

**U.S. Department of the Interior
Office of Inspector General**

Audit Report

**Grant for Solid Waste and Wastewater Disposal Projects
Department of Public Works
Government of the Virgin Islands**



Report No. 2003-I-0012

March 2003



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Eastern Regional Office
381 Elden Street - Suite 1100
Herndon, Virginia 20170

March 31, 2003

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

Subject: Audit Report "Grant for Solid Waste and Wastewater Disposal Projects, Department of Public Works, Government of the Virgin Islands" (No. 2003-I-0012)

Dear Governor Turnbull:

This report presents the results of our audit of a \$5.4 million grant from the Department of the Interior for solid waste and wastewater disposal projects administered by the Virgin Islands Department of Public Works.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the U.S. Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

Please provide a response to this report by May 30, 2003. The response should provide the information requested in Appendix 3 and should be addressed to Mr. Roger La Rouche, Assistant Inspector General for Audits, Office of Inspector General, U.S. Department of the Interior, 1849 C Street, NW (MS-5341), Washington, DC 20240, with a copy to our Caribbean Field Office, Federal Building - Room 207, St. Thomas, VI 00802.

Sincerely,

William J. Dolan, Jr.
Regional Audit Manager

cc: Commissioner of Public Works
Commissioner of Property and Procurement
Commissioner of Finance

[Page intentionally left blank]

CONTENTS

INTRODUCTION

Background	1
Objective and Scope	2
Prior Audit Coverage	2

RESULTS OF AUDIT

Overview	3
Grant Reporting	3
Procurement Practices.....	4
Property Management.....	6
Drawdown Processing	8

RECOMMENDATIONS

.....	9
-------	---

APPENDICES

1. Prior Audit Reports.....	12
2. Response to Draft Report.....	13
3. Status of Recommendations.....	17

[Page intentionally left blank]

INTRODUCTION

BACKGROUND

The Virgin Islands Code (3 V.I.C. Chapter 9) made the Department of Public Works responsible for (1) repairing, maintaining, and operating the sewage disposal system in the Virgin Islands, (2) recommending the amount of fees charged for the system's use, (3) enforcing and administering laws and regulations concerning the use of the system, (4) collecting and disposing of solid waste, and (5) managing public sanitary landfills.

During the 17-year period of 1984 to 2001, the Environmental Protection Agency (EPA) filed six administrative orders of consent against the Government of the Virgin Islands for violations of Federal environmental laws related to solid waste and wastewater disposal. On September 27, 2001, the U.S. District Court for the Virgin Islands issued an order for non-compliance with all prior orders of consent. As a result, Public Works was required to submit a series of monthly, quarterly, and semiannual progress reports to EPA, the District Court Judge, and the Governor.

In fiscal year 2000, the Office of Insular Affairs, U.S. Department of the Interior, awarded a \$5.4 million grant to the Government for capital improvements to solid waste and wastewater systems. These funds were allotted for ten specific projects, including damage evaluation of and scrap metal removal from the Bovoni (St. Thomas) landfill, security fencing and fire investigation at the Bovoni and Anguilla (St. Croix) landfills, evaluation of the territorial sewage systems infrastructure, replacement of the Fig Tree (St. Croix) Pump Station isolation valve, and salary reimbursement for construction management and administration of all related projects. As of June 30, 2002, expenditures against the grant totaled \$609,132.

Public Works had 47 employees assigned to units responsible for various aspects of the solid waste and wastewater disposal systems throughout the Virgin Islands. The salary cost for four administrative employees was reimbursed from the Office of Insular Affairs grant. The Senior Manager for Federal Compliance Programs stated that the workload was sufficient for a staff of about 150 employees.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether (1) the Department of Public Works complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable; (3) contracts were awarded competitively and administered in accordance with applicable laws and regulations; and (4) funds received through electronic transfers were appropriately deposited and accounted for in the Government's financial management system.

To accomplish the audit objective, we reviewed grant-related documents at the Departments of Public Works, Property and Procurement, and Finance. The scope of the audit included grant-related transactions that occurred during fiscal years 2000 and 2001, and other periods as appropriate.

Our audit was made in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. The "Standards" require that we obtain sufficient, competent, and relevant evidence to afford a reasonable basis for our findings and conclusions.

