



**Virgin Islands Next Generation
Network**
(A Component Unit of the Government
of the U.S. Virgin Islands)

Government Auditing Standards Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters
Year Ended September 30, 2021

Virgin Islands Next Generation Network
(A Component Unit of the Government of the U.S. Virgin Islands)

Contents

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Appendix A - Significant Deficiencies in Internal Control Over Financial Reporting	
Year-End Close Process	5-6



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
ViNGN Inc. d/b/a Virgin Islands Next Generation Network

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of viNGN INC. d/b/a Virgin Islands Next Generation Network (the “Company”) a blended component unit of the Virgin Islands Public Finance Authority, which comprise the statement of net position as of September 30, 2021 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Company’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control identified below and described in greater detail in Appendix A that we consider to be significant deficiencies.

Finding #	Nature of finding
2021-001	Year-End Close Process

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the findings identified in our audit and described in the Appendix A. The Company's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

BDO USA P.C.

(formerly known as BDO USA, LLP)

December 21, 2023

Significant Deficiencies in Internal Control Over Financial Reporting

Finding 2021-001: Year-End Close Process

Accounting tasks, such as periodic reconciliations, play a key role in proving the accuracy of accounting data and information included in various interim financial statements and/or reports.

Federal Grant Revenue

Finding and Recommendation:

- We noted that the Company inaccurately recognized federal grant revenue in relation to federal expenditure incurred in subsequent periods, hence creating accounting discrepancies.
- The Company received the final hurricane insurance proceeds in FY2020 to cover losses and damages caused by the 2017 Catastrophic Hurricane Irma and Maria that affected the Virgin Islands territory. During FY2021, the Company incorrectly recognized a federal receivable and recorded the full amount without factoring in insurance proceeds received in the prior year that would not be reimbursable by the Federal Emergency Management Agency (FEMA). This oversight resulted in an overestimation of the federal grant revenue that would be reimbursable by FEMA.

While correcting entries were recommended and recorded during the audit process, we recommend a more thorough review of federal grant revenue and receivable accounts. Matching federal grant expenditures incurred in the current period to the corresponding federal revenue is essential as it prevents misrepresentations or misleading impressions about the company's proper use of federal grant funds.

Moreover, the aligning the federal grant revenues with corresponding expenditures is crucial for accurate financial reporting and compliance. Management should ensure that revenues are properly matched to maintain transparency, accountability and adherence to regulatory requirements governing the use of federal grants. This practice ensures that the financial records accurately reflect the utilization of funds and prevent discrepancies and misreporting.



Views of Responsible Officials:

The Company concurs with the auditor's findings and recommendations.

Action Plan: Plans to correct Month-end close deficiencies began on March 7, 2022, when a new Controller was hired. The Controller initiated several initiatives aimed at enhancing internal controls and improving the accuracy of the financial results. A monthly month end close schedule was implemented (see attached). One of the key components of the process is the Profit and Loss review, where the Financial team reviews in detail, a trend report of each line item in General Ledger (Income Statement and Balance Sheet) for accuracy and appropriate classification. Any discrepancies are promptly corrected. The process also includes the Controller review and approval of all journal entries.

Implementation Date: March 17, 2022

Person(s) Responsible: Controller, Accounting Manager and Accountant.