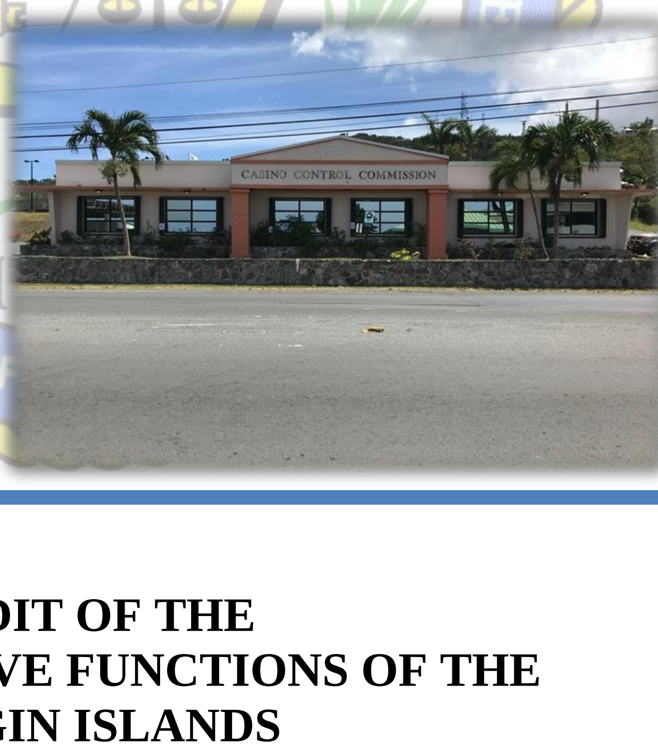
September 4, 2018 AR-01-39-18

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL



AUDIT OF THE ADMINISTRATIVE FUNCTIONS OF THE VIRGIN ISLANDS CASINO CONTROL COMMISSION

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EXECUTIVE SUMMARY

The following summarizes the major findings from the Audit of the Administrative Functions of the Virgin Islands Casino Control Commission (Casino Commission) (AR-01-39-18).

Finding 1: Internal Controls (pages 7 to 14)

- ✓ There were no formal procedures for authorizing, processing, recording, reviewing, and reconciling financial transactions.
- ✓ Casino Commission members incurred $851,534 in credit card transactions and made $808,229 in payments to the credit card issuer without any formal review or approval process in place.
- ✓ The Chairperson processed $1,062,860 in electronic fund transfers without another employee or Casino Commission member reviewing or authorizing the payments.
- ✓ The Casino Commission allowed the Chairperson to process $2,660,163 in check payments, reconciled bank statements and maintained sole custody of financial records.
- ✓ The Casino Commission did not submit required financial reports timely to the Department of Finance and the Virgin Islands Legislature.

Finding 2: Operating Expenditures (pages 15 to 22)

- ✓ The Casino Commission expended $3,772,803 in operating costs; however, $1,315,635 was not supported with proper documentation.
- ✓ Questionable non-travel expenditures included: (i) $17,785 in education expenses; (ii) $13,046 in payments to financial institutions; (iii) $18,243 in payments to a grocery store vendor; (iv) $148,408 in leasehold improvements; (v) $67,819 in payments to a wireless communications company; (vi) $197,060 in payments for various goods and services; (vii) $44,071 in payments for a gaming conference; and, (viii) $138,413 in payroll advances.

Finding 3: Travel Expenses (pages 23 to 35)

- ✓ The Casino Commission expended $680,172 in travel and travel-related expenses without having established formal travel policies and procedures.
- ✓ The Casino Commission ignored the Government-wide travel policy, while it did not implement a formal travel policy of its own.
- ✓ Supporting documentation for $488,674 in travel and travel-related expenses were not provided.
- ✓ Internal procedures were not implemented to ensure that travel expenses were properly controlled and accounted for.
- ✓ The Casino Commission incurred $556,851 or 82% of the travel and travel-related expenses using Casino Commission credit cards.

- ✓ These charges consisted of: (i) $190,508 in airline tickets, including non-employee and business/first class travel; (ii) hotel charges of $272,249; (iii) transportation charges of $28,120; and, (iv) meals and entertainment charges of $65,974.

Finding 4: Professional Services (pages 37 to 45)

- ✓ The Casino Commission did not follow the procurement laws of the Government in obtaining professional services.
- ✓ Payments were made to 14 individuals and businesses for which no contract or scope of work was provided.
- ✓ Six professional service contracts totalling $825,956 were awarded for which there was little evidence of competition.
- ✓ The terms of the contracts did not comply with the recommended language established by the Department of Property and Procurement.
- ✓ There was one instance where the funding source stipulated in the contract to pay a contractor for providing training to casino employees did not meet the requirements of the law.

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September 4, 2018

Honorable Kenneth E. Mapp
Governor of the Virgin Islands
Government House
21-22 Kongens Gade
Charlotte Amalie, Virgin Islands 00802

Honorable Myron D. Jackson
Senate President
32nd Legislature
Capital Building
Charlotte Amalie, Virgin Islands 00802

Dear Governor Mapp and Senator Jackson:

This report contains the results of our audit of administrative functions of the Casino Control Commission (Casino Commission). The audit objective was to determine whether the Casino Commission effectively utilized its resources and carried out its administrative functions in accordance with established laws, rules and regulations, policies and procedures, and best practices for government agencies. The scope of the audit was Fiscal Years 2013 through 2016. We did not audit the operations of the Division of Gaming Enforcement.

Our audit found that the Casino Commission was not effectively utilizing its resources to carry out its administrative functions in accordance with established laws, rules and regulations, policies and procedures and best practices. Specifically, the Casino Commission: (i) did not have formal procedures for authorizing, processing, recording, reviewing, and reconciling financial transactions; (ii) allowed members to incur $851,534 in credit card transactions and made $808,229 in payments to the credit card issuer without any formal review or approval process in place; (iii) allowed the Chairperson to process $1,062,860 in electronic fund transfers without another employee or Casino Commission member reviewing or authorizing the payments; (iv) allowed the Chairperson to process, $2,660,163 in check payments, reconcile bank statements and maintain sole custody of financial records; (v) did not submit required financial reports timely to Finance and the Legislature; (vi) incurred operating expenditures totalling more than $3,772,803, of which, $1,315,635 was not supported with proper documentation; (vii) expended $680,172 in travel and travel-related expenses without having established formal travel policies and procedures; (viii) ignored the Government-wide travel policy while it did not implement a formal travel policy of its own; (ix) did not provide supporting documentation for $488,674 of travel and travel-related expenses; (x) did not implement internal procedures to ensure that travel expenses were properly controlled and accounted for; and, (xi) did not follow the procurement laws of the Government in obtaining professional services.

We attribute these conditions to the failure of the Casino Commission to: (i) develop internal policies and procedures; (ii) establish an internal control system to ensure, at a minimum, the separation of duties and adequate reviews; (iii) follow the requirements of the Code that requires the Casino Commission to submit financial reports and accompanying receipts to Finance and the Legislature; (iv) establish a system of checks and balances by the Casino Commission members, rather than allowing the Chairperson to assume sole responsibility for processing payments and maintaining supporting documents; (v) follow the Government-wide travel regulations; (vi) require supporting documentation to justify travel expenses; and, (vii) adhere to the procurement policies of the Government, or to implement policies and procedures of its own.

As a result: (i) in accordance with professional standards, whereas the Casino Commission's oversight body and/or management should have developed internal controls, one person performed all critical financial management functions without input from the other Casino Commission members; (ii) numerous expenses are questionable due to the lack of documentation needed to verify the legitimacy of the expenses relative to the daily operations of the Casino Commission; (iii) numerous travel and travel-related expenses did not conform to the Government-wide travel policy; (iv) many of the travel and travel-related expenses were unsupported and are considered questionable in terms of their relation to the daily operations of the Casino Commission; and (v) professional services were obtained and contracts were executed by the Casino Commission that did not conform to the Government procurement policies or other best practices guidelines.

We made several recommendations to address the conditions and causes cited in the report. Our recommendations addressed the following areas: (i) internal controls; (ii) operating expenses; (iii) travel expenses; and, (iv) contracting.

An exit conference was held on July 10, 2018. The current Chairperson was not able to attend the conference; however, in attendance were the other two current Casino Commission members, as well as the two individuals who were Casino Commission members during the audit scope period. Additional documents received after the exit conference was taken into consideration, and revisions to the preliminary draft report were made.

A response to the recommendations, dated August 23, 2018, and signed by two of the three current Casino Commission members, was submitted and is included as Appendix I beginning on page 47 of this report.

If you require additional information, please call me at 774-3388.

Sincerely,

Steven van Beverhoudt

Steven van Beverhoudt, CFE, CGFM
V. I. Inspector General

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INTRODUCTION

BACKGROUND

The Virgin Islands Casino and Resort Control Act of 1995 established the Virgin Islands Casino Control Commission (Casino Commission) under Title 32 of the Virgin Islands Code (Code). The Casino Commission is an independent agency of the Executive Branch of the Government of the Virgin Islands (Government); however, it still falls under the overall control of the Executive Branch. Its budget is approved annually by the Legislature of the Virgin Islands (Legislature).

The Casino Commission employees' salaries are funded solely from the Government's General Fund. In Fiscal Year 2016, the Governor of the Virgin Islands (Governor) recommended a General Fund appropriation of $600,000 for salaries and fringe benefits. As of May 25, 2016, the Casino Commission received their full allotment of $600,000.

Title 32, Section 404 of the Code required that the Casino Commission consist of five members. However, in March 2016, the Legislature under Act 7872 amended Section 404, reducing the number of members to three. The Code establishes a minimum salary of $60,000 up to $100,000 for the Casino Commission members and the Chairperson an additional $5,000 not to exceed $105,000. During the audit scope period, the Chairperson's annual compensation was $105,000 and the other Casino Commission members were compensated at $100,000 each.

Casino Commission members are appointed by the Governor with the advice and consent of the Legislature. The Chairperson of the Casino Commission is also appointed by the Governor after a background inquiry is conducted by the Virgin Islands Attorney General (Attorney General). Casino Commission members serve for five years, and no member can serve more than two consecutive five-year terms. The current Chairperson has held this position since May 12, 2014.

Casino Commission members must be United States citizens. Two must be residents of St. Croix and one a resident of St. Thomas/St. John. The Casino Commission hires an Executive Director who is responsible for overseeing its administrative functions.

The Division of Gaming Enforcement (Gaming Enforcement) was established pursuant to the Virgin Islands Casino and Resort Control Act of 1995 and acts as the investigatory and enforcement arm of the Casino Commission. Title 32 Section 428 of the Code mandates that Gaming Enforcement investigate the qualifications of each applicant before any license certificate or permit is issued by the Casino Commission. Gaming Enforcement conducts investigations of all license applicants, including casino owners, managers, employees and service industries. Its findings are reported to the Casino Commission. The Casino Commission has the authority to grant or deny a license based on the findings of Gaming Enforcement. The Attorney General has the oversight responsibility over Gaming Enforcement.

The Casino Commission is responsible for granting, reviewing, suspending, withdrawing or renewing all license, registration, certificate, and permit applications in a reasonable and prompt manner. They must also collect all license and registration fees and taxes, charge and collect penalties for violations; monitor casinos at all times through its inspectors; and review and rule upon any complaint by a casino licensee regarding any investigative procedures of Gaming Enforcement. The Casino Commission also has the authority to conduct investigative hearings concerning the conduct of gaming operations. In addition, the Casino Commission is required to refer to Gaming Enforcement any evidence of a violation for investigation and prosecution.

The Virgin Islands Casino and Resort Control Act of 1995 established two funds for the day-to-day operations of the Casino Commission. They are:

- The Casino Control Revolving Fund - Title 32, Section 514 of the Code requires the Casino Commission to deposit all fees for licenses, registrations, permits, fines, penalties, and other fees collected. Additionally, any monies (exclusive of payroll and fringe benefits) appropriated by the Legislature and all donations, gifts and bequests received by the Casino Commission are deposited into this fund. The Chairperson of the Casino Commission is responsible for maintaining and providing for the administration of the special revolving fund checking account. The monies are exclusively for operating expenditures of the Casino Commission and Gaming Enforcement, exclusive of payroll and fringe benefits.

- The Casino Revenue Fund - The Department of Finance (Finance) is also required to establish a separate special account to be known as the "Casino Revenue Fund" for deposits of all revenues received from taxes imposed pursuant to Title 32, Sections 515 and 516(a)(1) of the Code. On a quarterly basis, Finance disburses the funds to the Casino Commission via check. Those funds are then deposited into the Casino Control Revolving Fund.

In its Fiscal Year 2016 Budget, the Casino Commission projected revenues from both funds in the amount of $1,881,602. A review of bank statements showed that during Fiscal Years 2013 through 2016, the Casino Commission deposited $2,992,884 into its bank account. The following schedule is a summary of the total deposits as shown on the bank statements:

Fiscal Year	Bank Deposits
2013	$ 328,717
2014	351,234
2015	1,141,015
2016	1,171,918
Total	**$2,992,884**

Title 32, Section 408-2.1 of the Virgin Islands Rules and Regulations (Rules and Regulations) states that the Chairperson is the Chief Executive Officer of Casino Commission and has the authority to incur expenses approved in its operating budget. The Chairperson is the sole authorized signatory on one bank account and a co-signatory on three other bank accounts.

The Casino Commission established a corporate credit card account with a $50,000 limit. As per a resolution implemented by the Casino Commission, the authorized users are the Chairperson, the other Casino Commission members and the Executive Director.

The Casino Commission's operating budget and actual amounts of expenditures (excluding payroll and fringe benefits) for Fiscal Year 2013 through Fiscal Year 2016 are as follows:

BUDGETED VERSUS ACTUAL EXPENDITURES		
Fiscal Year	**Budget Expenditures**	**Actual Operating Expenditures (Excluding Payroll and Fringe Benefits)**
2013	$ 467,500	$ 358,241
2014	876,165	793,350
2015	1,165,700	1,186,125
2016	1,401,700	1,435,087
Total	**$3,911,065**	**$3,772,803**

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was initiated based on a request from the Governor of the Virgin Islands. Our audit objective was to determine whether the Casino Commission effectively utilized its resources and carried out its administrative functions in accordance with established laws, rules and regulations, policies and procedures, and best practices for government agencies. The scope of the audit was Fiscal Years 2013 through 2016. We did not audit the operations of Gaming Enforcement.

To accomplish our objectives we: (i) reviewed relevant laws and regulations that govern the Casino Commission; (ii) reviewed Casino Commission records provided, including bank and credit card statements, vendor invoices, receipts, and financial records; (iii) interviewed Casino Commission members, management and staff at the Casino Commission to garner an understanding of the administrative processes, internal controls utilized and records retained necessary to perform their duties; (iv) interviewed management or high-level staff of casinos in other states to garner an understanding of best practices in the administration of a casino; (v) reviewed contracts executed by the Casino Commission; and, (vi) interviewed some contractors that provided services to the Casino Commission. In instances where information from the Casino Commission was not available or forthcoming, we obtained records directly from various institutions.