As part of our audit, we evaluated the internal controls related to the Office of Insular Affairs grant to the extent that we considered necessary to accomplish the audit objective. Internal control weaknesses in the areas of grant reporting, procurement practices, property management, and grant drawdowns are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas.

PRIOR AUDIT COVERAGE

During the past 5 years, the Office of Inspector General has not issued any audit reports on Office of Insular Affairs grants to the Virgin Islands for solid waste and wastewater disposal projects. However, we issued a report on sewer system user fees in February 1998 and a report on EPA grants in September 2000 (see Appendix 1).

RESULTS OF AUDIT

OVERVIEW

We found that \$609,132 (11 percent) of \$5.4 million in available grant funds had been used for authorized purposes during the 2 years since award of the grant. According to the Senior Manager for Federal Compliance Programs, the balance of grant funds of \$4.8 million were not used more timely because the Senior Manager's section was not sufficiently staffed to efficiently carry out assigned duties related to managing the grant, seeking funding for and implementing the consent decree, monitoring existing projects, and working on the organizational structure for a proposed Waste Management Authority. The Senior Manager also said that start-up tasks, such as developing engineering specifications for construction contracts, also delayed the use of grant funds.

Although expenditures of grant funds were for authorized grant purposes, several administrative deficiencies existed, as follows:

- ' Public Works often did not submit all required financial and progress reports to the Office of Insular Affairs, and reports that were submitted were late.
- ' Procurement files for contracts that were awarded noncompetitively on the basis of "public exigency" did not adequately document the applicability of the public exigency exemption from competition.
- ' Property management practices for equipment purchased with grant funds were not sufficient to satisfactorily account for and safeguard the equipment.
- ' Drawdown requests were not promptly submitted to the grantor agency and recorded in the appropriate project accounts in the Government's financial management system.

GRANT REPORTING

The Department of Public Works did not ensure that financial and progress reports were submitted in accordance with grant requirements. The grant award notification required that Financial Status Reports (SF-269) and Federal Cash Transaction Reports (SF-272) be submitted within 30 days of the end of each quarter. Grant-related correspondence from the

Office of Insular Affairs also required that project progress reports be submitted quarterly.

Because the grant was awarded in December 1999, three sets of quarterly reports were due for the remainder of fiscal year 2000 (January to September 2000). Additionally, four sets of quarterly reports were due for fiscal year 2001 (October 2000 to September 2001). However, Public Works did not submit any of these required reports. On December 3, 2001, the Office of Insular Affairs' grants manager wrote to Public Works stating that none of the reports had been received and requesting that a consolidated report be submitted for the entire period from the start of the grant (January 2000) to September 2001. Because Public Works did not submit the requested consolidated report, the Office of Insular Affairs withheld processing of three drawdown requests that were pending at the time. Public Works then submitted a consolidated Financial Status Report and a consolidated progress report in late January 2002. However, a consolidated Federal Cash Transaction Report was not submitted.

Effective October 1, 2001 (fiscal year 2002), the Office of Insular Affairs changed the grant reporting requirement from quarterly to semiannually. The financial reports for the semiannual period ending March 31, 2002 were submitted on time on April 30, 2002. But the narrative progress reports were submitted seven days late on May 8, 2002.

At the time of the audit, Public Works officials told us that required reports were not submitted timely because Utilities Division personnel were unfamiliar with the grant reporting requirements and had not coordinated with the grants management unit to timely complete the reports.

At the October 1, 2002 exit conference on the preliminary draft of this report, the Senior Manager for Federal Compliance Programs stated that she now monitors the submission of the required grant reports to ensure that they are timely.

PROCUREMENT PRACTICES

The Departments of Public Works and Property and Procurement did not ensure that contract files for professional service and construction contracts for solid waste and wastewater projects adequately documented compliance with the justification requirements when "public exigency" exemptions from competitive procurement procedures were used. Public Works issued six noncompetitive contracts

totaling \$425,762.

