



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

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*The new fire truck barely fits into the Tutu Fire Station's garage bay. (OIG photo)*

### Contracts for Facility Improvements, Virgin Islands Fire Service, Government of the Virgin Islands



# United States Department of the Interior

## Office of Inspector General

### Western Region

Federal Building

2800 Cottage Way, Suite E-2712

Sacramento, California 95825

September 20, 2005

7430

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

Subject: Final Audit Report "Contracts for Facility Improvements, Virgin Islands Fire Service, Government of the Virgin Islands" (Report No. V-IN-VIS-0100-2004)

Dear Governor Turnbull:

The attached report presents the result of our audit of contracts issued by the Virgin Islands Fire Service for improvements to facilities and the purchase of equipment. The objective of our audit was to determine whether (1) contracts for facility improvement were issued and administered in accordance with applicable laws and regulations, (2) contracted work was satisfactorily completed, and (3) federal grant funds were used in accordance with grant terms and conditions.

The legislation, as amended (5 U.S.C. app. 3), creating the Office of Inspector General requires that we report to the U.S. Congress semiannually on all audit reports issued, actions taken to implement our recommendations, recommendations that have not been implemented, and the monetary effect of audit findings. Therefore, this report will be included in the next semiannual report. Please see Appendix 1 for the monetary effect of the findings in this report.

Please provide a response to this report by October 28, 2005. The response should provide the information requested in Appendix 5 and should be addressed to me at the above address, with a copy to our Caribbean Field Office, Ron deLugo Federal Building – Room 207, St. Thomas, VI 00802.

Sincerely,

Michael P. Colombo  
Regional Audit Manager

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# INTRODUCTION

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## BACKGROUND

The Virgin Islands Fire Service, established in 1979 under the Office of the Governor, is administered by a Director, appointed by the Governor with the advice and consent of the Legislature. The Fire Service is divided into separate units for the District of St. Thomas/St. John and the District of St. Croix, with administrative offices in both districts.

In October 2000, the Governor authorized public exigency procurement procedures to expedite the use of \$2 million to purchase protective equipment and supplies and to renovate fire stations. The \$2 million included \$1.5 million from the Government's Asset Recovery Fund and \$500,000 from the Virgin Islands Board of Public Accounting Special Fund. From December 2000 to November 2002, the Department of Property and Procurement, on behalf of the Fire Service, entered into eight contracts totaling \$1,173,168 to repair two fire stations on St. Thomas (Charlotte Amalie and Tutu), four fire stations on St. Croix (Richmond - two contracts, Cotton Valley, Frederiksted, and Grove Place), and the administrative office on St. Croix (Estate Slob) (Appendix 2).

In fiscal years 2000 to 2004, the Fire Service received nine federal grants totaling \$2,121,065 to be used primarily for purchasing new fire vehicles, equipment, and supplies and for training firefighters. Four grants were awarded by the U.S. Department of Agriculture's Forestry Division (USDA), four by the Federal Emergency Management Agency (FEMA), and one by the U.S. Department of Housing and Urban Development (HUD) (Appendix 3).

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## SCOPE OF AUDIT

We reviewed all eight construction contracts and five of the nine grants, totaling \$1,390,536, awarded during fiscal years 2000 to 2004.

To accomplish our audit objective, we interviewed officials and reviewed correspondence, contracts and change orders, payment records, other procurement documents, and grant award documents at the Virgin Islands Fire Service, Department of Finance, Department of Property and Procurement, and Department of Public Works on both St. Thomas and St. Croix. We also performed site visits and inspections at fire stations and administrative offices on St. Thomas, St. Croix, and St. John. Our audit was conducted 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. As part of our audit, we evaluated the internal controls related to the award and administration of contracts and the use of grant funds at the Virgin Islands Fire Service to the extent we considered necessary to accomplish the audit objective. Internal control weaknesses identified in these areas are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas.

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**PRIOR AUDIT  
COVERAGE**

Our audit report *Virgin Islands Fire Service, Government of the Virgin Islands*, issued October 2001, discussed nine areas in which the Fire Service needed improvement. One area was the use of \$2 million allotted to renovate fire stations and upgrade fire fighting equipment. We made 11 recommendations to the Governor of the Virgin Islands to address internal control weaknesses related to the Fire Service. The Governor and the Fire Service concurred with all 11 recommendations. As of October 15, 2004, the recommendations were considered resolved and implemented, except Recommendations 1 and 3. These recommendations, which involved safety inspections and staffing levels, were considered resolved but not implemented. This classification was based on supplemental information submitted by the Fire Service through the Virgin Islands Office of Management and Budget.