We conducted this performance audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. 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 objectives. Accordingly, we performed such tests of records and performed other auditing procedures that were considered necessary under the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We planned our audit work to assess the effectiveness of internal controls utilized by the Casino Commission to assure that they were significant to accomplish our audit objectives. Our conclusion on the effectiveness of these internal controls, as well as specific details of our findings and recommendations, are described in the audit findings and recommendations.

PRIOR AUDIT COVERAGE

We did not find any external audits conducted on the operations of the Casino Commission during the last five years. It was disclosed that Finance and the Casino Commission retained a Certified Public Accountant (CPA) to conduct two forensic examinations of Casino Commission revenues and Gaming Enforcement expenditures that included Fiscal Years, 2013 and 2014. The reports were issued in 2015 and 2016.

RESULTS

CONCLUSIONS

Our audit found that the Casino Commission was not effectively utilizing its resources to carry out its administrative functions in accordance with established laws, rules and regulations, policies and procedures and best practices. Specifically, the Casino Commission: (i) did not have formal procedures for authorizing, processing, recording, reviewing, and reconciling financial transactions; (ii) allowed members to incur $851,534 in credit card transactions and made $808,229 in payments to the credit card issuer without any formal review or approval process in place; (iii) allowed the Chairperson to process $1,062,860 in electronic fund transfers without another employee or Casino Commission member reviewing or authorizing the payments; (iv) allowed the Chairperson to process $2,660,163 in check payments, reconcile bank statements and maintain sole custody of financial records; (v) did not submit required financial reports timely to Finance and the Legislature; (vi) incurred operating expenditures totalling more than $3,772,803, of which, $1,315,635 was not supported with proper documentation; (vii) expended $680,172 in travel and travel-related expenses without having established formal travel policies and procedures; (viii) ignored the Government-wide travel policy while it did not implement a formal travel policy of its own; (ix) did not provide supporting documentation for $488,674 of travel and travel-related expenses; (x) did not implement internal procedures to ensure that travel expenses were properly controlled and accounted for; and, (xi) did not follow the procurement laws of the Government in obtaining professional services.

We attribute these conditions to the failure of the Casino Commission to: (i) develop internal policies and procedures; (ii) establish an internal control system to ensure, at a minimum, the separation of duties and adequate reviews; (iii) follow the requirements of the Code that requires the Casino Commission to submit financial reports and accompanying receipts to Finance and the Legislature; (iv) establish a system of checks and balances by the Casino Commission members, rather than allowing the Chairperson to assume sole responsibility for processing payments and maintaining supporting documents; (v) follow the Government-wide travel regulations; (vi) require supporting documentation to justify travel expenses; and, (vii) adhere to the procurement policies of the Government, or to implement policies and procedures of its own.

As a result: (i) in accordance with professional standards, whereas the Casino Commission's oversight body and/or management should have developed internal controls, one person performed all critical financial management functions without input from the other Casino Commission members; (ii) numerous expenses are questionable due to the lack of documentation needed to verify the legitimacy of the expenses relative to the daily operations of the Casino Commission; (iii) numerous travel and travel-related expenses did not conform to the Government-wide travel policy; (iv) many of the travel and travel-related expenses were unsupported and are considered questionable in terms of their relation to the daily operations of the Casino Commission; and (v) professional services were obtained and contracts were executed by the Casino Commission that did not conform to the Government procurement policies or other best practices guidelines.

We made several recommendations to address the conditions and causes cited in the report. Our recommendations addressed the following areas: (i) internal controls; (ii) operating expenses; (iii) travel expenses; and, (iv) contracting.

FINDING 1: INTERNAL CONTROLS

We found that the Casino Commission lacked effective internal controls. There were no formal procedures for authorizing, processing, recording, reviewing, and reconciling financial transactions. Specifically, (i) Casino Commission members incurred $851,534 in credit card transactions and made $808,229 in payments to the credit card issuer without any formal review or approval process in place; (ii) the Chairperson processed $1,062,860 in electronic fund transfers without another employee or Casino Commission member reviewing or authorizing the payments; (iii) the Chairperson processed $2,660,163 in check payments, reconciled bank statements and maintained sole custody of financial records; and, (iv) the Casino Commission did not submit required financial reports timely to Finance and the Legislature.

We attribute this to the failure of the Casino Commission to: (i) develop internal policies and procedures; (ii) establish an internal control system to ensure, at a minimum, the separation of duties and adequate reviews; and, (iii) follow the requirements of the Code that required the Casino Commission to submit financial reports and accompanying receipts to Finance.

As a result, in accordance with professional standards, whereas the Casino Commission's oversight body and/or management should have developed internal controls, one person performed all critical financial management functions without input from the other Casino Commission members.

Background

The Government Accountability Office (GAO) defines internal controls as procedures a department or entity establishes to help it: (i) run efficiently and effectively, (ii) report reliable information about its operations and, (iii) comply with applicable laws and regulations. The GAO states that internal controls processes are implemented by an entity's oversight body, management, and other personnel and provide reasonable assurance that the objectives of an entity are achieved. The Casino Commission had no written policies and procedures for the administrative operations of the organization.

On March 26, 2013, Casino Commission members passed a resolution approving the use of credit cards for its officers and the Executive Director. Available funds in a local bank account, in the amount of $50,000, were authorized for use in securing the credit cards. The Casino Commission passed a formal resolution to acquire the credit cards; however, there was no record of any approved policies for the use of the credit cards. Although a two-page document titled "Virgin Islands Casino Control Commission Credit Card Policies and Procedures" was provided to us, none of the two other Casino Commission members, who were assigned credit cards, had reviewed or was aware of the existence of any credit card policies and procedures.

Title 31, Section 514 of the Code requires the Chairperson of the Casino Commission to submit to Finance by the 30th day of the month, following the end of each quarter, a report detailing the amount, nature, and the justification of expenditures. The report is to be submitted with receipts and any other documentation required by Finance's rules and regulations, or other laws of the Virgin Islands.

Policies and Procedures Manual

The Casino Commission did not have an internal policies and procedures manual in place. While the Casino Commission provided a Personnel Policies and Procedures Employee Handbook (Handbook) ("updated 2016"), it is simply a re-created version of the Government-wide personnel manual that provides guidance on employee personnel matters, such as overtime pay, leave absences, etc.

The Handbook that the Casino Commission provided did not address how employee functions are to be carried out. For example, it did not address chain of command for employees and documents, and other best practices/policies for travel and procurement, etc.

In correspondence from the Chairperson, it was stated that in late 2015 the then-Executive Director was asked to update the Handbook, but the job was never completed.

A review of the Rules and Regulations applicable to the Casino Commission shows that they do not address how operating functions are to be performed. They specify the powers of the Chairperson and Executive Secretary, who is referred to by the Casino Commission as the Executive Director. According to Section 408-2.5 of the Rules and Regulations, the Executive Director: "Shall have the power and authority to act in the name of the Commission with respect to proper actions, including but not limited to:

(a) Execute contracts on behalf of the Commission;
(b) Incur reasonable and necessary expenses in the name of the Commission;
(c) Take and hold property on behalf of the Commission;
(d) Coordinate volunteer activities;
(e) Keep the public informed of decisions of the Commission;
(f) Coordinate media information; and
(g) Maintain records of the Commission."

Methods of Disbursements

The Casino Commission disbursed funds (excluding payroll and fringe benefits) for its operations in three ways: (i) credit card transactions; (ii) electronic fund transfers; and, (iii) checks. The following schedule summarizes the total amounts disbursed by the Casino Commission during the scope period.

Disbursement of Funds	
Method	**Amount**
Credit Card Transactions	$ 851,534
Electronic Fund Transfers	1,062,860
Checks	2,660,163

Credit Card Transactions. The Casino Commission did not have approved policies and procedures on how the credit cards were to be used and controlled nor how transactions would be accounted for. One of the Casino Commission members stated that they inquired about policies and procedures for the use of the credit card, but one was never provided. We found that credit card transactions did not require authorization or review, and were not supported by proper documentation for payment. In many instances, only one person, the Chairperson, without input from the other Casino Commission members, authorized and made the credit card payments. Based on interviews, credit card statements were not reviewed by anyone else before payments were made.

Even though all three Casino Commission members had credit cards, they did not have access to account summaries, credit card statements and were denied the ability to review credit card transactions. One of the Casino Commission members stated that they had repeatedly asked to see the statements and other financial transactions for the Casino Commission but did not receive them. Moreover, employees who were signatories on bank accounts indicated that they were placed in positions of approving credit card payments without reviewing credit card statements or the validity of the expenses they were approving. For example, an employee was asked to approve a $20,000 payment without any supporting documentation. The employee explained that all credit card statements are received directly by the Chairperson. The Chairperson only provided the account number for payment of the credit card and requested that it be paid.

Another employee, no longer with the Casino Commission, also explained that when the credit cards were initially issued, a request for payment of the credit cards was accompanied with the statements and receipts attached to them. However, the individual recalled that as time went on the Chairperson often asked for a signature on checks to pay for the credit cards without any supporting documentation. The individual stated that the Chairperson often requested urgent payments when away on travel and needed to cover hotel registration fees, etc. The Chairperson would always promise to provide the support for transactions later; however, whenever the employee asked for the receipts, they would be told it would be submitted later. The individual left the Casino Commission having never seen the support for the credit card payments that they had authorized.

Credit Card Expenses. The Casino Commission incurred expenditures totalling $851,534 on its credit cards. The following schedule shows the credit card charges by fiscal year:

Credit Card Expenses	
Fiscal Year	**Amount**
2013	$ 37,250
2014	148,433
2015	322,081
2016	343,770
Total	**$851,534**

We found that these credit card expenditures were often not supported with proper documentation and were not approved or reviewed by other employees or Casino Commission members. In many instances, only the Chairperson authorized the credit card expenditures.

The Casino Commission did not initially provide us with credit card records, despite repeated requests. Therefore credit card information was obtained directly from other sources. After the preliminary draft report was issued to the Casino Commission on June 26, 2018, we were provided with some of the credit card statements and some supporting documentation. Specifically, between July 6, and July 11, 2018, we received 90% of the credit card statements from the Casino Commission. The following is a schedule showing the charges that were incurred on each of the authorized user's credit cards.

CREDIT CARD USER CHARGES		
Authorized User	Total Charges Incurred On Credit Card	Percentage of Expenses Incurred
Chairperson	$818,289	96
Casino Commission Member One	18,843	2
Casino Commission Member Two	14,402	2
Total Charges	**$851,534**	**100**

As shown, ninety-six percent (96%), or $818,289, of the credit card expenses were incurred on the account of the Chairperson. Four percent (4%), or $33,245, was incurred on the accounts assigned to the other two Casino Commission members.

Out of the $851,534 in credit card expenses, $294,683 was incurred for expenditures to purchase various goods and services. We were not provided any supporting documentation for 77%, or $227,891 of the expenditures for various good and services. Another $556,851 was spent on travel and travel-related expenses. Travel and travel-related expenses are discussed in Finding 3 of this report.

Credit Card Payments. Of the $851,534 in credit card expenditures incurred during the audit scope period, $808,229 in payments was made to the issuing bank. These payments were made by electronic fund transfers and checks. Specifically, the following schedule shows how the credit card payments were made:

CREDIT CARD PAYMENTS			
Fiscal Year	**Electronic Fund Transfers**	**Checks**	**Total**
2013	$ 0	$ 31,000	$ 31,000
2014	0	140,677	140,677
2015	210,000	95,865	305,865
2016	323,187	7,500	330,687
Total	**$533,187**	**$275,042**	**$808,229**

During Fiscal Year 2015 and Fiscal Year 2016, electronic fund transfers were often used to make credit card payments. For example, in May 2015 there were 3 electronic fund transfers of $20,000 each totalling $60,000, and in August 2015 there were 4 electronic fund transfers totalling $70,000. Then, in January 2016, there were 8 electronic fund transfers of $10,000 each, totalling $80,000 and in February 2016 there were 6 electronic fund transfers totalling $60,000. The Chairperson solely processed these electronic fund transfers.

Checks were also commonly used to make payments on the credit card account. For example, check payments in the amount of $23,848 were made on April 2, 2014; $20,206 was made on June 13, 2014; $25,829 was made on January 5, 2015; and, $20,000 was made on July 13, 2015. Again, as previously stated, employees with check signing authority were placed in the position of authorizing payments for the credit cards without the opportunity to review any supporting documentation associated with the credit card expenses.

Electronic Fund Transfers. In addition, the Casino Commission paid $1,062,860 in expenses through electronic fund transfers. The following schedule summarizes the electronic fund transfers by fiscal year:

Electronic Fund Transfers	
Fiscal Year	**Amount**
2013	$ 9,800
2014	3,001
2015	213,702
2016	836,357
Total	**$1,062,860**

The electronic fund transfers were made by the Chairperson without an internal review process in place. Although there were two additional individuals assigned as signatories on the Casino Commission bank accounts, we did not see evidence that they were provided access to the records associated with the electronic fund transfers. In interviews with these two individuals, they both indicated that they did not review any payment documents. Accordingly, the individuals did not review these payments and any documentation associated with the issuance of these electronic fund transfer payments.

Checks. The Government-wide Enterprise Resource Planning (ERP) software system is the financial management system used by agencies in the Government to pay vendors, manage human resources and process payroll. The Casino Commission does not utilize this system to process operational expenses. Only payroll is processed through the ERP. All operating payments are managed through the software program, QuickBooks. The Chairperson decided to be solely responsible for processing check payments in QuickBooks. The following table summarizes check expenditures by fiscal year:

Check Expenditures	
Fiscal Year	**Amount**
2013	$ 354,803
2014	786,415
2015	974,779
2016	544,166
Total	**$2,660,163**

There is no employee assigned the responsibility of processing and recording payments. The Chairperson processes and records all operating transactions. The Chairperson is also an authorized signatory on checks. A current employee explained that all invoices received for payment are forwarded to the Chairperson. The Chairperson advises what bills are to be paid and which payments should be delayed for later dates. The employee also explained that some of the invoices/statements are sent electronically to the Chairperson. The employee added that only the Chairperson records payments in QuickBooks. If the employee processes a payment, the Chairperson will sign the check, but the employee would have to write the payee name on the check.

Similarly, another employee explained that they were often required to sign a blank check before it was processed in QuickBooks. The individual explained that the blank check would be accompanied by a receipt or invoice for payment. The employee would sign the blank check and return it to the Chairperson for processing. The check would be signed with the expectation of it being used for the invoice attached. But, it was later realized that some of those signed blank checks were not used for the invoices that were attached to the check.

In addition, we discovered six signed blank checks. These blank checks had one signature; they were not dated and did not have payee information or an amount. The former employee, whose signature was on the blank check, explained that when traveling, the Chairperson would require blank, signed checks in order to pay vendors.

The Casino Commission also did not have an employee responsible for reconciling bank statements. Bank statements are reconciled by the Chairperson. In fact, the Chairperson stated that reconciliations had not been completed for over 13 years.