The Virgin Islands Code (31 V.I.C. §239) states that goods and services can be purchased on the open market provided that certain conditions exist, including (1) a declaration by the Governor that a state of emergency exists and that certain goods and services may be acquired on the open market or (2) a threat to public health, safety, or welfare under emergency conditions exists. Under the second scenario, the Code states that "such emergency procurements shall be made with such competition as is maximally practicable under the circumstances" and "all procurements made pursuant to this item shall be clearly stamped 'PUBLIC EXIGENCY'." The Code further requires that such noncompetitive purchases be approved by the Governor and, in the case of public exigency purchases, "a brief but concise description of the nature of the public exigency" be attached to the requisition.

The Governor of the Virgin Islands issued three emergency proclamations which authorized Public Works to purchase supplies, materials, equipment, and contractual services for repair of the sewer systems throughout the territory. The first such proclamation was issued on March 7, 2000 and lasted for a period of 90 days, expiring on June 6, 2000. The second proclamation was issued on October 9, 2001 and also lasted for a period of 90 days, expiring on January 8, 2002. And the third proclamation was issued on March 27, 2002 and lasted for a period of 120 days, expiring on July 26, 2002. Therefore, there were gaps during which a declared state of emergency technically did not exist. We noted that three of seven grant-related contracts were issued during September and October 2000, at which time a proclamation of emergency was not in effect.

At the October 1, 2002 exit conference, the Senior Manager for Federal Compliance Programs stated that it was intended that the Governor's emergency proclamations be effective during successive periods without gaps. However, she explained, delays at the Virgin Islands Department of Justice in drafting and processing the emergency declarations resulted in lapses from one declaration to the next.

The Department of Property and Procurement's procurement manual requires that procurement documents related to emergency and public exigency conditions (1) be clearly stamped with the words "Public Exigency," (2) be accompanied by a letter of justification from the procuring agency clearly

describing the purpose of the purchase and the methodology and rationale for selecting the vendor/contractor, and (3) include evidence that at least three independent price quotations were obtained. For five of the seven contracts reviewed, the procurement documents were not stamped with the words "Public Exigency" and six of the contract files did not have a justification letter or evidence of at least three independent price quotations. For example:

- In the case of a contract for construction of a fence and gate at the Bovoni landfill, a February 13, 2001 letter from the Commissioner of Public Works to the Commissioner of Property and Procurement stated that Public Works had solicited bids and selected the apparent low bidder for the contract. However, we were unable to find documents evidencing the solicitation of bids and selection of the successful bidder at either Public Works or Property and Procurement. Public Works officials stated that the pertinent documents were sent to Property and Procurement, but Property and Procurement officials countered that they had never received such documents.

As a result of inadequate documentation of the procurement process used for grant-related contracts, there was no assurance that the Government received the most advantageous price and best quality service for the six noncompetitive contracts, which had a total value of \$425,762.

PROPERTY MANAGEMENT

Although local policies (Property and Procurement's Property Manual) require that detailed property management records be maintained and that physical inventories be taken at least once every two years, Public Works did not have adequate control over equipment that was purchased with grant funds. As a result, the equipment was not properly accounted for and safeguarded from loss, damage, or theft.

Specifically, we found that during the period of March to September 2001, Public Works purchased 17 equipment items, valued at \$134,432, with funds from the Office of Insular Affairs grant. These items included computer equipment, an air conditioner, a Mack truck for the collection of scrap metal, and trash collection bins. A list of the items was not compiled by Public Works until it was requested by our auditors, and the list was based on information in the related procurement documents, not based on a physical inventory of the items. Additionally, the list did not include information on the location

of the items, serial numbers of some items, and the assigned Government property tag numbers.

To test the reliability of the information that was on the list, we performed a physical inventory of all 17 items. We found that 12 of the items did not have Government property tags, and we could not locate two items, valued at \$3,500. Regarding these two items, a Public Works employee stated that (1) a \$600 Hewlett-Packard laser printer was at the home of a departmental official and (2) a \$2,900 Xerox digital copier was malfunctioning and was replaced by the local vendor with a Sharp digital copier.

Regarding the Sharp copier, the vendor priced the item for exchange purposes at the same price (\$2,900) that had been paid by Public Works for the Xerox copier. However, our research revealed that the same model of Sharp copier was available from 15 different online vendors for prices ranging from \$712 to \$906. Therefore, the vendor overcharged Public Works by as much as \$2,000 on the exchange (before considering shipping and local tax costs, which we estimated at less than \$200). Accordingly, Public Works should seek a refund from the vendor of the difference between the price paid for the original Xerox copier and a fair price for the replacement Sharp copier.

