



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

## **AUDIT REPORT**

**FEDERAL TRANSIT ADMINISTRATION GRANTS,  
DEPARTMENT OF PUBLIC WORKS,  
GOVERNMENT OF THE VIRGIN ISLANDS**

**REPORT NO. 99-I-701  
AUGUST 1999**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

**AUG 2 1999**

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

Subject: Audit Report on Federal Transit Administration Grants, Department of Public Works, Government of the Virgin Islands (No. 99-I-70 1)

Dear Governor Tumbull:

This report presents the results of our audit of the administration of grants received from the Federal Transit Administration by the Department of Public Works, Government of the Virgin Islands. The objective of the review was to determine whether (1) the Department complied with grant terms and applicable laws and regulations; (2) charges made against grant funds were reasonable, allowable, and allocable pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited and accounted for in the Government's Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990.

Based on our audit, we found that the Department of Public Works did not maintain an effective grants management system within the **Office** of Transportation. This situation occurred because the **Office** of Transportation did not have a financial analyst to oversee the day-to-day administrative and accounting functions of the grant programs and the Associate Planner, who was temporarily assigned these administrative and accounting duties, was not properly trained. In addition, the Office of Transportation's Deputy Commissioner stated that his office did not receive adequate administrative and accounting support from the Department of Public Works Business Administration Division and Federal Grants Management Unit.

Based on our audit, we concluded that, although the Department of Public Works generally expended grant funds for purposes that were allowable under the grants, the Department did not (1) effectively use all available grant funds, (2) comply with grant financial reporting requirements, and (3) ensure that funds drawn down through electronic transfers were recorded and used in accordance with the Cash Management Improvement Act. Specifically, we found the following:

- The Department of Public Works did not maintain adequate administrative oversight over Federal grants awarded by the Federal Transit Administration. We found that (1) pertinent grant award documents were not readily accessible; (2) financial status reports had not been filed since June 1995; (3) it took between 1 and 5 years to forward documentation to the Virgin Islands Office of Management and Budget to set up an approved project budget on the Government's Financial Management System; (4) nonprofit organizations which were awarded funds to purchase buses to transport elderly and disabled persons were requested to identify vendors and prepare bid specifications, both functions of the Department of Property and Procurement; and (5) grant funds were reallocated among projects without the prior approval of the Federal Transit Administration. As a result, the Department of Public Works did not effectively utilize grant funds of about \$2.8 million that were available to provide improvements to the public transportation system and to purchase buses for transportation services for the elderly and disabled.

- The Department of Public Works did not maintain adequate financial accountability over Federal grant funds. We found that the Department did not (1) reconcile grant activity with information contained in the Federal Transit Administration's Grant Management Information System and in the Government's Financial Management System and (2) ensure that electronic transfers of Federal funds were made in accordance with the Cash Management Improvement Act. As a result, we questioned costs of \$119,758: \$97,571 as unsupported costs and \$22,187 as cost exceptions. In addition, about \$60,000 was not reimbursed by the Federal Transit Administration because the Department of Public Works did not correctly prepare requests for electronic transfers of Federal funds. Further, Federal funds were held for as long as 49 days after receipt of electronic transfers before payments to vendors were released, and on some occasions, fund transfers were not requested until as many as 312 days after payments had been made to vendors.

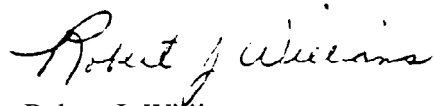
We made 13 recommendations to you, as the Governor of the Virgin Islands, to address the deficiencies identified by the audit.

On May 10, 1999, we transmitted the draft of this report to your office requesting a response by June 25, 1999. Based on the response dated July 1, 1999, we considered two recommendations (Nos. A.7 and B.3) resolved and implemented and five recommendations (Nos. A.1, A.3, A.4, A.8, and B.2) resolved but not implemented. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Also based on the response, we considered four recommendations (Nos. A.5, B. 1, B.4, and B.5) unresolved and requested additional information for two recommendations (Nos. A.7 and A.6) (see Appendix 3).

The Inspector General Act, Public Law 95-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

In view of the above, please provide a response to this report by September 3, 1999. The response should be addressed to our Caribbean Office, Federal Building - Room 207, Charlotte Amalie, Virgin Islands 00802. The response should provide the information requested in Appendix 3.

Sincerely,

A handwritten signature in cursive script, reading "Robert J. Williams".

Robert J. Williams  
Acting Inspector General

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# INTRODUCTION

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## BACKGROUND

The Virgin Islands Office of Transportation was established within the Department of Public Works by Executive Order No. 244-198 1 to (1) conduct transportation planning for implementation by the Department of Public Works; (2) conduct a continuing analysis of Virgin Islands transit systems and prepare a program for transit development; (3) implement a mass transit study for maintaining and improving public transportation services in the Virgin Islands; (4) prepare applications for submission to the Urban Mass Transportation Administration (now the Federal Transit Administration) and the Federal Highway Administration for available Federal assistance to improve transportation services; and (5) recommend and formulate policies, legislation, and programs for improving and supporting transportation systems in the Virgin Islands.

According to information contained in the Government's Executive Budget, the Office of Transportation is primarily responsible for managing the public transit system in the Virgin Islands, implementing the public transportation provisions of the Americans with Disabilities Act, managing the Government's public parking facilities, and seeking Federal funding to assist public transportation initiatives.

For fiscal year 1998, the Office of Transportation was authorized a budget of about \$382,000 from the Government's General Fund and the Road Fund. Additional subsidy payments totaling about \$2.1 million were made from the Government's General Fund to the Department's Public Transit Fund to support the operations of the public transit system in the Virgin Islands. As of September 30, 1998, the Office of Transportation's staff included a deputy commissioner, a senior planner, and an associate planner. Vacant positions included a senior transit planner, a planning assistant, a marketing specialist, and a secretary. The Office of Transportation did not have a budgeted position for a financial analyst.