Financial Records

The Chairperson maintains the Casino Commission's financial records. Bank statements and credit card records were forwarded to the Chairperson through email, or regular mail and often-times employees did not have access to any financial records. For example, during our audit, the Casino Commission did not, upon repeated requests, provide access to credit card statements. We were also not given missing pages of bank statements that covered the period from February 2016 through September 2016 even though these documents were requested at least 15 times. Employees directed auditors to the Chairperson to provide access to these records. We eventually had to obtain the missing records directly from the bank.

Additionally, we were not provided with supporting documents for numerous checks or other expenditures incurred by the Casino Commission. During the course of our audit, we could not verify payments of $1,315,635 due to the lack of documents. For example, even though we were provided with an invoice for an airline bulk ticket purchase, we were not provided with additional information to show how the tickets were used. After the preliminary draft report was issued to the Casino Commission, we were provided with most of the monthly credit card statements for Fiscal Years 2013 - 2016. The missing bank statement pages were still not provided, and no invoices or other supporting documentation listing what was purchased were provided for 79% or $674,007 of the credit card purchases.

We also found that the Casino Commission did not submit the required quarterly reports to Finance on a timely basis. During our audit, an official of Finance provided us copies of profit and loss statements that were submitted to them on July 26, 2017, for Fiscal Years 2011, 2012, 2013 and 2014. None of the profit and loss statements were accompanied by receipts or other supporting documents.

Recommendations

We recommend that the Casino Commission members:

1. Develop and implement operational policies and procedures to manage the Casino Commission's operational functions. These policies and procedures should, at a minimum, have separate or different individuals performing duties for example, accounting functions such as processing of credit card and check payments, bank reconciliation, procurement of goods and services and management of financial records.

2. Ensure that the Casino Commission members are responsible for the implementation and oversight of the internal control processes performed by administrative personnel. The members should not be responsible for the performance of those functions to avoid conflict of interest, and to provide reasonable assurance that the objectives of the entity are achieved.

3. Implement policies on the use of the Casino Commission's credit cards.

4. Implement and enforce an independent review of credit card statements and corresponding receipts each month to ensure all credit card transactions are for official business.

5. Implement internal control policies that specifically address the processing of payments through electronic fund transfers.

6. Comply with the requirements of the Casino Commission Act and submit to Finance and the Legislature, the required quarterly and annual reports in a timely manner.

V. I. Casino Control Commission's Response

On August 23, 2018, the Vice-Chairman of the Casino Commission transmitted a resolution approved and signed by two of the three Casino Commission members (a quorum). The resolution addresses each of the recommendations, establishes a 45-day implementation period and identifies the Casino Commission member responsible for implementation.

The response implied agreement with all six of the recommendations made in this section of the report. It was indicated that operational policies and procedures will be established, internal controls will be established to ensure, among other things, the separation of duties, the use of credit cards, electronic fund transfers, and the independent review of the operations of the Casino Commission. In addition, as mandated by the Virgin Islands Casino and Resort Control Act of 1995, the required quarterly and annual reporting to the Department of Finance and the Virgin Islands Legislature will be complied with.

V. I. Inspector General's Comments

Based on the response submitted, we will consider all of the recommendations fully resolved but not yet implemented pending the receipt of a copy of the final policies and procedures.

FINDING 2: OPERATING EXPENDITURES

During Fiscal Years 2013 through 2016, the Casino Commission incurred operating expenditures totalling $3,772,803. However, $1,315,635 was not supported with proper documentation. We identified questionable non-travel expenditures to include: (1) $17,785 in education expenses; (ii) $13,046 in payments to financial institutions; (iii) $18,243 in payments to a grocery store vendor; (iv) $148,408 in leasehold improvements; (v) $67,819 in payments to a wireless communications company; (vi) $197,060 in payments for various goods and services; (vii) $44,071 in payments for a gaming conference; and, (viii) $138,413 in payroll advances.

We attribute this to the lack of checks and balances by the Casino Commission members, and the fact that the Chairperson assumed sole responsibility for processing payments and maintaining the supporting documents.

As a result, numerous expenses are questionable due to the lack of documentation needed to verify their legitimacy relative to the daily operations of the Casino Commission.

Background

Title 32, Section 514 of the Code requires the Casino Commission to create and establish a separate, special revolving fund to deposit all licenses, registrations, permits, fines, penalties, and other fees. The Code states that the monies in the special checking account are to be disbursed by the Chairperson of the Casino Control Commission and the Attorney General for operating expenses incurred by the Casino Commission and Gaming Enforcement. Eighty percent of the funds deposited in the special checking account were to be allocated to the Casino Control Commission, and twenty percent to Gaming Enforcement.

The Chairperson of the Casino Commission is required to submit to Finance, by the 30th day of the month following the end of each quarter, a report detailing the amount, nature, and the justification for each item of expenditure in the previous quarter. The report is to be accompanied with receipts and any other documentation required by Finance's rules and regulations or other laws of the Virgin Islands. In addition, the Chairperson is required to submit a report to the Legislature and Finance detailing the fiscal year's expenditures from the special checking account, by the 30th of the month following the end of the fiscal year.

Additionally, Section 408-2.1 of the Rules and Regulations, gives the Chairperson the authority to incur, on behalf of the Casino Commission, expenses that the Casino Commission had approved in its operating budget.

Hence, the Casino Commission maintains what it calls a "Master Account" (Account) at a local bank. The Account is used to deposit the licenses, registrations, permits, fines, penalties, and other fees, collected. The Chairperson is the only signatory on that account. The Casino Commission also maintains two operating accounts. Monies from the Account are transferred to these operating accounts for the daily operations of the Casino Commission. These operating checking accounts require the signature of two of three individuals; the Chairperson, the Treasurer of the Casino Commission, or the Executive Director.

Additionally, Title 32, Section 408 of the Code gives the Casino Commission the authority to hire and employ personnel as it may deem necessary. The Casino Commission's salaries are funded solely from the General Fund of the Virgin Islands. In Fiscal Year 2016, the Casino Commission received $600,000 for their General Fund appropriations to cover salary and fringe benefits. The Casino Commission utilizes the Virgin Islands Division of Personnel (Personnel) to process the hiring of its employees. Employees are paid through Finance's ERP.

Expenses

During Fiscal Years 2013 through 2016, the Casino Commission incurred $3,772,803 in expenditures. Payments of expenditures were processed using the Casino Commission credit cards and its bank accounts. For example, during the audit scope period, the Casino Commission incurred $851,534 in credit card expenditures with interest and other charges totalling $6,475. As of September 30, 2016, the Casino Commission had paid $808,229, on its credit cards using checks and electronic fund transfers through its bank account, leaving an outstanding balance of $49,780. The remaining $2,914,794 in expenditures were paid directly to vendors and individuals using a combination of electronic fund transfers and checks processed through the Casino Commission bank accounts used for its operating expenses. Supporting documentation for many of the expenses processed through the bank accounts was not provided to us, although there were numerous requests for the supporting documents. The following are examples of the various types of expenses processed. Without supporting justification, many of these expenses are questionable.

Education Expenses. A review of the credit card statements showed several unsubstantiated expenses totalling $17,785 to Capella University, Global Courseware Corp and the University of Minnesota Continuing Education. Again, there is no documentation on how these charges relate to the Casino Commission's operations. The following schedule summarizes these expenses:

EDUCATION EXPENSES		
Date	**Vendor**	**Amount**
11/12/15-5/18/16	Capella Online Tuition	$11,400
12/29/15-1/18/16	Global Courseware Corp	5,090
7/21/15	University of Minnesota Continuing Education	1,295
Total Expenses		**$17,785**

Financial Institution Expenses. A total of $13,046 associated with credit card cash advances, financial institution payments and a regular financial-related expense was incurred on the Casino Commission credit cards. We were not provided supporting documents for these transactions from the Casino Commission, but we obtained the credit card statements from the financial institution. Although we were later provided credit card statements, no supporting documentation was provided for these transactions. For example, a total of 22 monthly $75 payments and one payment of $99 were made to "MSFT." An online search of "MSFT" promulgated Microsoft Corporation.

Additionally, cash advances from several banking institutions and other financial institution payments totalling $11,296 were listed on the credit card statements.

Grocery Store Vendor Expenses. The Casino Commission opened a charge account with a grocery store vendor in December 2013. We were provided with an incomplete list of supporting invoices for the purchases made at the grocery store; therefore, we obtained the records from the vendor.

Our review of these records showed that the Casino Commission made $28,107 in purchases at the grocery store during Fiscal Year 2013 through Fiscal Year 2016. Sixty-five percent, or $18,243, of those transactions, was deemed questionable because they were non-office and appeared to be non-business related items. These purchases included food items such as smoked turkey, peeled baby carrots, salmon, tilapia, rice, and chicken. There were also significant purchases totalling $4,646 for alcohol beverages, to include, Hennessey, Cruzan Rum, and Johnnie Walker Black; wines including, Blanc de Noir, Pinot Grigio, Chardonnay, and Red Rose; and beers such as, Heineken, Presidente, Carlsberg Elephant, and Coors Light.

Leasehold Improvements and Electrical Services Expenses. The Casino Commission spent $148,408 in making improvements to the building that they leased during Fiscal Years 2014 through 2016 without the approval of the lessor. In addition, we did not receive supporting documentation for the majority of the expenses.

The Casino Commission paid an electrician $112,700 for electrical services. We were not provided with a copy of a contract for the services provided. Based on an interview with the contractor, all of the work was completed within an 11-day span. We were not provided with justification and support for over half the payments made to the electrician.

The total amount paid of $112,700 was solely the cost of labor. All material costs were expended by the Casino Commission. From March 2014 through December 2015, the Casino Commission paid $35,708 to a local electrical supply store for materials. We again were not provided supporting documentation for these expenditures and had to rely on the vendor to obtain the required documents. We were not provided with any evidence of approval for the leasehold improvement by the Casino Commission members or the lessor.

Wireless Communications Company Expenses. The Casino Commission paid $67,819 for Casino Commission phones and wireless-related expenses. Credit card payments totalling $29,123 were made, and the balance of $38,696 was paid with checks. These payments included amounts billed for 22 cellular numbers all listing the Casino Commission as the financially liable party. All the numbers were listed as active during the period under audit. However, only four employees had been assigned a cell phone during Fiscal Year 2013 through Fiscal Year 2016. The Chairperson, the Executive Director, and two Inspectors had been assigned cell phones. None of the two other Casino Commission members were assigned a cell phone. Specifically, for each fiscal year, the Casino Commission expended the following:

WIRELESS COMMUNICATIONS COMPANY	
Fiscal Year	**Amount**
2013	$10,425
2014	11,456
2015	17,484
2016	28,454
Total	**$67,819**

We requested information on the users assigned to cell phone numbers attached to the Casino Commission account. After repeated requests for the information, the current Executive Director provided information stating that on March 24, 2017 five cell phone numbers were canceled, and on March 27, 2017 another five cell phones were canceled.

On July 6, 2018, additional information was provided showing that the Chairperson maintained three data card numbers. The two former executive directors were responsible for two of the numbers and two data card numbers assigned to electronic devices. In addition, the additional information provided showed that a part-time (non-contracted) employee had been assigned a cell phone. The additional eight cell phone coupled with the four previously known helped determine who 12 of the 22 phones numbers were assigned to. In addition, the information provided showed that three of these numbers were canceled on March 22, 2017. But, we are still unable to determine who seven of the ten cancelled phones were assigned. Furthermore, we do not know who three of the remaining wireless phone numbers are assigned to.

Other Goods and Services Expenses. The Casino Commission also did not provide receipts or other supporting documents to verify the legitimacy of $197,060 of expenditures with a number of vendors, including an office supplies store, a jewelry store, a wholesale food supplier, auto repair shops, an auto dealer, an online store, a retail clothing store, and others. Although some of the purchases might be associated with legitimate office supply vendors, we were not provided with supporting documents for these transactions and therefore were unable to verify the validity of the charges. The following schedule summarizes these charges.

OTHER GOODS AND SERVICES EXPENSES			
Vendor	**Total**	**Vendor**	**Total**
Miscellaneous Vendors	$36,881	Online Computer Supplier	3,934
Wireless Communications Provider	28,176	Auto Dealer	3,783
Gaming Related Fees	22,135	Computer Provider	3,482
Conference Organizer	25,075	Auto Repair 2	1,282
Office Supply Store	14,681	Hotel Gift Cards	2,803
Gambling Compliance Resource Provider	10,630	Music Supply	2,800
Online Payment Site	7,134	Wireless Internet Provider	2,298
Jewelry Store	6,313	Online Store	2,486
Auto Repair 1	5,222	Retail Clothing Store	1,556
Photographer	4,700	Hardware Store	1,476
Wholesale Food Supplier	4,350	Congressional Black Caucus	1,450
Printing Shop	4,413		
Total			**$197,060**

<u>International Masters of Gaming Law Conference Expenses</u>. The Casino Commission spent over $115,701 in expenses related to the International Masters of Gaming Law (IMGL) Conference (Conference). IMGL is a leading global gaming law and educational organization. The Casino Commission hosted the 2015 Spring Conference during March 29-31, 2015. A large hotel and resort on St Thomas was the host hotel for the Conference. We were not provided with sufficient documents to substantiate the legitimacy of $44,071 in expenses.

We requested supporting documentation for all costs associated with the IMGL Conference but were provided with limited support for the associated expenses. Therefore, we attempted to obtain expenditure information from the two other Casino Commission members. Both who indicated that they had minor roles in the decision to host, plan and deal with the finances of the Conference.

Using the obtained credit card statements, as well as electronic fund transfer and bank statement records and the limited supporting documentation provided by the Casino Commission, we were able to determine expenses incurred by the Casino Commission during the Conference period. The following table details the expenses incurred for the Conference:

INTERNATIONAL MASTERS OF GAMING LAW CONFERENCE			
Date	**Payee**	**Amount**	**Comment**
12/1/14	IMGL	$ 50,000	Title Sponsorship
3/14/15	Catering Vendor	10,400	Check Notation: IMGL Catherineberg Reception
3/23/15	Gift Store	3,220	Check Notation: IMGL Gifts and Awards
3/26/15	IMGL	5,000	Check Notation: Conference 2015 St. Thomas
3/31/15	Business Database Provider	3,150	Credit Card
4/1/15	Catering Vendor	10,480	Check Notation: Bal on Acc[ount]
4/2/15	St. Thomas Hotel	26,451	Credit Card
4/4/15	St. John Hotel	7,000	Credit Card
Total Cost		**$115,701**	

Through email correspondence, a representative of the IMGL explained that the Chairperson asked the IMGL to hold their North American Spring Conference in the Virgin Islands. The IMGL required a sponsorship fee of $50,000 to consider the Virgin Islands for a conference. In December 2014, the Casino Commission paid IMGL the $50,000 sponsorship fee.

The representative further explained that members who attend conferences, including officers, speakers, and panel moderators paid the registration fees like all other attendees, as well as their travel costs. The representative also stated that although the IMGL did not request any more assistance, they understood that the Government sponsored the post-closing reception which was held at Government House.