During our review of grant-related property, a Public Works official told us that a physical inventory of all Public Works equipment had been performed in March 2002 as part of a governmentwide effort by Property and Procurement to update property management records. However, we could not obtain a copy of the updated property list because the computer where the data was stored had printing limitations.

At the October 1, 2002 exit conference, the Senior Manager for Federal Compliance Programs stated that the grant-related property had since been tagged and an updated property list prepared.

DRAWDOWN PROCESSING

The Virgin Islands Office of Management and Budget and the Department of Finance did not timely process grant-related documents required to complete the drawdown process. Specifically, we found that:

- The Office of Management and Budget did not have formal procedures for processing drawdown requests received from Public Works and forwarding those requests to the Office of Insular Affairs. Drawdown requests were delayed an average of 14 days at the Office of Management and Budget before being forwarded to the Office of Insular Affairs.

- The Department of Finance did not have the necessary staff resources to promptly process the recording of grant funds in the appropriate project accounts in the financial management system. Such recording was delayed an average of 26 days.

During the period of June 2001 to June 2002, Public Works submitted 15 drawdown requests totaling \$588,904 to the Office of Management and Budget for processing. As of July 17, 2002, drawdowns totaling \$563,208 had been processed by the Office of Insular Affairs, and \$489,112 of that amount had been credited to the appropriate project accounts in the financial management system.

RECOMMENDATIONS

TO THE GOVERNOR OF THE VIRGIN ISLANDS

We recommend that the Governor of the Virgin Islands direct the Commissioner of Public Works to:

1. Establish and enforce procedures and provide training to appropriate personnel to ensure that Public Works grant managers prepare and submit financial and program progress reports to the Office of Insular Areas within the required reporting deadlines.

2. Establish and enforce procedures to ensure that required justification documents are prepared and maintained for noncompetitive procurements made under the emergency and public exigency provisions of the Virgin Islands Code.

3. Establish and enforce procedures to ensure that property control records are maintained and biennial physical inventories of equipment are performed, as required by Federal and local property management regulations.

4. Require that the computer vendor establish a fair price for the replacement copier and refund to Public Works the difference between that fair price and the \$2,900 paid by Public Works for the original copier.

We also recommend that the Governor of the Virgin Islands direct the Director of the Office of Management and Budget to:

5. Establish and implement procedures to ensure that grant drawdown requests received from Public Works and other Government agencies are processed and forwarded in a timely manner to the appropriate grantor agency.

We further recommend that the Governor of the Virgin Islands direct the Commissioner of Finance to:

6. Reassign available staff to the appropriate unit of the Department of Finance to assist in recording grant drawdowns in the appropriate project accounts in the financial management system.

AUDITEE RESPONSE

The November 7, 2002 response (Appendix 2) to the draft report from the Commissioner of Public Works expressed concurrence with Recommendations 2 and 4, partial concurrence with Recommendation 3, and nonconcurrence with Recommendation 1. The response did not address Recommendations 5 and 6, which were directed at the Office of Management and Budget and the Department of Finance, respectively.

OFFICE OF INSPECTOR GENERAL REPLY

Based on the response, we consider Recommendation 3 resolved and implemented, Recommendations 2 and 4 resolved but not implemented, and Recommendations 1, 5, and 6 unresolved (see Appendix 3).

Specific comments made by the Commissioner of Public Works in his response to the draft report and our replies to the Commissioner's comments follow:

Recommendation 1. Nonconcurrence.

Public Works Response. The response stated, "The reporting time-frame and the number of delinquent reporting periods discussed by the audit are incorrect." The response then provides a timeline of the reporting requirements and concludes that "only two reporting periods were missed – 10/1/00 through 9/30/01, as opposed to the seven periods discussed by the auditor." The response also stated, "There is no need for special training in order to submit the required reports on a timely basis." The response package included a copy of the notification of grant award that was signed and accepted by the Governor in June 2000.