During the period of April 1984 through September 1997, the Federal Transit Administration awarded 30 grants to the Office of Transportation for capital and planning projects, the purchase and maintenance of mass transit buses for residents of the Virgin Islands, and the purchase of buses for nonprofit organizations to transport elderly and disabled persons in the Virgin Islands. Based on grant data contained in the Federal Transit Administration's Grant Management Information System as of September 30, 1998, we determined that 19 Federal grants with original award amounts totaling \$16.8 million had available grant balances totaling \$6.5 million. About \$2.8 million of the \$6.5 million balance was available to assist the public transit system's operations in the Virgin Islands and for the purchase of buses to transport elderly and disabled persons. The remaining \$3.7 million was allocated for an intermodal terminal at the airport on St. Croix. In addition, 12 of the 19 grants had local share requirements totaling \$6.6 million. During fiscal years 1997 and 1998 (October 1, 1996, to September 30, 1998), the Office of Transportation requested \$1.9 million from the Federal Transit Administration to pay for grant-related expenditures.

## OBJECTIVE AND SCOPE

The objective of this 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 pursuant to the grant agreement provisions; (3) funds received through electronic transfers were appropriately deposited and accounted for in the Government's Financial Management System; and (4) drawdowns were made in accordance with the Cash Management Improvement Act of 1990. The scope of the audit included a review of grant transactions that occurred during fiscal years 1997 and 1998 and other periods as appropriate.

To accomplish our audit objective, we reviewed award agreements for the 19 active grants, documentation in support of expenditures claimed against the grants, invitations for bids issued to select vendors to provide buses, and documentation in support of electronic transfers of Federal funds. The audit was conducted from September 1998 through February 1999 at the Virgin Islands Departments of Public Works, Property and Procurement, and Finance and at the Virgin Islands Office of Management and Budget.

Because Office of Transportation officials did not update their files, the scope of our review was qualified because there was little assurance that grant files contained accurate, current, and complete grant data. Also, grant files maintained by the Office of Transportation did not include data in support of the local share of grant funds. The Department of Public Works Director of Administration said that the local share was met primarily through subsidy payments made by the Government's General Fund to the Department of Public Works Public Transit Fund to assist in the operations of the public transit system. Therefore, although we identified the source of funds for the local share, we did not audit the expenditures claimed against the local share because supporting documentation was not in the grant files or was not specifically identified as the local share by the Office of Transportation.

Our review was made, as applicable, 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.

We included an evaluation of internal controls to the extent we considered necessary to accomplish the audit objective. The internal control weaknesses identified were related to the establishment of a grants management system within the Department of Public Works to monitor the financial and compliance aspects of the Federal Transit Administration grants. The control weaknesses are discussed in the Findings and Recommendations section of this report. The recommendations, if implemented, should improve the internal controls in this area.

## PRIOR AUDIT COVERAGE

Since September 1987, the Office of Inspector General, the Virgin Islands Bureau of Audit and Control, the Federal Transit Administration, and a private consulting firm have issued five reports on the Office of Transportation, within the Department of Public Works, as follows:

- In November 1998, a private consulting firm prepared for the Department of Public Works the "Transit Bus Route Study." The "Study" was intended to identify ways to provide the highest level and quality of public transit service on St. Thomas. The "Study," which was conducted during March and April 1997, stated that the most critical need for the public transit system was an available stock of equipment and spare parts. Specifically, of 16 buses that should have been in operation during March and April 1997, only 11 buses were in working order.

- In September 1998, the Office of Inspector General issued the report "Interfund Loans and Federal Grant Balances, Government of the Virgin Islands" (No. 98-r-670). Regarding the Department of Public Works Office of Transportation, the report stated that the Office did not maintain pertinent documents for the effective oversight of the Federal Transit Administration grants, including grant award documents, expenditure documents, documents to verify the electronic transfer of Federal funds, and financial status reports. Regarding compliance with the Cash Management Improvement Act, the report stated that the Department of Finance did not timely identify all electronic transfers of Federal funds, did not timely record this information in the Government's Financial Management System, and did not have a separate bank account to segregate and account for the receipt and disbursement of Federal funds. To address these issues, the report made four recommendations. Management concurred with the recommendations but needed to provide additional information to resolve one recommendation. During our current review, we found that grant-related documents were not properly filed and that the Department of Finance was not in compliance with the Cash Management Improvement Act regarding the timely use of grant funds and did not deposit Federal funds into a separate bank account.

- In April 1998, the Federal Transit Administration issued the report "FY [Fiscal Year] 1997 State Management Review of the Virgin Islands Department of Public Works." The review, which was conducted in April and May 1997, stated that for 18 review areas, (1) the Department was not in compliance with the requirements in nine review areas (grants administration, financial management, maintenance, competitive procurement, Buy America, debarment and suspension, restrictions on lobbying, Federal Transit Administration Drug and Alcohol Program and Drug-Free Workplace, and school bus protection), (2) the Department was in compliance with the requirements in three areas (program management, satisfactory continuing control, and civil rights) but followup action was required, (3) the Department was in full compliance with the requirements in five areas (selection and eligibility of subrecipients and projects, intercity bus, Rural Transit Assistance Program, planning and coordination, and charter bus), and (4) compliance with requirements could not be determined in the area of transportation services for individuals with disabilities.

- In July 1992, the Virgin Islands Bureau of Audit and Control issued the report "Special Audit of the St. Thomas Public Busline's Expenditures as Support for the Subsidy Payments, United States Virgin Islands" (No. AC-04-60-92). The report stated that the busline used the subsidy payments from the Government to make intercompany transfers for reasons that could not be determined and for loans that were not paid back and to incur expenditures that were questionable.

- In September 1987, the Office of Inspector General issued the report "Public Bus Transportation, Government of the Virgin Islands" (No. V-TG-VIS- 18-86). The report stated that the Department of Public Works and the Transportation Office did not formulate policies and programs needed to ensure the development of mass transportation service in the Virgin Islands as required by Executive Order No. 243-1 98 1. Of the report's nine recommendations, five recommendations required additional information. In June 1987, the then-Director of Transportation (now the Deputy Commissioner) stated in his response to the audit report, in a letter addressed to the then-Commissioner of Public Works, "The Office of Transportation is in dire need of a full-time Financial Analyst to address the financial aspects of the various programs that are administered." However, our current review showed that the Office of Transportation did not have a budgeted position for a financial analyst.