On July 6, 2018, we were provided a menu that included a cost sheet showing that the Casino Commission paid $50 per person for 300 people and $3,480 for gratuities for a total cost of $18,480 for the reception at Government House. The caterer received two payments totalling $20,880, which was $2,400 more than the cost shown for the catering services. We were not provided any support for the additional $2,400 payment. We were also provided a $3,150 vendor invoice for liquor purchased for the reception at Government House.

As shown, \$26,451 was paid to a hotel on St. Thomas and another \$7,000 to a hotel and resort on St John during or around the Conference period. Interviews with two of the Casino Commission members revealed that they stayed at the hotel and resort in St Thomas for 2 - 3 nights during the conference period. A look at the credit card statement shows an expense on April 1, 2015, for \$1,177 on the credit card assigned to one of the Casino Commission members. Since only five employees attended the conference, this left the Chairperson, one Casino Commission member and two staff members as hotel guests.

Employees Advance Payments. From August 2015 through May 2016, the Casino Commission decided to pay newly-hired employees \$138,413 in advance salaries from the Casino Commission's operating account. The employees' Notices of Personnel Action (NOPA) were not finalized until 3-18 months after they were hired. A NOPA is required before an employee could be paid from the ERP. The Casino Commission did not notify Finance of the advance payments. When the employees' NOPAs were signed and executed, Finance issued retroactive payments to these employees from their effective date of hire. As a result, employees were overpaid by \$52,360 from the Casino Commission's operating account. Months later, the Casino Commission still had not made an effort to collect the overpayment from employees. As of February 10, 2017, none of the employees interviewed had repaid the advances, even though they had received their retroactive payment in May 2016.

The following schedule shows the advance payments, retroactive payments, and the overpayments:

EMPLOYEES' ADVANCES AND RETROACTIVE PAYMENTS

Employee	Advance Payment	Retroactive Payment	Overpayment
1	\$ 7,000	\$12,308	\$ 7,000
2	13,400	26,302	13,400
3	80,188	0	0
4	9,000	12,922	9,000
5	7,600	15,160	7,600
6	9,225	9,693	9,225
7	12,000	6,135	6,135
Total	**\$138,413**	**\$82,520**	**\$52,360**

In February 2017 the Chairperson notified Finance's Payroll Director about the advance payments and requested that amounts ranging from \$50-\$100 be deducted from each employee's pay. However, we noticed differences in the amounts requested for repayment and amounts owed. Moreover, some employees were dismissed without having repaid the advance payment.

For example, an employee was hired on January 25, 2016. Their NOPA was not finalized until May 3, 2016. The employee was advanced \$7,600 in salary from the Casino Commission's operating account. The Casino Commission issued an invoice to the employee dated January 1, 2017, to deduct \$50 per pay period to repay the over-paid salary. However, the total sum of the requested reimbursement was only \$5,000 which was \$2,600 less than what was advanced and owed.

Another employee was moved from part-time status to full-time status, with an effective date of employment of January 1, 2016. The employee's NOPA was not finalized until May 3, 2016. The following schedule shows $9,225 in payments issued to the individual from the Casino Commission's operating accounts from January 5, 2016, when the individual became a full-time employee. The payments were made by electronic fund transfers and by checks.

PAYMENTS TO EMPLOYEE MOVED FROM PART-TIME TO FULL-TIME		
Date	**Amount**	**Method**
1/5/2016	$ 450	Electronic Funds Transfer
1/11/2016	450	Electronic Funds Transfer
1/21/2016	450	Electronic Funds Transfer
1/21/2016	250	Electronic Funds Transfer
1/25/2016	450	Electronic Funds Transfer
1/25/2016	450	Electronic Funds Transfer
2/1/2016	450	Electronic Funds Transfer
2/22/2016	450	Electronic Funds Transfer
2/23/2016	450	Electronic Funds Transfer
3/7/2016	450	Electronic Funds Transfer
3/14/2016	450	Electronic Funds Transfer
3/16/2016	900	Check
4/5/2016	450	Electronic Funds Transfer
4/22/2016	450	Electronic Funds Transfer
4/27/2016	1,675	Check
5/11/2016	550	Check
5/12/2016	450	Check
Total	**$9,225**	

In May 2016, Finance issued retroactive payments totalling $9,693 to this individual; however, we were not provided with any documents showing that the Casino Commission requested reimbursement from the employee for the $9,225 advanced and owed.

Another employee was hired on August 10, 2015; however, the employee's NOPA was not finalized until October 9, 2015. The Casino Commission paid the employee a total of $12,000 in advance payments during Fiscal Year 2015 and Fiscal Year 2016. Similarly, in May 2016, Finance issued retroactive payments totalling $6,135 to this individual. The individual was later terminated, without repaying any of the $6,135 overpayments.

Recommendations

We recommend that the Casino Commission members:

1. Create a process that requires segregated responsibilities over all expenditures processed for the Casino Commission.

2. Require supporting documentation for all payments and implement and enforce policies that forbid payments of any amount without the necessary documentation.

3. Create a process that requires monthly independent reviews (someone other than the person processing checks and having signatory authority) of bank statements.

4. Review the expenditures and determine the appropriate corrective action to eliminate the risk and perpetuation of these questionable expenses.

5. Ensure all employee overpayments are reimbursed.

V. I. Casino Control Commission's Response

The response implied agreement with the 5 recommendations made in this section of the report. Again the establishment of policies and procedures will address the control issues noted in the finding. In addition, steps will be taken to ensure that overpayments to employees are reimbursed.

V. I. Inspector General's Comments

Based on the response submitted, we will consider all of the recommendations fully resolved but not yet implemented pending the receipt of a copy of the final policies and procedures and evidence to show that employee overpayments are reimbursed.

FINDING 3: TRAVEL EXPENSES

During Fiscal Years 2013 through 2016, the Casino Commission: (i) expended $680,172 in travel and travel-related expenses without having established formal travel policies and procedures; (ii) ignored the Government-wide travel policy, while it did not implement a formal travel policy of its own; (iii) did not provide supporting documentation for $488,674 of these expenses; and, (iv) did not implement internal procedures to ensure that travel expenses were properly controlled and accounted for. In addition, we found that $556,851 or 82% of the travel and travel-related expenses were incurred using Casino Commission credit cards. These charges consisted of: (i) $190,508 in airline tickets, including non-employee and business/first class travel; (ii) hotel charges of $272,249; (iii) transportation charges of $28,120; and, (iv) meals and entertainment charges of $65,974. Most of these charges lacked supporting documentation and are questionable in relation to the operations of the Casino Commission.

We attribute these conditions to the position taken by the Chairperson of the Casino Commission that as an "independent agency" the Government-wide travel regulations do not apply. The Casino Commission adopted two informal travel policies, one for its administrative employees and one for the Chairperson and Casino Commission members. Additionally, there were no requirements to maintain supporting documentation to justify travel expenses.

As a result, we found that many travel expenses incurred by the Casino Commission did not conform to the Government-wide travel policy. Specifically: (i) more than $488,674 in travel expenses were not supported by receipts and other supporting documentation; (ii) travel expenses were not properly authorized, documented and reported; (iii) many of the travel expenses are considered questionable in terms of their relation to the daily operations of the Casino Commission; (iv) the Casino Commission did not require accounting for cash advances; and, (v) due diligence in the use of governmental funds was not exercised in that the Casino Commission members did not always utilize the most economical mode of travel.

Background

The Revised Organic Act of 1954, under Section 11 titled, "Executive Branch" provides that the Governor has general supervision and control of all the departments, bureaus, agencies, and other instrumentalities of the Executive Branch of the Government. The Governor is also provided with the power to issue executive orders and regulations, as long as they are not in conflict with any applicable laws.

One of the executive orders issued by the Governor was Executive Order No. 439-2008 - Government Travel Regulations issued on May 19, 2008. In signing the travel regulations, the Governor indicated that the Government's travel regulations had not been updated for more than 16 years. Hence, the executive order was to update the reporting requirements, procedures, and regulations pertaining to travel by members of the Executive Branch. Specifically, the updated Travel Regulation under Section 2, (a) states that: "All travel outside the territorial limits of the Virgin Islands, by department or agency heads, or other government employees, shall be authorized in writing by the Governor."

Section 3(b) states that: “Upon completion of the authorized travel, the traveler shall submit his claim for reimbursement of travel expenses and an accounting of the cash advance (if applicable), on a claim for travel expense and on a travel voucher.”

Section 7(a) states that: “All travel shall be by the most economical route, although travel by other routes may be allowed when the official necessity therefore is satisfactorily established. In case a traveler travels by a less economical route for his own personal convenience, the extra expense has to be borne by the traveler.”

Section 8 states that: “The rental of an automobile outside the territory may be approved in advance by the agency or department head when it is demonstrated that the cost or the reimbursement sought for the rental of the automobile, including insurance, will be equal to or less than the anticipated expenses for other required transportation.

Additionally, only compact vehicles will be rented, unless due to the number of travelers a bigger size automobile is needed, which must be approved, in writing by the agency or department head or his designee prior to travel.”

Section 11 states: “Per Diem expenses shall be allowed for the cost of meals purchased during the course of authorized travel, including gratuities paid but excluding the cost of alcoholic beverages.”

Section 13 states that for travel within the Virgin Islands: “(a) The traveler shall receive the actual cost of his hotel room, excluding taxes and service charge, not however to exceed $150 per night during the month of May to November, inclusive, and not exceed $175 per night during the month of December to April, inclusive plus per diem, expenses not to exceed $75 per day.”

For travel outside of the Virgin Islands, “(c) Government personnel, in addition to the expenses allowable under Section 6 and Section 10, shall receive the actual cost of hotel rooms, excluding taxes service charges, not however to exceed $250 per night, plus per diem expenses not to exceed $75 per day, plus actual cost for allowable expenses authorized under Section 1(c)3 through Section 1(c)9 unless approve by the Governor.”

Title 31, Section 514 of the Code required the Casino Commission to submit a quarterly report to Finance. The report is to be accompanied with receipts and any other documentation required by Finance’s rules and regulations or other laws of the Virgin Islands. Hence, Finance and the Government Travel Policy requires that all official travel expenses be properly documented and supported through travel expense reports, claims for reimbursement of travel expenses, and an accounting of cash advances.

<u>Supporting Documentation</u>

The Casino Commission expended $680,172 in travel and travel-related expenses for which $488,674 lacked proper supporting documentation. The Chairperson and members of the Casino Commission have a fiduciary responsibility to ensure that funds used for daily operations are appropriate business expenses and properly accounted for. Instead, we found a culture of exorbitant spending, especially where it related to travel, that did not give priority to being frugal with Government funds, not reporting on travel expenses or ensuring that the expenses were properly documented and accounted for.

The Casino Commission used checks and credit cards to process travel expenses. Specifically, during Fiscal Years 2013 through 2016, the Casino Commission incurred $123,321 from its bank operating accounts and $556,851 from the Casino Commission credit cards for travel and travel-related expenses. The following table shows the travel expenses by fiscal year:

FY 2013-FY 2016 TRAVEL EXPENSES			
Fiscal Year	**Check**	**Credit Card**	**Total**
2013	$ 28,940	$ 25,644	$ 54,584
2014	41,571	85,180	126,751
2015	27,814	211,771	239,585
2016	24,996	234,256	259,252
Total	**$123,321**	**$556,851**	**$680,172**
Percentage	**18%**	**82%**	**100%**

Checks. As shown, 18%, or $123,321, of the travel expenses was paid using the Casino Commission bank accounts. We reviewed those records and obtained adequate support for over half of the expenses. We did not have sufficient support for expenses totalling $42,558. For example, $22,335 was paid for the purchase of bulk tickets. We requested additional documents to show the use of the bulk tickets, but this information was never provided. Moreover, the Chairperson was paid $19,150 for travel reimbursements; however, support for the expenses incurred was not provided. We also could not verify $800 paid to a taxi cab service company.

UNSUPPORTED TRAVEL CHECK PAYMENTS	
Payee	**Total**
Airline Bulk Tickets	$22,335
Chairperson	19,150
Taxi Cab Company	800
St Croix Restaurant	273
Total	**$42,558**

Credit Card. Eighty-two percent, or $556,851, of the travel expenses were paid using the Casino Commission credit cards. Initially, even after 15 requests for credit card statements, we were not provided access to these records. We were, however, able to obtain these records directly from the financial institution. However, after the preliminary draft report was issued to the Casino Commission on June 26, 2018, we were then provided with some of the credit card statements. We segregated the charges on the credit cards into categories such as airline travel, hotel, transportation, meal and entertainment. The following schedule summaries these expenses and the associated amounts charged to the Casino Commission's credit cards:

CREDIT CARD TRAVEL EXPENSES	
Category	**Total**
Airlines	$190,508
Hotels	272,249
Transportation	28,120
Meals and Entertainment	65,974
Total	**$556,851**

The Casino Commission did not provide the supporting documents for 80% of the purchases incurred on the credit cards. Specifically, we were not provided with travel itineraries, hotel receipts, or, rental agreements to substantiate $446,116 of the travel expenses. The missing documents were from the credit card assigned to the Chairperson and one other Casino Commission member.

Approval of Travel Expenses

Section 2(a) of the Government Travel Regulations states that: "All travel outside the territorial limits of the Virgin Islands, by department or agency heads, or other government employees shall be authorized in writing by the Governor." However, the Chairperson of the Casino Commission takes the position that as an "independent agency" the Casino Commission reserves the right to use its own travel policy. The Chairperson described the approval process as being "informal and respectful." The Chairperson stated that Casino Commission members are free to attend whichever conferences they choose. In addition, there is no approval of travel by Casino Commission members, nor is travel approved by the Governor.

We contacted the New Jersey Casino Control Commission to see how they deal with travel and related activities. The Virgin Islands Casino Commission law closely mirrors that of the New Jersey Casino Commission Act and Regulations. The New Jersey Casino Control Commission act states that it is "created in, but not of, the Department of the Treasury." Even with this notification, the New Jersey Casino Commission follows state travel policies. Travel requests, other than the use of motor vehicles, are approved by a supervisor, the chief of staff and the chairman, and then are submitted to the governor's office for approval. Travel by commissioners goes through the chairman's office to the governor's office.

Travel Expense Reports

The Casino Commission did not embrace the Government-wide travel policy that required agency heads and employees to complete a claim for reimbursement of travel expenses or travel expense reports. Additionally, the Casino Commission did not implement a similar policy of its own. During our audit, we found that detailed travel expense reports were prepared by one of the Casino Commission members. The Casino Commission member provided a copy of travel expenses incurred during his term as a Casino Commission member. In the travel report, the Casino Commission member requested reimbursement based on the Government-wide travel policy. A review of claims for reimbursement showed that the individual was allotted per diem at the $75 per day rate. The hotel stay was usually at the conference location, and the airline travel was always coach/economy. When the individual upgraded to first-class accommodations, it was paid at his expense. The completed travel report had a summary report of the trip, along with copies of receipts and supporting documents for all travel expenses.