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# RESULTS OF AUDIT

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## OVERVIEW

The Department of Property and Procurement, on behalf of the Fire Service, used appropriate competitive procurement procedures for construction work at the fire stations, in each case selecting the lowest bidder or documenting why the lowest bidder was not selected. However, the Fire Service and the Department of Public Works did not always adequately oversee construction work, resulting in the Fire Service paying \$24,149 for work that was not completed and failing to assess liquidated damages of \$57,500 for unauthorized construction delays. The Fire Service also did not consider the size of a new fire truck when finalizing a contract to repair the Tutu Station, resulting in garage bays that were too narrow. Further, although the Fire Service generally administered federal grant funds according to grant requirements, it did not competitively award a \$55,000 contract for training, as required by the awarding agency; provide supporting documentation for \$24,000 in grant expenditures; or effectively use grant-funded equipment costing \$72,331.

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## CONTRACT ADMINISTRATION AND OVERSIGHT

Under the Virgin Islands Code,<sup>1</sup> the Department of Public Works is responsible for supervising the construction and repair of all government buildings. Although Public Works assigned project managers to Fire Service construction projects and the Fire Service provided some oversight, work was not always adequately monitored. On our visits to Fire Service facilities, accompanied by the Fire Chief on St. Croix and the Deputy Fire Chief on St. Thomas, we noted the following problems.

### ► Contractors Paid for Incomplete Work

The Fire Service overpaid four contractors a total of \$24,149 for construction work that was not completed in accordance with contract requirements, as follows:

- At the Frederiksted Station, the overpayment of \$2,156 consisted of \$900 for a non-existent roll-up door and \$1,256 for plastering work that was not completed. The contractor charged and was paid for refurbishing six roll-up doors at \$900 per door, although the station had only five.
- At the Grove Place Station, the overpayment of \$6,890 consisted of \$6,096 for two vehicle exhaust systems and \$794 for two windows that were never installed. We could not find the exhaust system equipment during a site visit and were told that station staff did not know what happened to it.

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<sup>1</sup> 3 V.I.C. § 138(a)(4).

- The overpayment of \$6,096 at the Cotton Valley Station was likewise for two vehicle exhaust systems that were never installed. Again, during a site visit, we could not find major equipment items, including the motor for the system.
- At the Charlotte Amalie Station, the contractor was advanced \$9,007 to purchase materials for roof repair. The resulting work was substandard, however, resulting in the station incurring costs to repair water damage. Although the Fire Service terminated the contract for non-performance, the roof remains in need of substantial repairs.

Based on statements by the Fire Service and Public Works that contract work at the Frederiksted, Grove Place, and Cotton Valley Stations on St. Croix was complete and acceptable, the Department of Property and Procurement issued “Release of Claims” forms to the contractors, accepting the work and releasing all parties from any legal claims resulting from the work. The project manager for these contracts revisited the Frederiksted Station and concurred with our findings, but could not explain how the discrepancies we noted were overlooked. The project manager did not address discrepancies at the Grove Place and Cotton Valley stations.

#### ► Liquidated Damages Not Assessed

The Fire Service did not assess liquidated damages for five construction projects completed after the dates specified by the contracts and approved change orders. At the contract rate of \$100 per day, assessment of liquidated damages would have resulted in cost reductions of \$57,500 (see following tabulation), which could have been used for other projects.

| Fire Station  | Scheduled Completion Date | Actual Completion Date | No. of Days Late | Damages         |
|---------------|---------------------------|------------------------|------------------|-----------------|
| Frederiksted  | 7/26/2001                 | 4/5/2002               | 253              | \$25,300        |
| Richmond      | 5/7/2001                  | 11/19/2001*            | 192              | 19,200          |
| Cotton Valley | 3/8/2001                  | 6/5/2001               | 87               | 8,700           |
| Tutu          | 3/12/2004                 | 4/15/2004              | 34               | 3,400           |
| Grove Place   | 3/7/2001                  | 3/16/2001              | 9                | 900             |
| <b>Total</b>  |                           |                        |                  | <b>\$57,500</b> |

\* We could not determine the exact date work was completed because the final periodic payment estimate did not show dates for which work was billed. We therefore used the date the contractor signed the final periodic estimate as an indicator of when the work was finished.