Office of Inspector General Reply. The copy of the notification of grant award contained in the grant files at the Office of Insular Affairs was signed and accepted by the Lieutenant Governor (as "Acting Governor") in December 1999. Based on this document, the Office of Insular Affairs considered the start of the grant period to be January 2000. Therefore, three sets of quarterly reports would have been due for the remainder of fiscal year 2000 (for the quarters ended March 31, June 30, and September 30, 2000). Additionally, four sets of quarterly reports were due for fiscal year 2001 (for the quarters ended December 30, 2000 and March 31, June 30, and September 30, 2001).

The Public Works response maintains that because the Office of

Insular Affairs (in December 2001) allowed Public Works to submit consolidated reports for the entire period from the start of the grant to September 2001, only one reporting period was missed. We do not agree with this interpretation. The Office of Insular Affairs only gave Public Works permission to submit consolidated reports for the entire grant period after Public Works was already delinquent in submitting quarterly reports for the period of January 2000 to September 2001 (encompassing a total of seven quarterly reporting periods). In any event, Public Works did not timely submit the consolidated reports, prompting the Office of Insular Affairs to withhold processing of grant drawdown requests until the consolidated reports were finally submitted in late January 2002.

Effective October 1, 2001 (the start of fiscal year 2002), the Office of Insular Affairs changed its standard grant reporting requirement from quarterly to semiannually. The first semiannual report, for the period October 2001 to March 2002, was due by May 1, 2002. Although financial reports were submitted within this deadline (on April 30, 2002), narrative progress reports were not submitted until one week after the deadline (on May 8, 2002).

Regarding training, Utilities Division personnel told us that they were not familiar with the grant reporting requirements. Hence, our recommendation that Public Works should provide appropriate training and written guidance to all personnel who have responsibility for preparing and/or processing grant financial and narrative progress reports for submission to grantor agencies. Accordingly, we believe that the Commissioner of Public Works should reconsider the recommendation and submit a plan of action for implementation (see Appendix 3).

APPENDIX 1 - PRIOR AUDIT REPORTS

OFFICE OF INSPECTOR GENERAL REPORTS

The September 2000 report "Environmental Protection Agency, Department of Public Works, Government of the Virgin Islands" (No. 00-I-696) stated that Public Works was not effective in administering Federal grants awarded by EPA. Specifically, Public Works did not (1) effectively use funds for grants that it administered, (2) maintain grant award notification documents and validate drawdown requests for grants that the Army Corps of Engineers administered, (3) file financial status reports and requests for reimbursement in a timely manner, (4) establish procedures for processing grant drawdowns through electronic transfers, (5) maintain property control records, and (6) provide sufficient oversight of costs incurred by the Corps of Engineers.

The February 1998 report "Sewage System User Fees, Government of the Virgin Islands" (No. 98-I-263) stated that the Government did not adequately administer the sewage system user fee program. Specifically, (1) Public Works did not ensure that the fee schedule reflected the actual cost of operating the sewage system, that new users paid the appropriate connection fees, and that all sewage system users were included in the master file for billing purposes; (2) the Tax Assessor's Office did not adequately coordinate with Public Works to ensure that sewage fees were accurately recorded on real property tax bills; and (3) the Department of Finance did not ensure that an accurate accounts receivable listing was maintained, that payments were received from all users, and that sewage system fee collections were properly accounted for.

Our current review found that Public Works did not implement 8 of the 12 recommendations in the report on EPA grants and none of the 4 recommendations in the report on sewage system user fees that were addressed to Public Works.

APPENDIX 2 - RESPONSE TO DRAFT REPORT

**GOVERNMENT OF THE UNITED STATES
VIRGIN ISLANDS
DEPARTMENT OF PUBLIC WORKS**

**RESPONSE TO FINDINGS AND RECOMMENDATIONS TO THE
OFFICE OF INSPECTOR GENERAL DRAFT AUDIT REPORT
ON US DEPARTMENT OF INTERIOR GRANT PROGRAM
REPORT No. V-IN-VIS-0056-2002**

**FORWARDED TO THE GOVERNOR FOR REVIEW AND SUBMISSION TO
THE US OFFICE OF INSPECTOR GENERAL (USOIG)
NOVEMBER 7, 2002**

[Attachments not included by the Office of Inspector General]

**GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
PUBLIC WORKS DEPARTMENT**

**Response to Findings and Recommendations of the Office of Inspector General
Draft Audit Report on U.S. Department of Interior Grant Program for
Solid Waste and Wastewater Disposal Systems
Report # V-IN-VIS-0056-2002**

The following are responses to Findings and Recommendations to the above captioned Draft Audit Report. Numbered responses are keyed to numbered recommendations found on page 13 of the draft report, and discussions in the **results section of the audit** starting on page 7:

Finding /Recommendation 1: Establish and enforce procedures and provide training to appropriate personnel to ensure that Public Works grant managers prepare and submit financial and program progress reports to the Office of Insular Areas within the required reporting deadlines.

Concurrence or Non-concurrence: The Department of Public Works does not concur with this finding. The reporting time-frame and the number of delinquent reporting periods discussed by the auditor are incorrect. There is no need for special training in order to submit the required reports on a timely basis. According to our records, while the acceptance of the basic Grant Agreement was executed by the Governor on 6/21/2000, there was a requirement that the DPW could not proceed without additional approvals from the U.S Department of Interior (DOI), and U.S Environmental Protection Agency (EPA), for a work program, including specific projects for the use of the grant funds, (see attached marked copy of grant award - 6 pages). Approval for the grant program/projects was obtained from DOI in a memorandum dated 10/17/00, FY' 01, in response to the DPW submission of 10/4/00, (see attached – 17 pages). Only at that time could the grant program be considered fully approved. Further, while the Grant Agreement did include a requirement for quarterly reporting, this was contrary to existing standard reporting requirements **for federally funded construction grant programs**, which provide for a minimum of six months for periodic reporting. Once this was brought to the attention of DOI, the reporting requirements were changed to semi-annually, by a memorandum dated 12/3/01, and confirmed by V.I. OMB in a letter dated 5/1/02, (see attached 4 pages). In effect, therefore, the first biannual reports would have been due by 4/30/2001, instead of 4/30/2000, for quarterly reports, as indicated by the auditor. In light of the above, only two reporting periods were missed – 10/1/00 through 9/30/01, as opposed to the seven periods discussed by the auditor. Currently, reports are being submitted biannually as agreed with DOI, see copies of reports attached, (33 pages). See attached documentation in support of this discussion for the referenced finding as - **Exhibit # 1, a total of 60 pages.**

DOI/CIP Grant OIG Audit V-IN-VIS-0056-02

DPW Response

Page 2

Finding/Recommendation 2: Establish and enforce procedures to ensure that required justification documents are prepared and maintained for non-competitive procurements made under the emergency and public exigency provisions of the Virgin Islands Code.

Concurrence or Non- concurrence: The DPW concurs with this finding and recommendation.

Corrective Action: Maintenance of Procurement records: The Senior Manager – Federal Compliance Program is the person within the DPW responsible for ensuring the maintenance of records, and compliance with all of the procurement laws, rules, regulations and procedures as they relate to the requisitioning of goods and services for small purchases and emergency procurements for the program. The Sr. Manager..... and staff are also responsible for the co-ordination of procurement activities with the V.I. Government's Property and Procurement Department.

Procedures for the Preparation and Maintenance of Procurement Justification Documents: These procedures, though not all in writing, exist within the DPW. The procedure includes the transmittal of said documents to the DP&P and other agencies, by Document Transmittal Memoranda (DTM). These procedures are available to personnel involved in acquiring goods and services for the program, and they are instructed and required to follow applicable laws, regulations, policies, and procedures. The Sr. Manager Federal Compliance Program is responsible to commit the procedures to writing for this program. Already, the Solid Waste and Wastewater Division has acquired a "PUBLIC EXIGENCY" stamp, to mark the procurement documents.

Finding/Recommendation 3: Establish and enforce procedures to ensure that property control records are maintained and biennial physical inventories of equipment are performed, as required by federal and local property management regulations.

