapsed and was not renewed.