**Figure 1.** Damage to the structural column at the Tutu Fire Station. Also note the closeness of the fire truck to the column in the adjacent garage bay. (OIG photo)

### ► Garage Bays Too Narrow for New Fire Truck

Inadequate planning by the Fire Service resulted in the garage bay extension constructed at the Tutu Station being too narrow to adequately and safely house the station's newest fire truck. Although it already had approved the specifications for new fire trucks, the Fire Service did not include moving the existing structural columns to accommodate the new fire truck when it finalized the contract for the garage bay extension. Consequently, when the new truck was placed in service in December 2002, firefighters had difficulty bringing the truck into the garage bay and damaged both the truck and the structural columns (Figure 1). Additionally, the fire truck's doors could not be opened when the truck was parked in the garage bay, and firefighters did not have room to climb aboard the truck. In a fire emergency, precious time could be lost while firefighters waited for the truck to be driven completely out of the bay to climb aboard.

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## USE OF FEDERAL GRANT FUNDS

### ► Failure to Compete Training Contract

For the five grants reviewed, the Fire Service generally expended the funds in accordance with grant requirements. However, it did not follow competitive procurement requirements in awarding a \$55,000 firefighter training contract, could not support \$24,000 in claimed expenses, and did not effectively use equipment purchased with \$72,331 in grant funds.

The Fire Service did not competitively award a \$55,000 training contract, although the contract was funded from a \$79,000 Cooperative Volunteer Program 2000 grant from the USDA,<sup>2</sup> whose regulations mandate "full and open competition" in all

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<sup>2</sup> Title 7, Part 3016 of the Code of Federal Regulations.



procurement transactions. We found no evidence that the Fire Service made any effort to obtain proposals from other training providers and contacted USDA to determine whether it had any concerns about the contract or the training. USDA did have concerns, as iterated in a report prepared by a USDA project manager sent to sit in on the training sessions. The report stated that the course did not qualify firefighters for subsequent standard firefighting courses and that future training should be conducted by another company because USDA wanted “experienced people teaching the course.”

### ► Grant Expenditures Unsupported

The Fire Service charged unsupported expenditures totaling \$24,000 against the same \$79,000 USDA grant. Neither we nor the Fire Service’s grants manager could find supporting documents (miscellaneous disbursement vouchers, vendor invoices, or vendor receipts) in any of the grant files. We classified the \$24,000 as questioned costs because we could not determine what the money was used for or whether the charges were allowable under the terms of the grant.

### ► Ineffective Use of Equipment

Fire station equipment purchased with federal grant funds totaling \$72,331 remained unused for periods ranging from 17 to 33 months. As a result, \$51,868 from a USDA Cooperative Program 2001 grant and \$20,463 from a FEMA Assistance to Firefighters 2001 grant were not used effectively. Specifically:

- A well water system at the Cotton Valley station, to be installed with \$51,868 in USDA grant funds, was unfinished and unused for at least 26 months (November 2002 to January 2005), and the system’s generator was unused for at least 17 months (August 2003 to January 2005). During our January 2005 site visit, we saw that although the well had been drilled and the necessary plumbing and electrical work performed, the well was inoperable because it had not yet been connected to a newly purchased emergency power generator. The Fire Chief told us that a structure to house the generator had not yet been constructed, although requests for proposals were sent to three companies in September 2004.
- A hose washer (\$10,179) and hose dryer (\$10,284) purchased for St. Croix in April 2002 were still in their original wrapping during our site visit in January 2005 and had not been used for about 33 months (April 2002 to January 2005). As a result, FEMA grant funds of \$20,463 were not put to effective use.

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# RECOMMENDATIONS

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## TO THE GOVERNOR OF THE VIRGIN ISLANDS

We recommend that the Governor of the Virgin Islands require the Director of the Fire Service to:

1. Appoint an in-house project manager to participate in the planning, supervision, and monitoring of future construction projects.
2. Assess and collect the \$57,500 in liquidated damages for unapproved construction delays, as specified in the construction contracts.
3. Adhere to federal grant regulations regarding the use of competition in the selection of contractors.
4. Locate and submit to USDA the supporting documentation for \$24,000 in miscellaneous expenditures from the Cooperative Volunteer Program 2000 grant. The Fire Service should also ensure that all future grant expenditures are properly supported.
5. Prioritize equipment needs to ensure that items purchased with federal grant funds meet the immediate needs of the Fire Service and are put into service in a timely manner.