Concurrence or Non-concurrence: The DPW only partially concurs with this finding. The recommendation to **maintain a listing of equipment and conduct biennial inventories** is sound. However, while the DPW would normally maintain a listing of equipment by functional divisions or areas, the Department of Property and Procurement (DP&P) has responsibility for ensuring the implementation of policies and procedures, and to ensure accountability for government property. As a result of the GASB-34 Project, V.I. Government policy and procedures relative to property management are presently under review and redevelopment. The DPW, like other government

DOI/CIP Grant OIG Audit V-IN-VIS-0056-02
DPW Response
Page 3

departments must rely on this process. Further, it is normal to compile a **listing of equipment form the procurement and accounting records**, especially as this was a new grant/program. **Regarding a biennial inventory of equipment** for the program: at the time of the audit – about 5/2002, a biennial period had not passed since 5/2001 when the first item of equipment was purchased for the program. An updated copy of the equipment listing for the program is attached – **Exhibit # 2; pages - 2.**

Finding/Recommendation 4: Require that the computer vendor establish a fair price for the replacement copier and refund to Public Works the difference between that fair price and the \$2,900 paid by the Public Works for the original copier.

Concurrence or Non-concurrence: The DPW concurs with this recommendation, but has some objections regarding the auditors discussion in the finding.

The auditor indicated that 15 companies had been researched **online** for availability and pricing of the replacement **Sharp AL1551** digital copier. The discussion further states that the prices ranged from a low of \$712 to a high of \$ 906, with an estimated shipping and handling cost of \$200. Our inquiries indicate that none of the vendors researched by the auditors were U.S Virgin Islands vendors. The DPW does not have the ability or authority to purchase products online (the internet). Further, only a limited number of vendors accept V.I. Government purchase orders and requisitions locally. Our research indicate that among vendors who are willing to take V.I. Government Purchase Orders and Requisitions, the price range for the Sharp AL1551 digital copier (including delivery) was a low of \$1,240 and a high of \$1,500. As a result of this research, DPW has written to the computer vendor concerned in an effort to correct the situation and obtain a refund; see copy of letter dated 10/24/2002 attached as - **Exhibit # 3; pages - 1.**

APPENDIX 3 - STATUS OF RECOMMENDATIONS

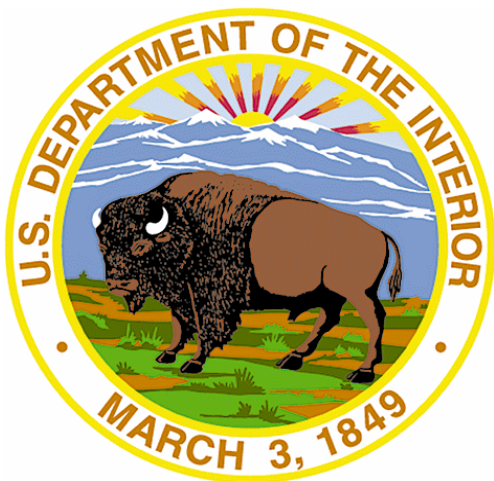
Finding/Recommendation Reference	Status	Action Required
1	Unresolved.	Reconsider the recommendation and provide a response that states concurrence or nonconcurrence with the recommendation. If concurrence is stated, provide a corrective action plan that includes the target date and title of the official responsible for implementation of the recommendation.
2	Resolved, not implemented.	Provide a copy of the procedures developed to ensure that required justification documents are prepared and maintained for noncompetitive procurements made under emergency and public exigency provisions of the Virgin Islands Code.
3	Implemented.	No further action is required.
4	Resolved, not implemented.	Provide documentation showing that the vendor has refunded the Department of Public Works for the overpayment received on a replacement photocopier.
5 and 6	Unresolved.	Reconsider the recommendations and provide a response that states concurrence or nonconcurrence with the recommendations. If concurrence is stated, provide a corrective action plan that includes the target date and title of the official responsible for implementation of the recommendations.

How to Report Fraud, Waste, Abuse and Mismanagement

Fraud, waste, and abuse in government are the concern of everyone – Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular Area programs and operations. You can report allegations to us by:

Mail:	U.S. Department of the Interior Office of Inspector General Mail Stop 5341-MIB 1849 C Street, NW Washington, DC 20240	
Phone:	24-Hour Toll Free	800-424-5081
	Washington Metro Area	202-208-5300
	Hearing Impaired (TTY)	202-208-2420
	Fax	202-208-6081

Internet:



**U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW
Washington, DC 20240**

www.doi.gov
www.oig.doi.gov