On the other hand, the Chairperson, after the preliminary draft report was issued to the Casino Commission, provided travel expense reports that covered expenses incurred during Fiscal Year 2013. No expense reports were provided for travel expenses for Fiscal Years 2014 through 2016. The third Casino Commission member indicated that when the credit card was issued all travel expenses were charged to the Casino Commission credit card. Hence, the need for a travel expense report was not necessary since the Casino Commission had access to the related expenses via the credit card statements.

<u>Travel Advance/Claims for Reimbursement</u>

The Casino Commission did not have a policy that required individuals to account for advance travel payments upon the completion of travel. A review of the checks issued for travel advances shows that only the Chairperson was given travel advance payments. However, even though the Chairperson was advanced travel payments totalling $19,150 from the Casino Commission's checking account, there is no supporting documentation to show how the Chairperson used the advanced funds. Although we were not provided with support for these advance payments we were able to match the advance payment with travel expenses incurred on the Chairperson's credit card during the same travel period.

The following are three schedules showing a sample of the advance payment checks processed for the Chairperson. Included are travel expenses incurred on the credit card that coincide with the date of the advance payment.

TRIP ONE – FLORIDA (3/27/16 – 4/6/16)		
EXPENSE TYPE	**AMOUNT**	**DESCRIPTION**
Advance Payment (Check)	$7,650	Check Dated 3/23/16
Airline Tickets (Credit Card)	3,568	3 business class tickets were purchased for travel dates 3/27/16 - 4/6/16
Airline Change Fee (Credit Card)	600	$200 per person change fee
Hotel (Credit Card)	4,613	Marriot JW Marquis, Miami, FL Bonaventure Resort, Weston, FL MVC (Miami Vacation Club) Miami, FL
Car Rental (Credit Card)	2,296	Avis Rent-A-Car
Restaurant (Credit Card)	410	Meals
Other Charges (Credit Card)	1,707	High-end Clothing Store
Total Cost	**$20,844**	

TRIP TWO – ST. KITTS (6/22/16 – 7/1/16)		
EXPENSE TYPE	**AMOUNT**	**DESCRIPTION**
Advance Payment (Check)	$4,500	Check Dated 6/22/16
Airline Tickets (Credit Card)	1,301	3 tickets were purchased for travel dates 6/22/16 - 6/27/16. Changed return tickets to 7/1/16
Airline Change Fee (Credit Card)	1,140	Airline Change Fee
Hotel (Credit Card)	6,855	Marriott, St. Kitts, WI
Restaurant (Credit Card)	240	Dining in Nevis, WI
Other Charges (Credit Card)	1,451	Xpress Events St. Kitts, WI
Total Cost	**$15,487**	

TRIP THREE – NEW YORK (7/9/16 – 7/19/16)		
EXPENSE TYPE	**AMOUNT**	**DESCRIPTION**
Advance Payment (Check)	$4,000	Check Dated 7/9/16
Airline (Credit Card)	3,041	3 business/first class tickets were purchased for travel dates 7/9/16 - 7/19/16
Hotel (Credit Card)	10,233	The Ritz-Carlton, New York, NY
Car Rental (Credit Card)	2,441	Limousine and Car Rental
Entertainment (Credit Card)	4,935	Ticketmaster
Other Charges (Credit Card)	354	Sq Professional Books
Total Cost	**$25,004**	

- As seen above, the Chairperson was advanced $7,650 on March 23, 2016. On March 27 – April 6, 2016, the individual took a 10-night trip to Florida. In addition to this $7,650 advanced payment, expenses totalling $13,194 were incurred on the Casino Commission credit card. These costs covered airline, hotel, and transportation, some meals, and other charges.

- Similarly, on June 22, 2016, the Chairperson was advanced $4,500 for travel on June 22, 2016, through July 1, 2016, to St. Kitts for a 9-night trip. In addition to this $4,500, the credit card assigned to the individual shows travel costs during the same period for hotel, airline tickets, and other expenses. These expenses totalled $10,987.

- Again, on July 9, 2016, the Chairperson was issued an advance travel payment of $4,000. On July 9 to July 19, 2016, the Chairperson took a 10-night trip to New York. Likewise, in addition to the $4,000, expenses totalling $21,004 were incurred on the Casino Commission credit card. The credit card charges covered expenses such as airline, hotel, transportation, and entertainment.

We did not see evidence that the Chairperson returned any unspent cash advance funds nor was an expense report filed.

Airline Tickets

The Casino Commission incurred, approved and paid airline travel tickets totalling $190,508 on its credit cards during Fiscal Year 2013 through Fiscal Year 2016. A review of the travel itineraries that were provided by the airline companies shows that many of the airline tickets were purchased for individuals who were not employees of the Casino Commission. We were not provided with supporting documents for many of the travel expenses. We obtained the airline records from the airline companies to substantiate some of the expenses. One company could not provide passenger information for 2013 and 2014 based on only ticket numbers. The ticket numbers were the only information we had available from credit card records.

Additionally, many of these expenses are considered questionable relative to the daily operations of the Casino Commission. For example, through records obtained from one of the airline companies, we were able to identify 78 travel itineraries for which tickets were purchased. After the preliminary draft report was issued, the Casino Commission provided additional information from which we were able to identify an additional 9 itineraries. We were, therefore, able to identify a total of 87 travel itineraries. The costs of these tickets were $83,345. Of this amount, $60,967, or 73% of the itineraries, was for individuals who were not regular employees of the Casino Commission.

A review of the itineraries for another airline shows that only 2%, or $734, of the $31,428 in airline ticket purchases was incurred by someone employed at the Casino Commission.

The rest were not regular employees of the Casino Commission. The following schedule details the airline travel expenses for one of the airline companies.

AIRLINE COMPANY TRAVEL EXPENSES			
Travel Date	**Amount**	**Passengers**	**Destination**
4/15/15 - 4/18/15	$ 277	(Non-Employee)	STT to St. Maarten
6/24/15 - 7/4/15	959	Contractor; Dependent	STX to St Kitts and back
7/14/15 - 7/29/15	5,193	9 passengers (Non- Employees)	STX to St Lucia and back
7/15/15 - 7/29/15	10,934	16 passengers (Non-Employees)	STX to St Lucia and back
12/6/15 - 12/14/15	9,421	16 Passengers (Non-Employees)	STX to Barbados and back
12/6/15 - 12/14/15	1,178	2 Passengers (Non-Employees)	Puerto Rico to Barbados and back
12/6/15 - 12/14/15	620	(Non-Employee)	Puerto Rico to Barbados and back
12/14/2015	406	(Non-Employee)	Barbados to Puerto Rico
6/22/16- 6/27/16	1,301	Chairperson; Contractor; Dependent	STX to St Kitts and back
7/1/16	779	Chairperson; Contractor; Dependent	St Kitts to STX
7/1/16	360	Other Charge/Change Fee	
Total	**$31,428**		

In one of the trips shown above, the Casino Commission paid for airline tickets totalling $959 with travels dates of 6/24/15 - 7/4/2015 to St. Kitts for a contractor and that contractor's dependent. Not included in the above schedule, but shown on a credit card statement, were hotel expenses for Marriott St. Kitts totalling $7,332 during the same travel period. However, a look at the contract entered into with this individual, shows an execution date of June 30, 2015. Hence, airline tickets were purchased and paid for by the Casino Commission before the individual was issued a contract. This contract is discussed in greater detail in Finding 4.

Additionally, the Chairperson incurred $23,342 in travel expenses for a trip to Orlando, Florida on December 30, 2015, through January 12, 2016. After the preliminary draft report was issued to the Casino Commission, the Chairperson provided information associating the charges to a National Council of Legislators from Gaming States Winter Meeting (NCLGS). The NCLGS meeting was for 3 days held on January 8 - 10, 2016. We also obtained documentation to show that there was another 2-day conference, the Florida Gaming Conference, held from January 6 -7, 2016. Travel information showed that the Chairperson traveled with a contracted individual and the contractor's dependent on December 30, 2015 and returned on January 12, 2016. All travel expenses were paid with the Casino Commission's credit card. A review of these costs show purchases at Disney World and other questionable entertainment charges. Below is a detailed listing of these costs:

ORLANDO, FLORIDA (12/30/15 – 01/12/16)		
EXPENSE TYPE	**AMOUNT**	**DESCRIPTION**
Airline Tickets	$ 5,889	3 business class airline tickets were purchased for travel dates 12/30/15 - 1/12/16
Hotel	8,068	Rosen Shingle Creek Hotel, Orlando, FL
Car Rental	3,009	Avis Rent-A-Car
Restaurant	2,378	Meals
Other Charges	3,999	Reservations - WDW, Disney tickets, Cirque Du Soleil, Retail Stores
Total Cost	**$23,343**	

On another occasion, the Casino Commission spent $25,004 on a 4-night National Council on Problem Gambling Conference held in New York, July 13 - 16, 2016. The Chairperson, a contractor and that contractor's dependent traveled to New York and stayed 10-nights, from 7/9/16 - 7/19/16. The conference was held at the Westchester Marriott Hotel. The hotel's Conference room rate was $139 per night (plus tax) or $1,390 for ten nights, per room. Instead, the Casino Commission incurred expenses at a different location that cost $10,233.

There was also a credit card charge of $4,935 to Ticketmaster that was purchased around the same date that the airline tickets for the conference were purchased. We do not have support for the expense, but online research shows that Ticketmaster specializes in the sale of entertainment (music, concerts, sports, etc.) tickets.

These expenses were charged to the assigned credit card of the Chairperson. The same individual is responsible for the approval, payment, and custody of the credit card records. During our audit, we were told by the two other Casino Commission members that they were relegated to limited roles in the daily operations of the Casino Commission. One of the Casino Commission members expressed concern about the way funds were being spent and their inability to review and monitor the financial assets of the Casino Commission.

First Class Travel. In reviewing the airline itineraries that were obtained from airline travel records and additional information provided by the Casino Commission, the Chairperson incurred $42,199 for first class and business class airline tickets. Further review of the itineraries shows that these upgraded airline tickets were purchased for the Chairperson and other individuals who were not regular employees of the Casino Commission.

The Government travel regulation does not permit the use of Government funds to purchase airline tickets beyond economy class. Specifically, Sections 7 of the Government travel regulation requires travel be completed by the most economical route and that the traveler should assume the cost of any upgrades.

Therefore, even though the Casino Commission did not formalize a travel policy, it was required to adhere to the Government-wide travel policy on upgraded airline tickets. We saw many instances where numerous upgraded fare tickets were purchased and paid for by the Casino Commission. The following schedule is a sample detailing a few of the upgraded airfares purchased by the Casino Commission in Fiscal Year 2015 and Fiscal Year 2016.

FIRST CLASS/BUSINESS CLASS TRAVEL			
Travel Dates	**Airfare**	**Type of Passenger**	**Class of Travel**
3/3/15 - 3/7/15	$ 2,455	Chairperson	Business & First Class
3/3/15 - 3/7/15	847	No Affiliation	Economy/First Class
3/3/15 - 3/7/15	689	No Affiliation	Economy/First Class
4/12/15 - 4/18/15	3,393	Chairperson	Business & First Class
9/15/15 - 9/21/15	874	Contractor	Business & First Class
9/15/15 - 9/21/15	874	Contractor's Dependent	Business & First Class
10/11/15 - 10/17/15	3,582	Chairperson	Business & First Class
11/8/15 - 11/13/15	810	Chairperson	Business & First Class
12/30/15 - 1/12/16	1,963	Chairperson	Business & First Class
12/30/15 - 1/12/16	1,963	Contractor	Business & First Class
12/30/15 - 1/12/16	1,963	Contractor's Dependent	Business & First Class
3/27/16 - 4/6/16	1,189	Chairperson	Business Class
3/27/16 - 4/6/16	1,189	Contractor	Business Class
3/27/16 - 4/6/16	1,189	Contractor's Dependent	Business Class
7/9/16 - 7/19/16	1,014	Chairperson	Business Class
7/9/16 - 7/19/16	1,014	Contractor	Business Class
7/9/16 - 7/19/16	1,014	Contractor's Dependent	Business Class
Total Cost	**$26,022**		

The Casino Commission purchased first class/ business class tickets for a contractor and their dependent each time a travel ticket was purchased. Accordingly, the Casino Commission paid $10,080 in business/first class air travel for these individuals on four different travel dates.

Similarly, we observed that each time a travel ticket was purchased for the Chairperson the airline class was almost always business or first class. For seven (7) trips the airline tickets cost the Casino Commission $14,406.

Hotel Charges

The Casino Commission, over the four fiscal years, incurred $272,249 in credit card charges for hotel and hotel-related expenses. Most of these expenses were incurred by the Chairperson or the credit card assigned to the Chairperson. Only $17,769, or 7%, of the expenses, was incurred by the two other Casino Commission members authorized to use credit cards.

We were provided supporting documentation for most of the expenses incurred by the two Casino Commission members. However, we could not document 73% or $198,742 of the Chairperson's expenses as we did not have supporting documents for these transactions. We requested but did not receive information to determine the nature of the expenses incurred, or who stayed in the hotels that were paid for by the Casino Commission.

Section 13 of the Government Travel Regulations states that: "for travel on official business within the Virgin Islands…, the traveler shall receive the actual cost of his hotel room, excluding taxes and service charge, not however to exceed $150 per night during the month of May to November, inclusive, and not to exceed $175 per night during the month of December to April, inclusive plus per diem, expenses not to exceed $75 per day." The regulations also state that: "for travel on official business outside the territorial limits of the Virgin Islands which requires overnight stay: Government personnel…, shall receive the actual cost of hotel rooms, excluding taxes and service charges, not however to exceed $250 per night, plus per diem expenses not to exceed $75 per day, plus actual cost for allowable expenses authorized under this section." Some of the hotel expenses incurred by the Chairperson do not appear to meet those regulations. For example, the Chairperson provided limited supporting documents for hotel related expenses after the preliminary draft report was issued to the Casino Commission. Included in these documents was an airline receipt. On the receipt, the Chairperson wrote that the trip was for a meeting with a contracted employee and Puerto Rico's Problem Gambling Director during November 25 - 30, 2015. Hotel receipts also provided in these documents that matched the date of travel showed the Casino Commission paid $10,988 for two hotel rooms in Puerto Rico. The average cost for each room was $843 and $813 per night (resort fees and taxes included). The 5-night trip cost the Casino Commission $14,828. Below is the specific detail of the trip.