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## AUDITEE RESPONSE

The August 11, 2005 response (Appendix 4) from the Director of the Fire Service concurred with the findings and recommendations and provided information on actions which have been or are being taken to implement the recommendations. However, the response stated that the Fire Service could not locate any supporting documents for \$24,000 expended from the 2000 USDA Cooperative Volunteer Program grant. Based on the response, we consider Recommendations 1, 3, and 5 as resolved and implemented; Recommendation 2 as resolved but not implemented; and Recommendation 4 as unresolved. We will refer Recommendation 4 to USDA for appropriate follow-up action regarding the \$24,000 in unsupported grant expenditures. Appendix 5 describes the documentation that the Virgin Islands Fire Service should provide in order to close out Recommendations 2 and 4.

## APPENDIX 1 - MONETARY IMPACT

| <u>Finding Area</u>             | <u>Unsupported Costs</u> | <u>Funds to Be Put to Better Use</u> |
|---------------------------------|--------------------------|--------------------------------------|
| <b>Contracts:</b>               |                          |                                      |
| Payments for Incomplete Work    |                          | \$24,149 *                           |
| Unassessed Liquidated Damages   |                          | 57,500 *                             |
| <b>Grants:</b>                  |                          |                                      |
| Unsupported Expenditures        | \$24,000 **              |                                      |
| Ineffective Use of Grant Funds: |                          |                                      |
| USDA                            |                          | 51,868                               |
| FEMA                            |                          | <u>20,463</u>                        |
|                                 |                          | <u>72,331**</u>                      |
| Totals                          | <u>\$24,000</u>          | <u>\$153,980</u>                     |

\* Amounts represent local funds.

\*\* Amount represents federal funds.

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## APPENDIX 2 - FIRE SERVICE CONTRACTS – LOCAL FUNDS

| <u>Fire Station Location</u> | <u>Total Contract<br/>Amount Including<br/>Change Orders</u> | <u>Payments for<br/>Incomplete<br/>Work</u> | <u>Unassessed<br/>Liquidated<br/>Damages</u> |
|------------------------------|--|---|--|
| <b>St. Croix:</b>            |  |   |  |
| Frederiksted                 | \$228,432  | \$2,156                                     | \$25,300                                     |
| Grove Place                  | 100,846  | 6,890                                       | 900  |
| Richmond                     | 199,270  |   | 19,200                                       |
| Richmond (Fencing)           | 23,288   |   |  |
| Cotton Valley                | 162,591  | 6,096                                       | 8,700  |
| Estate Slob                  | 82,942   |   |  |
| <b>St. Thomas:</b>           |  |   |  |
| Tutu                         | 342,231  |   | 3,400  |
| Charlotte Amalie             | <u>33,568</u>  | <u>9,007</u>                                | <u>          </u>                            |
| Totals                       | <u>\$1,173,168</u>   | <u>\$24,149</u>                             | <u>\$57,500</u>                              |

## APPENDIX 3 - FIRE SERVICE GRANTS – FEDERAL FUNDS

| <u>Grantor Agency and Grant Title</u> | <u>Total Grant Amount</u> | <u>Grant Amount Reviewed</u> | <u>Unsupported Expenditures</u> | <u>Ineffective Use of Grant Funds</u> |
|---------------------------------------|---------------------------|------------------------------|---------------------------------|---------------------------------------|
| <b>USDA:</b>                          |                           |                              |                                 |                                       |
| Cooperative Volunteer Program 2000    | \$79,000                  | \$79,000                     | \$24,000                        |                                       |
| Cooperative Volunteer Program 2001    | 138,000                   | *                            |                                 | \$51,868                              |
| Cooperative Volunteer Program 2003    | 215,000                   |                              |                                 |                                       |
| Cooperative Volunteer Program 2004    | 120,000                   |                              |                                 |                                       |
| <b>FEMA:</b>                          |                           |                              |                                 |                                       |
| Fire Service 2001-FG-04241            | 241,780                   | 241,780                      |                                 | 20,463                                |
| Fire Service 2001-FG-16050            | 241,780                   | 241,780                      |                                 |                                       |
| Fire Service 2001-FG-04241            | 257,529                   |                              |                                 |                                       |
| Fire Service 2001-FG-16789            | 49,890                    | 49,890                       |                                 |                                       |
| <b>HUD:</b>                           |                           |                              |                                 |                                       |
| FY2001 ED Special Project             | <u>778,086</u>            | <u>778,086</u>               | <u>          </u>               | <u>          </u>                     |
| TOTALS                                | <u>\$2,121,065</u>        | <u>\$1,390,536</u>           | <u>\$24,000</u>                 | <u>\$72,331</u>                       |

\* Although we did not select this grant for detailed review, during our site visit to the fire stations, we noted unused water well equipment that was purchased through the grant.