## **FINDINGS AND RECOMMENDATIONS**

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### **A. GRANT ADMINISTRATION**

The Department of Public Works was not effective in administering Federal grants awarded by the Federal Transit Administration. Specifically, (1) pertinent grant award documents were not readily accessible, (2) financial status reports had not been filed since June 1995, (3) it took between 1 and 5 years to forward documentation to the Virgin Islands Office of Management and Budget for that office to set up an approved project budget on the Government's Financial Management System, (4) nonprofit organizations that were awarded funds to purchase buses to transport elderly and disabled persons were requested to identify vendors and prepare bid specifications, and (5) grant funds were reallocated among projects without the prior approval of the Federal Transit Administration. The Code of Federal Regulations (49 CFR 18) establishes uniform administrative rules for Federal grants awarded by the U.S. Department of Transportation. The Code is incorporated into the U.S. Department of Transportation's Master Agreement, which establishes standard terms and conditions governing the administration of projects supported with Federal financial assistance awarded by the Federal Transit Administration. However, the Office of Transportation, within the Department of Public Works, did not have a financial analyst to oversee the day-to-day administrative functions of the grant programs, and the associate planner, who was temporarily assigned these administrative duties, was not adequately trained in the necessary record-keeping and financial reporting requirements. In addition, the Office of Transportation's Deputy Commissioner stated that his office did not receive adequate administrative and accounting support from the Department of Public Works Business Administration Division and Federal Grants Management Unit. As a result, the Department of Public Works did not effectively use grant funds of about \$2.8 million that were available to provide improvements to the public transportation system and to purchase buses for transportation services for the elderly and disabled.

#### **Grant Documents**

Files for grants awarded by the Federal Transit Administration were not accurate, current, or complete. While the grant files that we reviewed contained the notification of grant award, the file did not always contain the most current approved project budget. In addition, grant files did not contain (1) liquidation records to summarize the costs claimed against the grant, (2) documentation in support of all expenditures claimed against the grant, (3) information to support the \$6.6 million local share for 12 grants that had a local matching requirement, (4) documentation within each grant file to support requests for electronic transfers of Federal funds to pay for expenditures claimed against the grants, and (5) correspondence to corroborate all activities associated with the grants.

**Documentation Requirements.** The Code of Federal Regulations (49 CFR 18.20(b)(2)) states that "[g]rantees and subgrantees must maintain [accounting] records which adequately identify the source and application of funds provided for financially-assisted activities." This section of the Code also states, "These records must

contain information pertaining to grant **or subgrant** awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.” Finally, the Code (49 CFR 18.20(b)(6)) states, “Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.” Similar provisions regarding accounting records are contained in the U.S. Department of Transportation’s Master Agreement, which requires that the grantee “establish and maintain for the Project either a separate set of accounts, or separate accounts within the framework of an established accounting system that can be identified with the Project” and that “all checks, payroll, invoices, contracts, vouchers, orders, or other accounting documents related in whole or in part to the Project . be clearly identified, readily accessible and available to [the Federal Transit Administration] upon its request, and, to the extent feasible, kept separate from documents not related to the Project.” (Emphasis added.) In addition, with respect to the local share, the Master Agreement states that the grantee “shall complete all proceedings necessary to provide the local share of the Project costs at or before the time those funds are needed to meet Project expenses.”

**Administrative Support.** The Office of Transportation’s Deputy Commissioner said that an effective grant administration system would not be realized until he was able to hire a financial analyst to oversee the day-to-day operations of the grants and a secretary to tile grant-related documents. In August 1998, the Office of Transportation’s Deputy Commissioner wrote to the Department of Public Works Comptroller in response to our then-draft audit report on inter-fund loans and Federal grant balances. In his letter, which was not forwarded to the Office of Inspector General for incorporation into the final **report**, the Deputy Commissioner stated:

I do not agree with the report’s assertion that “the Transportation Office did not maintain pertinent documents for the effective oversight of the [Federal Transit Administration] grants.” The office did in fact maintain all grant documents, but not in proper order of filing because of two important factors; (sic) the lack of a Secretary/Filing Clerk and the lack of a Financial Analyst. As a result, I suspect that the [Office of Inspector General’s] search for the aforementioned documents encountered misplaced files and misfiled information, not missing documents as the report implies. As far as I know, ail pertinent FTA grant documents remain at the premises of the Office of Transportation unless removed by some unauthorized person or destroyed by hurricane. However, most are probably not properly filed.

We agree with the Deputy Commissioner that the Office of Transportation would benefit from having the services of a financial analyst and a secretary/filing clerk. However, we do not agree that the Office of Transportation maintained all pertinent grant-related documents. During the prior audit, we attempted to obtain specific records needed during the audit. but they were not available for our review. Furthermore. because some of the active grant riles that we reviewed were up to 15 years old and did not contain ail of the documents needed to support expenditures made against the grants, we believe that it will be difficult to conduct closeout audits of these grants.

In August 1998, the Deputy Commissioner wrote to the Department of Public Works Comptroller in response to the Federal Transit Administration's State Management Review. In his letter, the Deputy Commissioner stated:

On her recent visit to the Virgin Islands, the [Federal Transportation Administration's] Regional Administrator, gave her verbal approval for [the Department of Public Works] to use continuing planning, administrative and any other non-capital funds available in our existing grants to contract for professional services in the following areas: Transit Planner, Financial Analyst, Marketing and Professional Secretary/Office Manager. It is important to note that the Regional Administrator observed that in addition to the serious deficiencies created by not having a Transit Planner and Financial person on board, the document filing and retrieval problems created by the lack of clerical help is hurting the program. She also indicated that [the Federal Transportation Administration] would be willing to recommend qualified individuals on the mainland to fill these positions if we can't identify them locally.

We believe that the Department of Public Works should coordinate with the Virgin Islands Division of Personnel to develop job specifications and job descriptions for its vacant and desired positions and seek funding from the Federal Transit Administration to fill these positions.