SAN JUAN, PUERTO RICO (11/25/15 – 11/30/15)		
EXPENSE TYPE	**AMOUNT**	**DESCRIPTION**
Airline Tickets	$ 1,135	Tickets were purchased for travel dates 11/25/15 - 11/30/15
Hotel	10,988	The Ritz Carlton, San Juan, PR
Car Rental	2,705	Car Rental
Total Cost	**$14,828**	

The following table identifies hotel charges for Fiscal Years 2015 and 2016:

Payment Date	Hotel Name	Amount Paid	Travel Dates	Number of Nights (The Number of Persons/Rooms is Unknown)
1/27/15	The Buccaneer Hotel, Christiansted, VI	$ 4,024	1/24/15-2/4/15	11
2/28/15	Hyatt Hotel, Washington, DC	2,919	Unknown	Unknown
6/21/15	Park Central Hotel, New York, NY	3,300	Unknown	13
6/29/15	Mariott, St. Kitts, WI	7,332	6/24/15-7/4/15	10
7/5/15 - 7/14/15	Residence Inns, Orlando, FL	6,806	Unknown	Unknown
9/22/15	Mariott Wardman Park, Washington, DC	6,249	9/15/15-9/21/15	6
10/13/15 - 10/17/15	Marriot Hotel Stellars, Miami, FL JW Marriott, Lima, Peru	2,405	10/11/15-10/17/15	5
10/28/15	Embassy Suites, Carolina, PR	2,500	12/31/15-1/17/16	17
11/27/15	The Ritz Carlton, Carolina, PR	10,988	Unknown	Unknown
12/6/15	The Buccaneer Hotel, Christiansted, VI	8,345	12/06/15-12/13/15	7
12/29/15	Verdanza Hotel, Carolina, PR	6,966	Unknown	Unknown
1/5/16	Rosen Hotels, Orlando, FL	8,068	12/30/15-1/12/16	13
3/7/16	Mariott Frenchman's Reef, Charlotte Amalie, VI	3,202	Unknown	Unknown
3/20/16	The Buccaneer Hotel, Christiansted, VI	6,427	3/20/16-3/27/16	7
3/30/16 - 4/7/16	Marriot JW Marquis, Miami, FL Bonaventure Resort, Weston, FL MVC (Miami Vacation Club), Miami, FL	4,613	3/27/16-4/6/16	10
7/1/16	Mariott, St. Kitts, WI	6,855	6/22/16-7/1/16	9
7/15/16	The Ritz-Carlton, West Chester, NY	10,233	7/9/16-7/19/16	10

Transportation Expenses

The Casino Commission paid $28,120 in transportation-related expenses on its credit card. We requested but did not receive 83% of supporting documents to verify the relevance of the transportation expenses. Ninety-nine percent, or $27,797, of the transportation charges were on the credit card account assigned to the Chairperson.

Section 8 of the Government Travel Regulations states that: "The rental of an automobile outside the territory may be approved in advance by the agency or department head when it is demonstrated that the cost or the reimbursement sought for the rental of the automobile, including insurance, will be equal to or less than the anticipated expenses for other required transportation."

Additionally, the regulations state that only compact vehicles will be rented, unless due to the number of travelers a bigger size automobile is needed. A larger vehicle must be approved in writing by the agency or department head, or his designee prior to travel.

We were provided with limited supporting documentation for transportation and transportation-related expenses; therefore, we could not verify whether a standard (compact) car was used when a rental charge was incurred. We also did not have enough information to determine the number of days the vehicles were rented for most of the charges. In instances where no support was provided, using the obtained airline records, we were able to determine the travel dates that matched with the date of the car rental charges. Based on a review of the expenses incurred, some of the car rental amounts paid appears to be excessive. As seen below there were several payments of over $1,000 for car rentals. In three instances, payments made to two rental car agencies totalled above $2,000. When we compared the number of days traveled to the cost of automobile rental, we noted that the daily charges range from $189 to $541. For example, the one instance where the rental invoice was provided, the invoice showed that the Chairperson rented a high-end vehicle (Escalade) that cost the Casino Commission $541 (taxes and fees included) a day for five days.

AUTO RENTAL			
Date of Credit Card Charge	Car Rental Company	Amount	Estimated Dates of Rental
7/19/16	1	$1,886	7/9/16 - 7/19/16
1/13/16	1	3,009	12/30/15 - 1/12/16
11/30/15	2	2,705	11/25/15 – 11/30/15
4/7/16	1	2,296	3/27/16 - 4/6/16
9/21/15	2	1,655	9/15/15 - 9/21/15
8/13/15	3	1,694	8/10/15 - 8/14/15

Meals and Entertainment

We requested but were not provided with, supporting documents to verify the expenses for meals and entertainment charged to Casino Commission credit cards. After the preliminary draft report was issued on June 26, 2018, we were provided with limited support for meals. The credit card records and the additional documents provided showed that the Casino Commission incurred $65,974 for meals and entertainment. Only $591 was charged by the other two Casino Commission members who were authorized users. The remaining $65,383 was expenses incurred on the credit card assigned to the Chairperson. We requested but never received adequate supporting documents to substantiate many of these expenses. Therefore, we could not determine whether the charges were business related, or for whom the meals or entertainment was purchased. Title 32, Section 412(6) of the Code forbids Casino Commission members from meeting persons involving any pending or proposed application or any matter whatsoever which may reasonably be expected to come before the Casino Commission. A review of some of these charges raises serious concerns about the validity of the charges to the Casino Commission. For example: in December 2015, $3,506 was spent at a St Thomas restaurant; $1,700 was spent at a St Croix eatery; and, $3,531 was spent at Disney World. In May 2016, $4,935 was spent at Ticketmaster. Additionally, there were numerous instances where alcoholic beverages were included on meal tickets and paid for by the Casino Commission. There were numerous instances when gratuities were above what is normal and customary. Specifically, a review of the limited meal or credit card receipts provided showed 11 instances where gratuities were added in amounts totalling between 34% and 107%. For example, a charge at a local restaurant showed meals charge of $257. An additional charge of $275 was added by the card-holder for a service fee and tip.

<u>Other Travel Expenses</u>

There were other expenses incurred by the Casino Commission that are questionable and do not conform to the Government-wide travel policy. Specifically, the Casino Commission reimbursed contractors for costs such as additional rental car costs, excess luggage, lost cash, and alcohol. These costs were all contrary to Government Travel Regulations.

Specifically, the travel regulations state that baggage in excess of the weight or size carried free by transportation companies shall be classed as excess baggage. When a claim for reimbursement for the excess baggage charges is submitted, an explanation of the necessity of the baggage should be included. Additionally, the travel regulations also state that the cost of alcoholic beverages should be excluded from per diem reimbursements.

However, we saw instances when those costs were included in reimbursement requests and paid by the Casino Commission. For example, a CPA was contracted to perform professional services for the Casino Commission. The individual requested reimbursement of other charges totalling $14,798. Included in the reimbursement request were costs for cell phone and cell phone roaming charges, alcohol, additional car rental costs and lost cash. The CPA explained through email correspondence that there was a time when the rental car company claimed that the car was "extra dirty" and an extra fee was charged for cleaning. Hence, the individual billed the Casino Commission for these additional costs.

Additionally, the CPA explained that he had lost $360 of $500 in cash that was taken from an ATM. When he informed the Chairperson of the incident, the individual was advised to include the “lost cash amount” on the travel expenses.

This same CPA stated that costs for roaming charges were incurred on a personal cell phone. The individual again indicated that the Chairperson advised that the cost be included in the individual’s expense report.

The CPA said that although the Casino Commission was provided a listing of the travel expenses, and could have requested the supporting information, no such request was made. Hence, these additional costs were paid without a determination of the legitimacy of the expenses.

Recommendations

We recommend that the Casino Commission members:

1. Implement and follow the Government's travel policy.

2. Implement a credit card policy that prohibits management and employees of the Casino Commission from using credit cards for personal expenses. The policy should address the penalties for abuse of credit cards.

3. Review travel expenses and determine the appropriate corrective action to eliminate the risk and potential for fraud, waste and abuse.

V. I. Casino Control Commission's Response

There was implied agreement with the 3 recommendations made in this section of the report. Specifically, it was indicated that the Casino Commission would adopt the Government's Travel Policy. In addition, a credit card policy will be adopted and implemented, and travel expenses will be reviewed on a bi-monthly basis.

V. I. Inspector General's Comments

Based on the response submitted, we will consider all of the recommendations fully resolved but not yet implemented pending the receipt of a copy of the final policies and procedures.

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FINDING 4: PROFESSIONAL SERVICES

The Casino Commission did not follow the procurement laws of the Government in obtaining professional services. Specifically, we found that: (i) payments were made to 14 individuals and businesses for which no contract or scope of work was provided; (ii) 6 professional service contracts totalling $825,956 were awarded for which there was little evidence of competition; and, (iii) the terms of the contracts did not comply with the recommended language established by Property and Procurement.

We attribute this to the Casino Commission's failure to adhere to the procurement policies of the Government, or to implement policies and procedures of its own.

As a result, professional services were obtained, and contracts were executed by the Casino Commission that did not conform to the Government procurement policies or other best practices guidelines. We found that: (i) numerous payments were made without a written contract or evidence that more than one quote was obtained to ensure the Casino Commission obtained the best competitive rates; (ii) contracts were executed solely by the Chairperson; (iii) the terms, scope, and rate of pay for services provided were decided solely by the Chairperson and did not conform to the Government procurement policies; (iv) contracts were not submitted to Property and Procurement for review, nor were they submitted to the Department of Justice (Justice) for review for legal sufficiency; (v) evaluation of contract deliverables and processing of contract payments were completed by one individual; and, (vi) there was one instance when the funding source stipulated in the contract to pay a contractor for providing training to casino employees did not meet the requirements of the law.

Background

Section 408-2.1 of the Rules and Regulations states that the Executive Director shall be appointed by the Casino Commission and shall act as the Chief of Staff of the Casino Commission and be responsible for the conduct of the operational and administrative affairs of the Casino Commission.

Section 408-2.5 of the Rules and Regulations further states that the Executive Director "…shall have the power and authority to act in the name of the Commission with respect to all desirable and proper actions, including but not limited to:

(a) execute contracts on behalf of the Commission; and,
(b) incur reasonable and necessary expenses in the name of the Commission."

Additionally, Title 32, Section 408(d) of the Code states the Casino Commission; "shall appoint an Executive Director who shall serve at its pleasure and shall be responsible for the conduct of its administrative affairs." It also states that the Casino Commission; "may contract for the services of other professional, technical and operational personnel and consultants as may be necessary to the performance of its responsibilities…"

Title 31, Section 232 of the Code states that the Commissioner of Property and Procurement shall: "establish and enforce standard specifications which shall apply to supplies, materials, equipment and contractual services purchased for the use of the Government…"

In addition, on October 1, 2015, Property and Procurement released policy No. 012016. The policy was addressed to all government agencies, agency heads, directors, managers, and supervisors. The policy requires that government agencies attach at least one (1) quotation for the vendor of choice for purchases under $5,000.

In accordance with Title 31, Section 239(a)(3) of the Code, supplies, materials and equipment, may be purchased and contract services negotiated for, in the open market provided that "the aggregate amount involved is not more than $50,000; provided however, that no more than one such purchase of the same supplies, materials, or equipment or contract for the same professional service shall be made by any agency or semiautonomous agency of the Government from any person, firm, partnership, or corporation in any 30 day period."

Additionally, only department heads of agencies or semiautonomous agencies or certifying officers are authorized to certify expenditures between $5,000 and $50,000 for open market purchases and negotiated contracts for services. Also, at least three quotations from vendors must be obtained, and the purchase should be made from the best value.

In addition to the three quotes for the purchases and service between $5,000 and $50,000, Property and Procurement requires a justification letter, signed by the agency head, attached to the requisition. The justification letter must describe the need for the purchase, why the agency determined that the product or service chosen provides the greatest benefit to the Government and that competitive prices were obtained from the suppliers.

All professional service contracts must be sent to Property and Procurement for approval. If the contract is under $50,000, it is exempted from the competitive bidding process once three quotes are provided showing competition was attained. A signature line for the Commissioner of Property and Procurement must be included on all professional service contracts.

<u>Payments Without An Executed Contract</u>

We reviewed payments totalling $379,527 made to 13 individuals, and one payment to a vendor for professional services. Some of these individuals were paid amounts totalling over $50,000. These payments were made for services rendered during the audit scope period. However, none of these individuals had contractual agreements with the Casino Commission. In addition, the Casino Commission did not provide evidence that it obtained more than one quote to ensure the best competitive rates for the services it solicited.

For example, during the audit scope period, the Casino Commission expended $112,700 for electrical services. In Fiscal Year 2014, an electrician received payments totalling $69,800; in Fiscal Year 2015 the Casino Commission issued payments totalling $27,900 and in Fiscal Year 2016 payments totalling $15,000 was paid to the same electrician. However, we were not provided with a written contract or scope of work for the services provided.

The Casino Commission paid another vendor $71,984 for Information Technology (IT) support services. In Fiscal Year 2014, payments totalling $14,691 were made, in Fiscal Year 2015 the same vendor received payments totalling $33,266, and in Fiscal Year 2016 payments totalling $22,085 were processed for the individual. Again, we were not provided with an executed contract. The Casino Commission did not provide any documentation showing that it obtained at least three quotes for any of these services.

Executed Contracts

The Casino Commission does not have procedures to ensure that goods and services were procured at competitive rates. We reviewed six contracts totalling $825,956 that were executed by the Casino Commission. The Contracts were executed solely by the Chairperson even though the Casino Commission had an Executive Director in place either on a part-time or full-time basis during Fiscal Year 2013 through April 2015. Only one contract was executed during a period when the Casino Commission did not have someone acting in that role. None of these contracts were processed, reviewed, or signed by the Casino Commission's Executive Director.

Some of the contracts appeared to be sole source, as there was no evidence that competition was obtained before the contracts were awarded.

Moreover, none of the other Casino Commission members had signed these contracts. The contract terms, the rate of pay, and the scope of work were all decided by the Chairperson. In many instances, the contract terms were vague and completely deviated from the "Professional Service Agreement" frequently used and executed by the Government. Additionally, the contracts were not reviewed by Property and Procurement or Justice as required by the Property and Procurement regulations. Payments and review of the contract deliverables were processed by the Chairperson who also executed the contracts.

Contract Terms

Regarding contract terms, Property and Procurement officials directed us to its "Professional Service Contract" template for use by Government agencies for suggested acceptable phrasing of contract terminology. There was significant variation in the terminology of the contracts executed by the Casino Commission and the template used by Property and Procurement. In some instances, the Casino Commission's terminology was arbitrary and did not clearly state the terms of the contracts.

Contract Rates. The Property and Procurement template requires a pre-determined contractual amount. Specifically, the template suggests the following language be used in reference to compensation: "The Government, in consideration of the satisfactory performance of the services described in Addendum I (Scope of Work), agrees to pay Contractor the sum of [AMOUNT OF CONTRACT]." However, all the contracts executed by the Casino Commission are for an undetermined billable range. For example, the Casino Commission executed a contract for training and consulting services. The contract stated that the Casino Commission shall pay the individual as follows:

1. An hourly rate of $250-$350 for performing verbal or written consultation as the Certified Problem Gambling Specialist.
2. An hourly rate of $200-$300 for time spent in performing the duties of an ADA Consultant.
3. The Casino Commission shall pay $250 per person for each casino employee and each manager trained per session.