## APPENDIX 4 - RESPONSE TO DRAFT REPORT



GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS  
OFFICE OF THE GOVERNOR

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### VIRGIN ISLANDS FIRE SERVICE

*"Providing Safety, Service and Satisfaction"*

St. Thomas/St. John  
No. 15 Crown Bay, 2<sup>nd</sup> Floor  
St. Thomas, VI 00802  
Telephone: (340) 774-7610  
Fax: (340) 774-4718

St. Croix  
No. 1 Estate Slob  
St. Croix, VI 00850  
Telephone: (340) 773-8050  
Fax: (340) 773-8032

August 11, 2005

Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
Government House  
No. 21-22 Kongens Gade  
St. Thomas, Virgin Islands

RE: **Audit Report "Contracts for Facility Improvements  
(Assignment No. V-IN-VIS-0100-2004)"**

Dear Governor Turnbull:

As a result of the audit conducted and recommendations made by the United States Department of the Interior, Office of the Inspector General, for improvements of facilities of the Virgin Islands Fire Service and the purchase of equipments, we have implemented the following corrective measures.

1. Appointment of in-house Project Manager

Mr. Donald Charles, Special Assistant to the Director, has been appointed Property Manager for the Virgin Islands Fire Service, territory wide. Mr. Charles' duties and responsibilities include monitoring, maintaining and securing all facilities projects and repairs, requesting proposals and estimates for work to be completed by scope. In addition to the ordering of equipment and supplies to include cost estimates of materials needed for purchase.

2. Collect the \$57,500 in Liquidated Damages

Ms. Paula Douglas, Financial Administrator has been appointed to review contracts issued by Fire Services in order to assess and collect liquidated damages caused by contractors or Agencies involved in delays, in accordance with contract specifications. This activity is to be completed by November 2005.

Honorable Charles W. Turnbull  
RE: Audit Response – 2004  
August 11, 2005  
Page 2

3. Adhere to Federal Grant Regulations

In some instances competitive bidding was not utilized, especially in the area of training whereby three (3) quotations were not submitted. The newly appointed Deputy Chief of Training and the Grants Manager are charged with the responsibility of making certain that this process takes place for each project. Full compliance to all rules and regulations of the Federal Government, and local procurement guidelines, as it pertains to the issuing of contracts and work to be completed, as approved by the Director of Fire Services, will be adhered to.

4. Locate Supporting Documents for \$24,000 Miscellaneous Expenditures

Unfortunately, the Fire Service is unable to locate any of the supporting documents in this matter. However, the hiring of a Grants Manager in 2004 will ensure proper documentation of all future grant transactions, as well as following all procurement procedures and process specified by each grant program.

5. Prioritize Equipment Needs

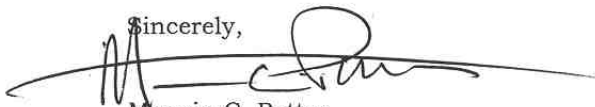
This process is already being implemented, since November 2004. The areas specified in the audit are:

- (1) Well water system in St. Croix has been put in place. The generator and construction of shed is completed. Only the electrical hook from generator to pump needs to be completed, with a targeted date of August 30, 2005.
- (2) The hose washer and dryer will be moved to Frederiksted fire station shed for proper use by the Fire Fighters. Deputy Chief Ventura is assigned to oversee the project to completion, with a deadline of September 30, 2005. A room has been identified and cleaned, and only needs a roof to be constructed.

This response should address the concerns and provide the information on actions taken to correct the recommendations listed in our audit report. If you require any additional information, please feel free to contact my office at 774-7610.

Thank you for your attention in this matter.

Sincerely,



Merwin C. Potter  
Director

cc: Mr. Arnold E. van Beverhoudt, Jr  
Caribbean Field Office Supervisor

Paula M. Leung-Douglas, Financial Administrator



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## APPENDIX 5 - STATUS OF RECOMMENDATIONS

| <u>Finding/Recommendation<br/>Reference</u> | <u>Status</u>              | <u>Action Required</u>  |
|---|----------------------------|---|
| 1, 3, and 5                                 | Resolved and Implemented.  | No further action required.   |
| 2   | Resolved, Not Implemented. | Provide documentation showing that actions have been completed to recover liquidated damages from contractors who did not complete contracted work in accordance with contract specifications and requirements.                   |
| 4   | Unresolved.                | Provide USDA and this office with either supporting documents for the \$24,000 in questioned expenditures from the 2000 Cooperative Volunteer Program grant or a detailed narrative explanation of how the grant funds were used. |