## **Financial Status Reports**

The Department of Public Works did not comply with the requirement in the Code of Federal Regulations (49 CFR 18.4 1) that annual financial status reports should be submitted within 90 days of the end of the fiscal year. In addition, the Department of Public Works did not comply with the U.S. Department of Transportation's Master Agreement requirement that final financial status reports should be submitted timely to close out grants. The Master Agreement states, "Within ninety (90) days of the Project completion date or termination by the Federal Government. the Recipient agrees to submit a final Financial Status Report (Standard Form 269), a certification or summary of Project expenses, and third party audit reports, as applicable."

Our review of the 19 active grants included in the audit scope showed that some of the annual Financial Status Reports had not been filed for 10 of the grants. Specifically, the most recently filed Financial Status Reports were as of June 30, 1995, for 2 grants; as of September 30, 1994, for 7 grants; and as of December 31, 1993, for 1 grant. For the remaining 9 of the 19 grants, no annual Financial Status Reports had been filed.

In addition, we found two grants not included in our audit scope that had insignificant amounts of remaining balances and lack of activity. Specifically, a grant for \$75,000 (Project No. VI-08-0006) awarded in August 1984 had an available balance of \$139, and a grant for \$86,070 (Project No. VI- 1 S-0008) awarded in August 1991 had an available balance of \$470. Based on information contained in the Federal Transit Administration's Grant Management

Information System, we determined that funds were last disbursed against these grants in September 1993 and August 1996, respectively. Therefore, we believe that these grants should be closed out in accordance with the terms and conditions contained in the Master Agreement.

In his August 1998 letter to the Department's Comptroller, the Deputy Commissioner stated that the lack of timely filing of financial status reports occurred because the Office of Transportation did not have a financial analyst. According to the Deputy Commissioner, the financial analyst position was removed from the budget after the person who occupied that position became the Department's Director of Administration in 1995. However, regardless of its staffing level, we believe that the Office of Transportation should have completed its annual Financial Status Reports timely and closed out its inactive grants.

## **Budget Information**

When the Department of Public Works received notification of a grant award from the Federal Transit Administration, the Department was required to forward a copy of the grant award and a copy of a Department/Agency Federal Budget Plan (Form OMB (3)) to the Department of Finance for assignment of a cost center code. After the cost center code was assigned, the Department of Public Works was required to forward a copy of the grant award, the Federal Budget Plan, and the cost center designation to the Virgin Islands Office of Management and Budget. The Office of Management and Budget would establish an approved project budget under the designated cost center for the grant on the Government's Financial Management System. At the end of this process, costs could be charged against the grant. However, we found that the Department of Public Works did not always forward the grant awards, Federal Budget Plans, and cost center designations to the Virgin Islands Office of Management and Budget in a timely manner. Without an approved budget, expenditures cannot be claimed against a grant.

Based on our comparison of Project Status Reports generated by the Federal Transit Administration's Grant Management Information System and computer printouts of Federal Transit Administration grant activity generated by the Government's Financial Management System, we determined that it took from 1 to 5 years for the Department of Public Works to submit the required information to the Virgin Islands Office of Management and Budget for that office to establish an approved project budget on the Government's Financial Management System.

In order to conduct this review, we compared the grant obligation date shown on the Project Status Report with the approved project budget posting date shown on the Financial Management System computer printouts. For example, Project No. VI- 16-0007 was awarded by the Federal Transit Administration on June 26, 1992, but the budget was not established on the Government's Financial Management System until February 19, 1998, or about 5 1/2 years after the grant obligation date. Similarly, Project No. VI-I 8-X013 was awarded by the Federal Transit Administration on September 27, 1996, but the budget was not established on the Government's Financial Management System until August 11, 1998.

almost 2 years after the grant obligation date. We believe that the lack of timely budgets adversely impacted the Department of Public Works ability to incur costs against the grants.

## **Vehicle Procurement**

We found that when nonprofit organizations were awarded funds from the Elderly and Persons with Disabilities Program (49 U.S.C. 5310) for the purchase of buses for transportation of the elderly and the disabled, the nonprofit organizations were requested to contact prospective vendors and request that the vendors provide technical and performance specifications for the buses. Based on documentation sent to the nonprofit organizations by the Commissioner of Public Works, we found that the specifications developed by the vendors were to be used by the Department of Property and Procurement to request formal bids. As such, there was no assurance that the vendors who developed the specifications would be awarded the contracts for the desired buses.

The Office of Transportation's Deputy Commissioner told us that the nonprofit organizations' involvement in the procurement process was a direct result of the lack of adequate staffing in the Office of Transportation. Although the Deputy Commissioner acknowledged that his office should prepare the vehicle specifications for submission to the Department of Property and Procurement, he said that the Office did not have the staff to perform this function. We found a list of prospective vendors at the Department of Property and Procurement that consisted of nine stateside vendors from the "Community Transportation Reporter 1995 Buyer's Guide" and two local vendors. We found no documentation to indicate whether, prior to the issuance of invitations for bids to these vendors, the vendors had been contacted to determine whether they could supply the buses to the Virgin Islands because driving on the left side of the road in the Virgin Islands required that the buses be reconfigured to place a wheelchair accessible door on the left rather than the right side of the vehicles.

In his August 1998 letter to the Department of Public Works Comptroller, the Deputy Commissioner stated that "the Government's inability to negotiate additional contracts with suppliers of buses has not been the fault of the Office of Transportation. Most of the factors causing the failure of negotiations with suppliers of buses have pertained to issues of procurement and payment." However, we believe that had the Department of Public Works made a concerted effort to develop bid specifications for the accessible vehicles and identify vendors that were willing to reconfigure the vehicles and conduct business with the Government of the Virgin Islands, the procurement process could have been accomplished more efficiently and effectively. This opinion is supported by the two most recent invitations for bids, which were issued by the Department of Property and Procurement in May and September 1997. In both cases, there was only one responsive bidder, a local company that subcontracted with two stateside vendors to supply the buses.