There was nothing in the contract that specified how the payment range would be determined. A review of invoices provided by the contractor showed that in Fiscal Year 2016, in addition to the $250 per trainee, per training session, the Casino Commission was billed $14,500 for planning the employee training and consultations. For example, in September 2016, the contractor held eight training sessions. The contractor charged for advance preparation and consultation totalling $4,900 for these eight training sessions. This charge was in addition to the $250 for each of the 99 employees who attended the eight training sessions. The preparation fee varied from $1,050 to $1,750 per training session. There is nothing on the invoice that states how the cost of the advance preparation fee was determined.

Another contract entered between the Casino Commission, and a CPA stated that "the Certified Public Accountant shall be paid an hourly rate between $150-$300 per hour for time reasonably spent as a Certified Public Accountant to perform an emergency audit of the Casino Control Revolving Fund. (32V. I.C. §514)" Again, nothing in the contract states how the contract range is to be determined and what the actual cost to the Casino Commission would be. But, a review of invoices shows that the Casino Commission was at times billed $285, $295 or $305 per hour for services provided. The CPA, upon inquiry, explained that "hourly billing rates are reviewed and adjusted annually on January 1st of each year, and accordingly the rates quoted herein are applicable until the new rates become effective." Hence, the CPA said that the Casino Commission's hourly rates for forensic accounting services were set at $285, $295 and $305 for 2014, 2015 and 2016, respectively.

Although the CPA at times provided a "professional courtesy discount" the reason for the billing difference was not transparent; moreover, the executed contract did not address any annual increase in fee.

Contractor Travel. A review of contracts executed by the Casino Commission shows that there were allowances for questionable travel terms. For example, a contract was executed between the Casino Commission and a company for training and consulting services. The contract states that while in travel status, the contractor will be reimbursed for all actual and necessary transportation expenses incurred while using a common carrier. If the Casino Commission gives authorization for the use of a personally-owned vehicle for reimbursed travel, the individual would be reimbursed at the rate of reimbursement agreed to by the parties. The contract also allotted travel compensation for one dependent to accompany the consultant on all required travel as approved by the Chairperson.

In another example, a contract executed by the Casino Commission with a CPA for accounting services allowed the reimbursement of all actual and necessary transportation expenses incurred while using a common carrier. As an example, the Chairperson signed a hotel credit card authorization form for this contractor approving “all charges incurred.” The contractor stayed at one of our local high-end hotels and accumulated charges totalling $25,564 for 12 stays of between 3 to 11 nights. A review of the hotel receipts showed that the Casino Commission paid for charges related to golf, restaurant and bar tabs that sometimes totalled $458 a day and gratuities of $20 to $100.

In contrast, the Property and Procurement template suggests the following phrasing of the terms under which travel is reimbursable. It states that “…. the Government agrees to pay documented transportation, subsistence, lodging and other travel expenses, while in travel status, for trips which have been authorized in writing, in advance, by the Government. These costs shall be advanced or reimbursed on the same basis as applies to non-contract employees of the Government or as agreed to by an addendum to this Contract…”

The Casino Commission paid over $50,000 in questionable travel expenses to these individuals that did not conform to travel expenses normally reimbursed to non-contractual employees of the Government. For example, the Casino Commission paid $29,143 for six trips that included first-class travel and hotel stays for the contractor and a dependent. In one instance, the Casino Commission incurred the cost of $1,239 for a flight schedule change from Washington, D.C. to New York instead of from Washington, D.C. to St. Croix for the individual and a dependent. Additionally, on another occasion, even after paying for all travel expenses (airline, hotel, and meals) for this contractor and a dependent, the Chairperson processed a $4,500 payment for the contractor through electronic fund transfer. The contractor explained that the check was for an “appearance fee” at the 2016 National Conference on Problem Gambling since the time taken to attend these events interrupted services to other clients.

In another instance, the CPA was reimbursed for numerous questionable travel expenses totalling $14,798. For example, as discussed in Finding 3, the Casino Commission paid additional rental charges because the car returned to the rental car company was "extra dirty.” Other reimbursed payments included excess luggage, alcohol purchases, cigarette purchases, first-class ticket upgrades, change fees, cost of rescheduling/changing flights and cell phone roaming fees. In addition, there was even an instance when the Casino Commission reimbursed $360 for lost cash.

Review of Contracts for Legal Sufficiency. Property and Procurement requires that all contracts executed on behalf of the Government, be facilitated through and approved by Property and Procurement, who would then forward the contacts to Justice for legal sufficiency. However, during an interview, Property and Procurement officials said none of the contracts executed by the Casino Commission were reviewed by them. Thus, none of the contracts were forwarded for review to Justice for legal sufficiency. Moreover, even though the Casino Commission had at its disposal the services of several legal counsels and paid these individuals $290,753 during Fiscal Year 2013 through Fiscal Year 2016, none of the contracts executed show that they were reviewed or witnessed by a legal counsel. The contracts were signed solely by the Chairperson and the Contractor(s).

Contract Deliverables and Payments. In addition to the terms, execution, and approval of contracts, the Chairperson took responsibility for the evaluation of contracts and the processing of contract payments. The Chairperson assumed the responsibility of assessing contract deliverables. In addition, the Chairperson solely reviewed the invoices submitted by contractors. In some instances, individuals were paid with the sole authorization of the Chairperson, using electronic fund transfers.

FY 2016 EXAMPLES OF PAYMENTS FOR PROFESSIONAL SERVICES			
	EFT	CHECK	TOTAL
Contractor 1	$175,000	$ 8,500	$183,500
Contractor 2	104,307	175,269	279,576
Contractor 3	25,500	138,898	164,398

As shown, $183,500 was processed and paid to an individual with a contractual obligation to the Casino Commission. The individual was paid $175,000 through electronic fund transfers and $8,500 through checks. The Chairperson again assumed the responsibility of reviewing the contract's deliverable and was also solely responsible for processing these payments. Even while the contract execution date was June 2015, none of the Casino Commission members had any knowledge that this individual/company was working with the Casino Commission until December 2015. Other employees also stated that they did not know of the individual/company's affiliation with the Casino Commission until about April 2016.

Another individual was paid a combination of check and electronic fund transfer payments totalling $279,576. Again, none of the Casino Commission members or other Casino Commission employees was given the responsibility of reviewing the contract deliverables

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<u>Contract Executed In Violation of the Law</u>

The Casino Commission executed a contract that does not meet any of the requirements of the law used to justify the contract. Specifically, the Casino Commission entered into a contract with an individual to provide, among other services, on-going training services to casino employees and Casino Commission staff. In the contract, the Casino Commission states that "Services will be funded through 32 V.I.C. §518 earmarked for casino employee and other training or other funding earmarked in the Commission annual budget." However, the law does not require the Casino Commission to act as the facilitator of these trainings. The Casino Commission's role was simply to make money available to the casino licensee to help them facilitate training programs for their employees.

Specifically, Title 32, Section 518 of the Code states that ten (10%) percent of the monies from the Casino Revenue Fund are to be earmarked for youth-related programs to assist in the partial funding of the job training programs. The law specified that the monies are to be used for: (i) financial assistance to help casino employees to obtain their General Education Development (GED) and further education; (ii) financial assistance for casino employees to obtain certification in the field of Hotel/Hospitality Management at the St. Croix Vocational School; and (iii) Fifty (50%) percent of the budgetary needs of the Jobs for Virgin Islands Graduates (JOVIG) program, to assist at-risk and disadvantaged youth in graduating from high school and obtaining jobs.

The regulation also specified that the Casino Commission was responsible for making available to the casino licensee half the cost of each employee participating in the GED or Hotel/Hospitality programs. The cost was to be matched by the casino licensee for each of its employees participating in any of the programs.

The Chairperson was aware of the specific terms of the Code. During a Casino Commission hearing, the Chairperson referenced the law pertaining to the casino employee training and Job Placement Program. At a public hearing before the Casino Commission on August 27, 2013, the Department Of Labor made a request to fund one of its programs called "JAG." The Chairperson initially took the position that the use of the program name "JAG" made this particular program ineligible for funding since the law restricts 50 percent of the budgetary amount for the JOVIG Program. In fact, the Chairperson stated that if she were to be confronted with an audit, she would be torn apart if she were to release funds for a program that's not written into the law. However, two years later, the Chairperson, without any approval from the other Casino Commission members, took a contrary position and executed a contract that did not accomplish any of the requirements specified in the law. Contrary to the law, none of the individuals trained were being issued a GED. Also, the casino employees were not obtaining certification in the field of Hotel/Hospitality Management at the St. Croix Vocational School.

Rather, the Chairperson agreed to pay $250 per person for each casino employee and each manager trained per training session. Hence, in total, in Fiscal Year 2016, the Casino Commission was billed $101,750 for problem gambling-related services and $117,500 for training and consultation provided to Casino employees. The full cost of which was assumed by the Casino Commission. The cost was not matched by the casino licensee for any of their employees participating in any of the training programs as required by law. In Fiscal Year 2016, the Casino Commission transferred $250,000 from the youth saving account to its operating account (the youth saving account was used to deposit all the monies earmarked for training according to Title 32, Section 518 of the Code). Of this amount, only $97,250 would be related to training programs.

Moreover, the Casino Commission is providing and assuming all of the cost of training for casino employees rather than the casino licensee paying for ½ of these costs. On February 5, 2016, the Casino Commission passed a resolution approving the casino license for an entity to operate a casino/hotel on St. Croix. In the resolution, the Casino Commission required that the casino licensee implement procedures and training that address responsible gambling for all employees who directly interact with patrons in gaming areas, as required by law and regulations. During an interview, a representative of that casino licensee stated that the requirement was met through training services provided by the individual contracted by the Casino Commission to train employees. Moreover, the casino licensee did not pay anything towards the cost of these training; the cost was borne solely by the Casino Commission. The Casino Commission, acting as both the regulator and facilitator of its own requirements, appears to be a conflict of interest.

2016 Invoices for Training and Consultation

A review of invoices and sign-in sheets for training shows that the Casino Commission overpaid for some of the services. We received invoices for services provided to the Casino Commission which ranged from April to September of 2016. These invoices were for training provided to employees at the two casinos located on St. Croix. The invoices also covered other services such as mediation services, advance preparation, training sessions and consultation fees. The cost for training, per contract terms, was at $250 per trainee, per session. The Casino Commission was billed for training sessions for 331 employees for a cost of $82,750. However, a review of sign-in sheets provided by the two casino operators, as well as follow-up verification with casino operators, shows the actual number of employees trained was 213, at the cost of $53,250. Hence, the Casino Commission was overbilled for 118 more employees than were trained, resulting in an over-charged amount of $29,500.

In another instance, the Casino Commission was invoiced $20,250 for 67 hours of consulting sessions. Specifically, the contractor's invoice broke down the hours billed as follows:

1. "35 hours of behavioral mediation sessions at $350 per hour;"

2. "20 Hours of Consultation with Neutrals: Meetings/Emails/Phone Conversations & Research @ $250;"

3. "6 Hours Mediation Session with the Casino Commission and [a casino's] Employees and 6 hours for Final Preparation Settlement Agreement Preparation and Resolution Agreement and Binding Contract [@ $250]."

While the contract allowed for the cost of these services, it is unclear exactly why the Casino Commission paid $20,250 for a casino operator employees' conflict resolution training. For instance, upon inquiry, the contractor explained that there were only two cases where consultation was needed. In one of the instances cited, there was a situation where a charge was levied against someone in a sexual harassment case. Instead of sending the person to the Casino Commission for a hearing as required, the individual was sent for counseling.

These invoices were paid through electronic fund transfer. No one besides the Chairperson, who executed the contract, reviewed the charges. In addition, these invoices were paid without the Casino Commission having an independent review process in place to catch potential improper or erroneous charges.

Recommendations

We recommend that the Casino Commission members:

1. Follow the procurement laws and policies and procedures establish by Property and Procurement, or develop and implement procurement policies and procedures for outside services.

2. Ensure all contracts are competitively bid or are properly justified for sole-source.

3. Ensure that all costs are adequately supported and within agreed contract terms and conditions.

4. Perform an independent review of all contracts, the payments made and the deliverables to determine the relevance and value of the services to the Casino Commission.

V. I. Casino Control Commission's Response

There was implied agreement with all four recommendations made in this section of the report. It was stated that the procurement laws, policies and procedures established by the Department of Property and Procurement would be adopted. In addition, controls will be established to ensure that contracts are competitively awarded or sole-source documented and all contract terms are followed and deliverables verified.

V. I. Inspector General's Comments

Based on the response submitted, we will consider all of the recommendations fully resolved but not yet implemented pending the receipt of a copy of the final policies and procedures.

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APPENDIX I

V. I. CASINO CONTROL COMMISSION'S RESPONSE

Virgin Islands Casino Control Commission
3005 Orange Grove
Christiansted, VI 00820
Telephone: 340-718-3616 ◆ Fax: 340-718-3136
Email: urichards@casinocontrolcommission.vi

Usie R. Richards
Commissioner

August 23, 2018

Mr. Steven Van Beverhoudt
VI Inspector General
2315 Kronprindsens Gade #75
Charlotte Amalie
St. Thomas, VI 00802-6468

Via Email: svanbeverhoudt@viig.org

Re: Draft Audit Report of the Virgin Islands Casino Commission

Dear Inspector General Van Beverhoudt:

Greetings, on behalf of the Virgin Islands Casino Commission, I take this opportunity to formally respond to your July 27, 2018 correspondence and transmittal of the above referenced Draft Audit Report of the Virgin Islands Casino Control Commission. The Commission has attached a Resolution, signed by the members, entitled the VICCC Administrative Response. The Commission's response is specifically focused on the RECOMMENDATIONS of the draft audit and we express our appreciation of the deadline extension to August 24, 2018.

The candor and clarity provided during the July 10, 2018 "Exit Conference", by both the Office of the VI Inspector General and the Past Commissioners of the Commission has established the foundation necessary to pursue the task ahead. If any further clarity is required on our proposed plan of action, please don't hesitate to contact us.

Sincerely,

Usie R. Richards, VICCC Commissioner
VICCC Vice-Chairman

C: Honorable Kenneth E. Mapp, Governor of the Virgin Islands
Violet Anne Golden, VICCC Chairman
Stacey A. Bourne, VICCC Commissioner & Secretary-Treasurer

ATTACHMENT (1)

V. I. CASINO CONTROL COMMISSION'S RESPONSE

Virgin Islands Casino Control Commission
3005 Orange Grove
Christiansted, VI 00820
Telephone: 340-718-3616 ★ Fax: 340-718-3136

RESOLUTION
VICCC-Inspector General Audit Report No. 18-24-08
VICCC ADMINITRATIVE RESPONSE

RESOLUTION OF THE VIRGIN ISLANDS CASINO CONTROL COMMISSION TO FORMALLY RESPONE TO THE RECOMMENDATIONS OF THE VIRGIN ISLANDS OFFICE OF THE INSPECTOR GENERAL.