## **Reallocation of Program Funds**

During the period of August 1991 to September 1995, the Department of Public Works received five grant awards, totaling about \$661,000, from the Elderly and Persons with

Disabilities Program (49 U.S.C. 53 10) for the purchase of 15 buses and office equipment for nonprofit organizations. Two of the 15 buses were purchased from 1994 to 1996. We determined, based on documentation prepared by the Office of Transportation's Associate Planner, that the Office allocated about \$5 15,000 for the purchase of the remaining 13 buses. However, because of difficulties in establishing the vehicle specifications and obtaining a responsive bidder for two invitations for bids, the buses were not successfully bid upon until June and October 1997. Additionally, because the buses were purchased with grant funds awarded during fiscal years 199 1 to 1995, the cost of the buses had increased from the \$5 15,000 originally allocated by the Office of Transportation to about \$669,000, or \$154,000 more than was allotted. Therefore, the Department of Public Works requested that the nonprofit organizations contribute a portion of their own funds toward the purchase price of the buses. Four of the 13 nonprofit organizations contributed a total of about \$16,521 of their own funds, three nonprofit organizations chose not to contribute any funds and did not request the purchase of buses for themselves, and the remaining six nonprofit organizations were not requested by the Department of Public Works to contribute to the cost of the buses. Accordingly, the Department of Public Works purchased only 10 of the originally planned 13 buses, at a total cost of \$507,000.

We found that the Office of Transportation's Associate Planner reallocated \$119,000 which had originally been allotted for the 3 nonprofit organizations that chose not to purchase buses toward the cost of the buses purchased for the other 10 nonprofit organizations. The Associate Planner told us that the Grant Action Plan, which she prepared to document the reallocation, was reviewed and approved by the Federal Transit Administration's Regional Administrator in New York but that a written request to reallocate the \$119,000 was not initiated by the Office of Transportation or approved by the Federal Transit Administration. The Code of Federal Regulations (49 CFR 18.30, "Changes") states that "certain types of post-award changes in budgets and projects shall require the prior written approval of the awarding agency." For example, the Code requires that grantees obtain the prior approval of the awarding agency for (1) "[a]ny revision which would result in the need for additional funding" and (2) "[u]nless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds \$ 100,000."

In addition, the Associate Planner was not able to provide us with documentation to support the allotment amounts included in the Grant Action Plan and to determine whether the reallocation amounts were applied correctly. Therefore, we conducted an analysis of the Grant Action Plan, which included a review of the approved project budget contained with the Notification of Grant Approval, to determine the dollar amount approved for the purchase of the buses. Based on our review, we concluded that Federal grant funds of \$5 11,000 were available to purchase the 10 buses at a total cost of \$507,000. Therefore, grant funds of about \$4,000 should have remained after the 10 buses were paid for in full. Because the \$511 .000 that we identified as available from approved grant funds did not include the \$16,521 contributed by four of the nonprofit organizations, we believe that these funds should be returned to the four nonprofit organizations which contributed their own funds.

Based on our review, we concluded that if the Department of Public Works had had more effective record-keeping methods, it would have been better able to use, in a more timely and effective manner, grant funds of about \$2.8 million which were available. Consequently, improvements to the public transportation system were not made, and buses for transportation services for the elderly and the disabled were not purchased.

## **Recommendations**

We recommend that the Governor of the Virgin Islands require the Department of Public Works to:

1. Establish and maintain, in accordance with the Code of Federal Regulations (49 CFR 18.20), grant program files for each Federal grant award received. At a minimum, the files should contain documentation of grant awards and authorizations, obligations, outlays or expenditures, unobligated balances, income, assets, and liabilities. In addition, source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contracts, and grant award documents should be available at the appropriate central service agencies (such as the Department of Finance) to support the accounting records.

2. Develop, in coordination with the Division of Personnel, job specifications and job descriptions for the positions of financial analyst and secretary and seek funding from the Federal Transit Administration to fill these positions.

3. Prepare annual Financial Status Reports for each of the Department's active Federal grants through the fiscal year-end of September 30, 1998, and continue to prepare the Financial Status Reports on an annual basis, as required by the Code of Federal Regulations (49 CFR 18.41).

4. Prepare final Financial Status Reports for the two grants which we classified as inactive; prepare a certification or summary of Project expenses for each grant; and submit an independent audit report, as applicable, in accordance with the U.S. Department of Transportation's Master Agreement.

5. Ensure that, immediately after notification of a grant award from the Federal Transit Administration, the Department/Agency Federal Budget Plan (Form OMB(3)) is prepared and submitted with a copy of the approved grant award to the Department of Finance for assignment of a cost center code. Upon receipt of the cost center code, the Budget Plan, grant award, and cost center designation should be forwarded to the Virgin Islands Office of Management and Budget for the establishment of an approved project budget within the Government's Financial Management System.

6. Develop specifications for accessible vehicles to be purchased for nonprofit organizations to transport elderly and disabled persons and identify vendors who are willing to reconfigure these vehicles for driving on the left side of the road in the Virgin Islands.

7. Formally request in writing approval **from the** Federal Transit Administration to reallocate grant program funds **from** the Elderly and Persons with Disabilities Program for grants awarded during 1991 to 1995 in order to pay for the vehicles purchased.

8. Prepare miscellaneous disbursement vouchers for submission to the Department of Finance to refund the appropriate amounts to the four nonprofit organizations which contributed \$16,521 of their own funds to assist **the** Department in purchasing accessible vehicles for transportation of elderly and disabled persons.

## **Governor of the Virgin Islands Response and Office of Inspector General Reply**

The July 1, 1999, response (Appendix 2) **from** the Governor of the Virgin Islands stated concurrence with Recommendations 3, 4, 7, and 8, and nonconcurrence with Recommendations 1, 2, 5, and 6. Based on the response, we consider Recommendation 7 resolved and implemented; Recommendations 1, 3, 4, and 8 resolved but not implemented; and Recommendations 2, 5, and 6 unresolved (see Appendix 3).