WHEREAS, the Virgin Islands Casino Control Commission is governed in accordance with the Virgin Islands Casino and Resort Control Act of 1995, as amended, and delineated in Title 32, Chapter 21 of the Virgin Islands Code; and

WHEREAS, § 404. of Title 32, Chapter 21, entitled Creation of Casino Control Commission; number of members, states, "The Virgin Islands Casino Control Commission, consisting of three (3) members, is hereby created as an independent agency of the executive branch of the Government of the Virgin Islands, whose budget shall be approved annually by the Legislature of the Virgin Islands"; and

WHEREAS, § 408. of Title 32, Chapter 21, entitled Organization and employees — **Casino Control Commission**; states, "**(a) The Commission** may establish, and from time to time alter, such plan of organization as it may deem expedient, and may incur expenses within the limits of funds available to it. **(b) The Commission** shall elect annually by a majority of the full Commission one of its members, other than the chairman, to serve as vice-chairman for the ensuing year. The vice-chairman shall be empowered to carry out all of the responsibilities of the chairman during his absence, disqualification, or inability to serve. **(c) The Commission** shall appoint an executive director who shall serve at its pleasure and shall be responsible for the conduct of its administrative affairs. No person shall be eligible for such appointment unless he shall have at least five (5) years of responsible experience in public or business administration or possesses broad management skills. **(d) The Commission** may employ such other personnel as it deems necessary. All employees of the Commission, excluding commissioners, shall serve at its pleasure. Notwithstanding the provisions of any other law to the contrary, **the Commission** may employ legal counsel who shall represent the Commission in any proceeding to which it is a party, and who shall render legal advice to the Commission upon its request. **The Commission** may contract for the services of other professional, technical and operational personnel and consultants as may be necessary to the performance of its responsibilities under this chapter. Members and employees of the Commission shall be enrolled in the Government Employees' Retirement System"; and

WHEREAS, § 415. of Title 32, Chapter 21, entitled Duties of the Commission, states, "**The Casino Control Commission** shall have general responsibility for the implementation of this chapter, as hereinafter provided, including, without limitation, the responsibility: **(a)** To hear and decide promptly and in reasonable order all license, registration, certificate, and permit applications and

V. I. CASINO CONTROL COMMISSION'S RESPONSE

causes affecting the granting, suspension, revocation, or renewal thereof; **(b)** To conduct all hearings pertaining to civil violations of this chapter or regulations promulgated hereunder; **(c)** To promulgate such regulations as in its judgment may be necessary to fulfill the policies of this chapter; **(d)** To collect all license and registration fees and taxes imposed by this chapter and the regulations issued pursuant thereto; **(e)** To levy and collect penalties for the violations of provisions of this chapter and the regulations promulgated hereunder; **(f)** To be present through its inspectors and agents at all times during the operation of any casino or simulcasting facility for the purpose of certifying the revenue thereof, receiving complaints from the public relating to the conduct of gaming and simulcast wagering operations, examining records of revenues and procedures, and conducting periodic reviews of operations and facilities for the purpose of evaluating current or suggested provisions of this chapter and the regulations promulgated thereunder; **(g)** To refer to the Division for investigation and prosecution any evidence of a violation of this chapter or the regulations promulgated thereunder; and **(h)** To review and rule upon any complaint by a casino licensee regarding any investigative procedures of the Division which are unnecessarily disruptive of casino or simulcasting facility operations. The need to inspect and investigate shall be presumed at all times. The disruption of a licensee's operations shall be proved by clear and convincing evidence, which evidence shall establish that: **(1)** the procedures had no reasonable law enforcement purpose, and **(2)** the procedures were so disruptive as to inhibit unreasonably casino or simulcasting facility operations. **(i)** To conduct an economic impact study on the community after three casinos have been in operation for six months, to determine the feasibility on issuing additional casino licenses, notwithstanding the provisions of section 435(c) of this chapter"; and

WHEREAS, § 424. of Title 32, Chapter 21, entitled Commission reports and recommendations; states, "**The Commission** shall carry on a continuous study of the operation and administration of casino control laws which may be in effect in other jurisdictions, literature on this subject which may from time to time become available, federal laws which may affect the operation of casino gaming in the Virgin Islands, and the reaction of citizens to existing and potential features of casino gaming under this chapter. It shall be responsible for ascertaining any defects in this chapter or in the rules and regulations issued thereunder, formulating recommendations for changes in this chapter to prevent abuses thereof, guarding against the use of this chapter as a cloak for the carrying on of illegal gambling or other criminal activities, and insuring that this chapter and the rules and regulations shall be in such form and be so administered as to serve the true purposes of this chapter. **The Commission** shall make to the Governor and the Legislature an annual report of all revenues, expenses and disbursements, and shall include therein such recommendations for changes in this chapter as the Commission deems necessary or desirable. **The Commission** shall report immediately to the Governor and the Legislature any matter which in its judgment require immediate changes in the laws of this Territory in order to prevent abuses and evasions of this chapter or rules and regulations promulgated hereunder, or to rectify undesirable conditions in connection with the operation and regulation of casino gaming"; and

WHEREAS, § 427. of Title 32, Chapter 21, entitled Powers not enumerated, states, "**The Commission** may exercise any proper power or authority necessary to perform the duties assigned to it by law, and no specific enumeration of powers in this chapter shall be read to limit the authority of the Commission to administer this chapter"; and

Page 2.

APPENDIX I

V. I. CASINO CONTROL COMMISSION'S RESPONSE

WHEREAS, § 514. of Title 32, Chapter 21, entitled Casino Control Revolving Fund, states, **(a)** There is hereby created and established in the Virgin Islands Casino Control Commission a separate special revolving fund, into which shall be deposited all license, registration, permit, fines, penalties, and other fees, all sums appropriated thereto by the Legislature of the Virgin Islands, and all donations, gifts and bequests. **(b)** The Chairman of the Casino Control Commission shall maintain and provide for the administration of the special checking account. **(c)** All monies in the special checking account shall be disbursed by the Chairman of the Casino Control Commission and the Attorney General of Virgin Islands, exclusively for expenditures by the Casino Control Commission and the Department of Justice, Division of Gaming Enforcement respectively, as established under this chapter, for all operating costs, expenses associated with the investigation of applicants, organization of the Division of Gaming Enforcement, and for any other operating cost and expenses related thereto. Eighty percent of funds deposited in the special checking account must be allocated to the Casino Control Commission, and twenty percent to the Division of Gaming Enforcement. **(d)** Deleted. **(e)** The Chairman of the Commission and the Director of Division of Gaming Enforcement Commission may expend monies from the special checking account. The Chairman of the Commission shall submit to the Department of Finance by the 30th day of the month following the end of each quarter a report detailing the amount, nature, and the justification for each item of expenditure in the previous quarter. The report shall be accompanied by receipts and any other documentation required by the Department of Finance's rules and regulations or other laws of the Virgin Islands. An annual financial report of the fiscal year's expenditures from the special checking account shall be compiled by the Chairman of the Commission and submitted to the Legislature and the Department of Finance by the 30th of the month following the end of the fiscal year. **(f)** The Chairman of the Virgin Islands Casino Control Commission shall engage a certified public accountant to perform an independent annual audit of the activities of the special checking account and present a copy of the audit report to the Commissioner of Finance and the Legislature no later six months after completion of the annual audit"; and

WHEREAS, on June 26, 2018, the Virgin Islands Inspector General, Mr. Steven van Beverhoudt transmitted a **"Preliminary Draft Report of the Casino Commission Audit"** to past and current members of the Virgin Islands Casino Control Commission; and

WHEREAS, the transmittal also informed all relevant parties of a scheduled exit conference for Tuesday July 10, 2018, at 10:00 am, in the offices of the Virgin Islands Casino Control Commission; and

WHEREAS, the exit conference was held on July 10, 2018, in accordance with the request, and attended to by the Inspector General and his staff, and former VI Casino Control Commission-Commissioners, Mr. Roderick Moorehead and Mr. Henry Richardson, along with current Commissioners, Ms. Stacy A. Bourne and Mr. Usie R. Richards; and

WHEREAS, the findings and recommendations of **"Preliminary Draft Report of the Casino Commission Audit"** were presented and discussed, in addition to the process of responding to the audit was established;

WHEREAS, the **"Preliminary Draft Report of the Casino Commission Audit"** addressed

V. I. CASINO CONTROL COMMISSION'S RESPONSE

four (4) Administrative Functions, specifically, 1. Internal Controls, 2. Operating Expenses, 3. Travel Expenses, and 4. Professional Services; and

WHEREAS, the **"Preliminary Draft Report of the Casino Commission Audit"** identified areas of concern in their ***"Findings"*** regarding each of the four (4) Administrative Functions, and outlined ***"Recommendations"*** to specifically addressed matters identified in the findings; and

WHEREAS, the Virgin Islands Casino Control Commission, its employees, past Commissioners, and the Chairman of the Commission were granted an additional week to submit to the Inspector General any additional document or material that can clarify any concern included in the findings; and

WHEREAS, the additional documents or materials submitted to the Virgin Islands Office of the Inspector General were of no substantive effect on the findings included in the draft, thereby no changes were required to the recommendations outlined in the draft; and

WHEREAS, the Virgin Islands Office of the Inspector General extended the deadline for a response to the Recommendations from August 17, 2018 to August 24, 2018, ***"in order to give the three of you the opportunity to coordinate a response"***; and

WHEREAS, the majority of the members of the Virgin Islands Casino Control Commission hereby agree to respond to the ***Recommendations*** issued in the **Draft Report on July 27, 2018, referred to as AR-01-39-18**.

NOW, THEREFORE, BE IT RESOLVED the Virgin Islands Casino Control Commission hereby agrees to implement the following actions:

1. To address the concerns raised and recommendations outlined regarding the **Administrative Function of Internal Controls** the Virgin Islands Casino Control Commission will implement the following actions within forty-five (45) days of this submittal:

   - Develop and implement operational policies and procedures to manage Casino Commission's operational functions. These policies and procedures shall, at a minimum, have separate or different individuals performing the duties of processing of credit card and check payments, bank reconciliation, procurement of goods and services, and the management of financial records.

   - Ensure that the members of the Virgin Islands Casino Control Commission implement procedures and policies to establish oversight of the internal control processes performed by administrative personnel. The Commission members will not be responsible for conducting the duties of the administrative personnel.

   - Implement policies on the manner, and method, by which credit cards are issued and utilized by the members and employees of the Casino Commission.

   - Conduct an independent review monthly of all credit card statements and the relevant receipts

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V. I. CASINO CONTROL COMMISSION'S RESPONSE

to ensure expenditures were for official business.

- Implement internal control policies that will govern the method and manner when an electronic fund transfer can be utilized by the Casino Commission payments for any services rendered.
- Comply with the Virgin Islands Casino and Resort Control Act of 1995, as amended, by submitting to the Department of Finance and the Virgin Islands Legislature the required quarterly and annual reports in a timely manner.

TASK LEADER: Commissioner Stacy A. Bourne

2. To address the concerns raised and recommendations outlined regarding the **Administrative Function of Operating Expenditures,** the Virgin Islands Casino Control Commission will implement the following actions within forty-five (45) days of this submittal:

- Establish a process that will segregate responsibilities over all expenditures processed for and by the Virgin Islands Casino Control Commission.

- Mandate supporting documentation for all payments, while implementing and enforcing policies that forbids payments of any amount without the necessary documentation.

- Establish a process that mandates monthly independent reviews of bank statements, by a Commissioner or employee that is not a signatory to the account or participated in the processing of checks.

- Review, on a bi-monthly basis, all expenditures to determine if any corrective action is required to eliminate any risk of questionable expenses.

- Ensure all employee overpayments are reimbursed to the Casino Commission.

TASK LEADER: Commissioner Usie R. Richards

3. To address the concerns raised and recommendations outlined regarding the **Administrative Function of Travel Expenses,** the Virgin Islands Casino Control Commission will implement the following actions within forty-five (45) days of this submittal:

- Adopt and implement the Government's Travel Policy.

- Adopt and implement a credit card policy that prohibits members of the Casino Commission and their employees from using credit cards for personal expenses, while establishing penalties for the failure to comply with the policy.

- On a bi-monthly basis, review all travel expenses to determine if any corrective action is required to eliminate the risk and potential for fraud, waste or abuse.

TASK LEADER: Commissioner Usie R. Richards

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V. I. CASINO CONTROL COMMISSION'S RESPONSE

4. To address the concerns raised and recommendations outlined regarding the **Administrative Function of Professional Services,** the Virgin Islands Casino Control Commission will implement the following actions within forty-five (45) days of this submittal:

- Establish the Virgin Islands Department of Property and Procurement laws, policies and procedures as the standard for procuring outside services for the Casino Commission.

- Mandate that all contracts are competitively bid or properly documented as a sole-source provider.

- Ensure that all costs are adequately documented and meet the terms of the agreed upon contract terms and conditions.
- Conduct an independent review of all contracts, payments made and deliverables to ensure the applicable services and value of the services were provided to the Casino Commission.

TASK LEADER: Commissioner Stacy A. Bourne

DATED this 23rd day of August 2018

ATTEST:

Barbara James-Petersen

Violet Anne Golden, Commissioner
Chairman

Usie R. Richards, Commissioner
Vice-Chairman

Stacy A. Bourne, Commissioner
Secretary-Treasurer

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APPENDIX II

ADDITIONAL INFORMATION NEEDED TO CLOSE RECOMMENDATIONS

Recommendation Number and Status		Additional Information Needed
Finding 1:		
1.1	Resolved, not implemented.	Provide a copy of the final policies and procedures.
1.2	Resolved, not implemented.	Same as 1.1 above.
1.3	Resolved, not implemented.	Same as 1.1 above.
1.4	Resolved, not implemented.	Same as 1.1 above.
1.5	Resolved, not implemented.	Same as 1.1 above.
1.6	Resolved, not implemented.	Same as 1.1 above.
Finding 2:		
2.1	Resolved, not implemented.	Same as 1.1 above.
2.2	Resolved, not implemented.	Same as 1.1 above.
2.3	Resolved, not implemented.	Same as 1.1 above.
2.4	Resolved, not implemented.	Same as 1.1 above.
2.5	Resolved, not implemented.	Provide evidence of employees' reimbursements.
Finding 3:		
3.1	Resolved, not implemented.	Same as 1.1 above.
3.2	Resolved, not implemented.	Same as 1.1 above.
3.3	Resolved, not implemented.	Same as 1.1 above.

ADDITIONAL INFORMATION NEEDED TO CLOSE RECOMMENDATIONS

Recommendation Number and Status		Additional Information Needed
Finding 4:		
4.1	Resolved, not implemented.	Same as 1.1 above.
4.2	Resolved not implemented.	Same as 1.1 above.
4.3	Resolved not implemented.	Same as 1.1 above.
4.4	Resolved not implemented.	Same as 1.1 above.

APPENDIX III

OFFICIAL REPORT DISTRIBUTION

Government of the Virgin Islands

Casino Control Commission	3
Office of the Governor	2
Office of the Lieutenant Governor	1
Office of Management and Budget	1
Virgin Islands Department of Justice	1
32nd Legislature	15
Office of the Legislative Post Auditor	1
Virgin Islands Delegate to Congress	1

Government of the United States

United States Department of Justice, Office of the United States Attorney	1
United States Department of Justice, Federal Bureau of Investigation	1

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