### **Recommendation 1. Nonconcurrence.**

**Governor of the Virgin Islands Response.** The response stated that the Government “has a dispersed financial management function”; that grant-related documents such as canceled checks and paid bills are maintained at the Department of Finance; that the Department of Public Works “maintained files for each grant in question,” although certain records “might have been misfiled” at the time of the audit; and that “it is also possible that certain documents might have been lost through Hurricane Marilyn” The response stated, however, that the Acting Commissioner of Public Works had (1) established a task force, “under **the** leadership of the Director of Administration ... to locate, coordinate and organize the records for” the Federal Transit Administration grants, the task of which is to be completed within 6 months, and (2) initiated a request “for the employment of a Financial Assistant to be assigned to the Grant Management Office [of the Department of Public Works] to work exclusively on financial administrative activities including record-keeping, reconciliations, and reporting” for Federal Transit Administration grants.

**Office of Inspector General Reply.** The actions described for the Department of Public Works to implement the recommendation **sufficiently** addressed the intent of the recommendation. Therefore, we consider the recommendation resolved but not implemented. Regarding canceled checks and paid bills, we acknowledge that under the Government’s decentralized financial management system certain source documents are not maintained by the Department of Public Works. However, basic grant management documents, accounting records, and financial management reports should be maintained by the agency administering each grant, in this case the Department of Public Works. Source documents should be available at the appropriate central service agencies, such as the Department of Finance and the Department of Property and Procurement, to support the basic grant management records and reports. Recommendation 1 has been changed to clarify this point.

**Regarding the maintaining** of grant files, certain records for grants may have been misfiled **at the** time of the audit or may have been destroyed by Hurricane Marilyn. However, the primary scope of our audit included grant transactions that occurred during fiscal years 1997 and 1998. Therefore, Hurricane Marilyn, which occurred in September 1995, should not have been a factor. Additionally, we would expect grant files for the more recent grant periods to be complete; however, in most cases they were not.

**Recommendation 2.** Nonconcurrency.

**Governor of the Virgin Islands Response.** The response stated nonconcurrency with the recommendation because “the exact staffing of [the Office of Transportation] and other divisions within the [Department of Public Works] are currently under review and will be determined by the Commissioner in consultation with the staff and with the approval of the Governor.” However, the response stated that the Deputy Commissioner of Transportation “is instructed to seek [Federal Transit Administration] funding for a general administrative support position and a financial administrative support position” and that until Federal funding is available, “an immediate request has been initiated ... to the Governor for the employment of a Financial Assistant” to be paid from local funds.

**Office of Inspector General Reply.** The actions described for the Department of Public Works to implement the recommendation sufficiently addressed the intent of the recommendation. However, a target date for implementation of the recommendation is needed (see Appendix 3).

**Recommendation 5.** Nonconcurrency.

**Governor of the Virgin Islands Response.** The response stated nonconcurrency with the recommendation because the Transportation Office “has provided documentation to show that the V.I. [Virgin Islands] Government procedures are being followed for the requesting of cost center codes from the [Department of Finance] and the submission of budgets to the [Virgin Islands Office of Management and Budget]” and that “there may have been an isolated instance where budgets ... might have been misplaced or lost.” The response included documentation for a budget and a request for cost center codes for Grant No. VI-18-X013.

**Office of Inspector General Reply.** The response did not address the primary point of our finding and recommendation, which was that grant budgets and requests for cost center codes were not submitted timely, not that such documents were not submitted. We found instances, as stated in the report, where the Department of Public Works took from 1 **to 5 years** to submit the required documentation. In fact, the documentation included with the Governor’s response instead shows that Grant No. VI-18-X013 was awarded in September 1996 but that the Department of Public Works did not submit the necessary documents to the Department of Finance and the Virgin Islands Office of Management and Budget until March 1997, or 6 months later. Therefore, we request that the Governor reconsider the response to the recommendation (see Appendix 3).

**Recommendation 6. Nonconcurrency.**

**Governor of the Virgin Islands Response.** The response said that “requests to participants in the Section 53 10 grant program for specifications to be used in the purchase of buses for transportation of the elderly and disabled were intended to be preliminary and information gathering in nature. The said information was then used to develop generic specifications for buses, which were then submitted to [the Department of Property and Procurement] for obtaining bids.” However, the response stated that the Deputy Commissioner of Transportation “is instructed to work with his staff to develop three standard vehicle specifications from which to select for the purchase of vehicles.”

**Office of Inspector General Reply.** The action described for the Department of Public Works to implement the recommendation sufficiently addressed the intent of the recommendation. However, a target date for implementation of the recommendation is needed (see Appendix 3).

## B. FINANCIAL ACCOUNTABILITY

Although the Department of Public Works generally made claims against Federal Transit Administration grants for expenditures that were reasonable and allowable in accordance with grant provisions, we found that adequate financial accountability was not maintained for the Federal grants. Specifically, the Department of Public Works did not (1) reconcile grant activity information with information contained in the Federal Transit Administration's Grant Management Information System<sup>1</sup> or the Government's Financial Management System and (2) ensure that Federal funds were electronically transferred in accordance with the Cash Management Improvement Act of 1990. Financial administration requirements and rules and procedures to implement the Cash Management Improvement Act are contained in the Code of Federal Regulations. However, the Office of Transportation did not have a financial analyst to oversee the day-to-day accounting functions of the grant programs, and the Associate Planner, who was temporarily assigned these accounting duties, was not adequately trained to perform these duties. In addition, the Office of Transportation's Deputy Commissioner stated that his office did not receive adequate administrative and accounting support from the Department of Public Works Business Administration Division and Federal Grants Management Unit. As a result, we questioned costs of \$119,758: \$95,571 as unsupported costs and \$22,187 as cost exceptions. In addition, we determined that about \$60,000 was not reimbursed to the Department of Public Works by the Federal Transit Administration because the Department of Public Works did not correctly prepare requests for electronic transfers of Federal funds. Further, the Department of Finance held Federal funds for as long as 49 days after receipt of fund transfers before payments to vendors were released, and on some occasions, the Department of Public Works did not request funds transfers until as many as 312 days after payments had been made to vendors by the Department of Finance.

### Grant Expenditures

We reviewed the grant files, vendor files, and other documents maintained but not filed by the Associate Planner for a sample of 87 expenditure transactions, totaling \$1.9 million: that were claimed against the Federal Transit Administration grants during fiscal years 1997 and 1998. We grouped the \$1.9 million in claimed costs into four expenditure categories as follows: \$1.8 million for equipment; \$52,000 for other services, which included computer, construction, and inspection services; \$25,000 for training and travel; and \$23,000 for audit services. We considered expenditures claimed for equipment and audit services to be allowable costs in accordance with the grant agreement provisions. However, we questioned costs of \$119,758.

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<sup>1</sup>According to the Federal Transit Administration's Program Manager, the Grant Management Information System was replaced in November 1998 by the Transportation Electronic Award and Management System. In August 1998, the Department of Public Works Director of Administration and Director of Computer Operations and the Office of Transportation's Associate Planner were provided training on the new system. For purposes of this report, we refer to the System as the Grant Management Information System.

**Unsupported Costs.** We classified costs of \$97,571 as unsupported as follows:

- On May 13, 1998, the Department of Public Works requested an electronic transfer from the Federal Transit Administration totaling \$638.9 17. That amount included \$97,372 for a partial payment for assembly of transit system buses under the Nonurbanized Area Formula Program (49 U.S.C. 53 11). However, the Department of Public Works was not able to provide us with documents to support this claim. Accordingly, we classified the \$97,372 as unsupported.

- On April 23, 1998, the Department of Public Works requested an electronic transfer from the Federal Transit Administration totaling \$18 1,659. That amount included \$199 payable to a national charity. However, the Department of Public Works was not able to document the amount claimed. Accordingly, we classified the \$199 as unsupported.

**Cost Exceptions.** We took exception to costs of \$22,187 as follows:

- On September 10, 1998, the Department of Public Works requested an electronic transfer from the Federal Transit Administration totaling \$34,873. That amount included \$15,476 for in-plant inspection services for buses that were being assembled. While the buses were purchased under the Nonurbanized Area Formula Program (49 U.S.C. 53 11), the claim was charged against a Section 3 Capital Assistance Grant. In accordance with the U.S. Department of Transportation's Master Agreement, the in-plant inspection services (for buses under a Section 18 grant) were not eligible costs under the Section 3 grant because these costs were not included in the latest Approved Project Budget. Accordingly, we took exception to costs of \$15,476.

- We found that the Department of Public Works used training and travel funds totaling \$6,701 for its Marine Division or for other Department of Public Works employees, although these costs were not related to Federal Transit Administration grants. For example, we found claims for private boat captains to attend marine-related conferences and trade shows; for an employee of the Marine Division to travel to Virginia to inspect a water taxi vessel; and for an Assistant Commissioner to attend a conference on the mainland which, according to the Deputy Commissioner, the Assistant Commissioner did not attend. In its application for Federal assistance, the Department of Public Works stated that Rural Transit Assistance Program funds would be used to support training for the public transit system operations and Office of Transportation staff. Accordingly, we took exception to costs of \$6,701.

- We found two instances, totaling \$10, in which alcoholic beverages were included in meal charges claimed against the Federal grants. U.S. Office of Management and Budget Circular A-87 ("Cost Principles for State and Local Governments") prohibits the inclusion of the cost of alcoholic beverages in claims against Federal grants. Accordingly, we took exception to costs of \$10.

## Grant Reconciliations

The Associate Planner, to whom the administrative and financial duties of the Office of Transportation were delegated, did not access the Federal Transit Administration's Grant Management Information System to conduct grant reconciliations and did not have access to the Government's Financial Management System. Therefore, reconciliations of the Office's grant accounting records to records maintained by the Federal Transit Administration and the Virgin Islands Department of Finance were not performed. We found that because the reconciliations were not performed, the Department of Public Works did not receive reimbursement of expenditures of about \$60,000 from the Federal Transit Administration and that none of the 11 electronic transfers of Federal funds for fiscal years 1997 and 1998, totaling \$1.89 million, were recorded in the Government's Financial Management System.

**Expenditures Not Reimbursed.** We compared the amount requested by the Department of Public Works with the amount approved by the Federal Transit Administration for grant-related expenditures claimed during fiscal years 1997 and 1998. The approved amount was deposited through electronic transfers into the Government's Special and Other Funds bank account. Our comparison showed that the Department of Public Works made 11 requests, totaling \$1.95 million, but that the Federal Transit Administration approved only \$1.89 million of that amount. Because grant reconciliations were not performed, the Department of Public Works was not aware of the \$60,000 difference.

Our analysis showed that the differences occurred because, for 6 of the 11 requests for payment, the Associate Planner either requested payment from the incorrect Financial Purpose Code<sup>7</sup> or requested payment from a Financial Purpose Code that did not have a sufficient remaining balance to pay the claimed amount. For example, on August 13, 1998, the Department of Public Works requested \$74,515 to pay for equipment, construction, and travel-related expenditures. However, the Federal Transit Administration approved only \$50,532 of that amount. We found that the Associate Planner charged \$715 to pay for a facsimile machine to Project No. VI-03-0004 under Financial Purpose Code "09," which represented funds for operating assistance. However, the Notification of Grant Award for Project No. VI-03-0004 obligated approved funds only for Financial Purpose Code "00," which represented capital expenditures. This meant that claimed costs against the grant could be charged only to Financial Purpose Code "00." The Federal Transit Administration's

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<sup>7</sup>The grant awards contained a "program of projects," for which funds were apportioned based on Financial Purpose Codes. For example, grants awarded to the Department of Public Works to purchase vehicles for nonprofit organizations to provide transportation to elderly and disabled persons were apportioned to Financial Purpose Code "00," which represented capital expenditures. Similarly, grants awarded to provide assistance to the Territory's public transit system were apportioned to the following Financial Purpose Codes: "06," which represented State Administration funds to cover financial audits and to pay for operating supplies and office equipment; "07," which represented Rural Transit Assistance Program funds to cover training for the Territory's public transit system bus drivers and Office of Transportation staff; and "09," which represented Operating Assistance funds to support the public transit system in the Territory.

Grant Management Information System automatically rejected the \$715 claim because it was not made against a valid Financial **Purpose** Code under the grant award.

In addition, the Associate Planner charged \$23,268 to Project No. VI-18-0010 under Financial Purpose Code "07," which represented training funds. The total amount obligated to the Financial Purpose Code was \$11,850, and at the time the claim was submitted, Financial Purpose Code "07" had an available balance of only \$4,860. Therefore, the claimed amount exceeded both the obligated and the available amounts. Accordingly, the \$23,268 claim was rejected by the Federal Transit Administration's Grant Management Information System because funds were insufficient to satisfy the full amount of the claim. Moreover, we found that the \$23,268 claim was for construction associated with a bus terminal on St. Croix. Therefore, in our opinion, this was not an allowable claim under the Financial Purpose Code for training costs. The claim should have been made under Financial Purpose Code "09," which represented funds for various types of operating assistance.

The Federal Transit Administration's Program Manager told us that payments made against an incorrect Financial Purpose Code or a Financial Purpose Code with insufficient funds to pay the full amount of the claim would automatically be rejected by the Administration's Grant Management Information System. Therefore, although the Department of Public Works was aware of unexpended balances within dormant grant accounts and was making an effort to expend these funds, we believe that the Department of Public Works was not aware of the methodology to appropriately charge costs against these grants because the Associate Planner was using the incorrect financial purpose codes.

In addition, we found three instances in which the Department of Public Works request for payment form, which it submitted electronically to the Federal Transit Administration, did not have the same project number as the documents in support of the claims. For example, on October 10, 1997, the Department of Public Works requested \$103,659 from Project No. VI-18-0011. However, the payment documents in support of this request indicated that the claim should have been made against Project No. VI-18-0010. Because Project No. VI-18-0011 had sufficient funds, the payment request was approved by the Federal Transit Administration. We believe that future requests for payment from these two projects will be affected by the differences in the recorded grant balances unless the Department of Public Works performs reconciliations with information maintained by the Federal Transit Administration.

**Fund Transfers Not Recorded.** We found that the Department of Finance's Collector prepared a certificate of deposit and a statement of remittance for only 1 of the 11 requests for funds made by the Department of Public Works during fiscal years 1997 and 1998. The statement of remittance is the document used by the Department of Finance's Accounting Division to record the electronic transfers of Federal funds (deposits) to the Government's Financial Management System. The Department of Finance's Collector told us that the Department was unable to identify the source of electronic transfers of Federal funds unless the agency that requested the electronic transfer provided the fund transfer information to the Department of Finance. During fiscal year 1997, the Department of Public Works did not inform the Department of Finance when it requested funds from the Federal

Transit Administration. Based on documentation at the Department of Finance, we determined that the Department of Public Works began to inform the Department of Finance of electronic fund transfers during May 1998. However, the Department of Finance's Collector did not forward any statements of remittance for fiscal year 1998 to the Accounting Division for recording purposes because additional processing was required. The Department of Finance's Collector said that she needed to manually place a tracking number on the statement of remittance but did not have the time to complete this task.

The Department of Finance's Federal Grants Manager provided us with the Financial Management System computer printouts for the Office of Transportation for the fiscal years 1992 through 1998. Based on our review of those printouts, we determined that only one electronic transfer of Federal funds (which occurred in May 1996) was recorded in the Government's Financial Management System during that time period. Because the Office of Transportation did not have access to the Government's Financial Management System, the Office was not aware of these recording deficiencies.

We discussed the Office of Transportation's lack of inquiry access to the Government's Financial Management System with the Department of Public Works Comptroller. Based on information that we provided to the Comptroller, he was successful in obtaining a user identifier and password for the Associate Planner to access the Financial Management System. However, the Associate Planner was not provided training by a Department of Finance representative on the procedures to access the System and generate reports that would be useful for performing grant reconciliations.

### **Cash Management Improvement Act of 1990**

We found that the Department of Public Works did not always make timely requests for electronic transfers of Federal funds and that the Department of Finance did not always timely release checks in accordance with the Cash Management Improvement Act of 1990 (31 U.S.C. 6503). The provision (31 CFR 205.7) of the Code of Federal Regulations that implements the Act states, "A State and a Federal agency shall minimize the time elapsing between the transfer of funds from the United States Treasury and the pay out of funds for program purposes by a State, whether the transfer occurs before or after the pay out." Furthermore, the Code (31 CFR 205.12) states, "A State will incur an interest liability to the Federal Government if Federal funds are in a State account prior to the day the State pays out funds for program purposes." We found that the lack of compliance with the Cash Management Improvement Act occurred because the Department of Public Works had difficulty in accessing the Federal Transit Administration's computer system during the period of March 1997 through March 1998. In addition, the Department of Finance did not timely record the receipt of Federal funds to its Financial Management System and did not use available Federal funds for approved purposes because its bank account was overdrawn on the days when the Federal funds were received. As a result, the Department of Finance released checks as many as 49 days after the request for Federal funds was received and, on some occasions, as many as 312 days before the request for Federal funds was made by the Department of Public Works.

The Associate Planner told us that she had difficulty processing requests for fund transfers during March 1997 to March 1998 because her computer did not work. In addition, the Associate Planner said that she preferred to make requests for funds for blocks of expenditures rather than for a single expenditure. For example, on April 23, 1998, the Associate Planner made a request for funds totaling \$18 1,659 for 20 expenditures that were paid during the period of June 1997 through March 1998. On April 28, 1998, the Federal Transit Administration electronically transferred \$176,658 of that amount into the Government's bank account. We found that 19 of the 20 checks (we were unable to identify 1 check) to pay for these expenditures were released from 46 to 3 12 days before the funds were electronically transferred to the Government's account.

We conversely found, for example, that on January 22, 1999, the Department of Public Works electronically requested funds totaling \$16 1,637, of which \$136,569 was received on January 27, 1999. The day the funds were received, the bank account had a negative balance of \$2.6 million and the Department of Finance did not release the check until February 8, 1999, or 8 working days after receipt of the Federal funds despite repeated requests from the Office of Transportation, the Public Works Commissioner, and the vendor who was awaiting payment.

Because the Department of Finance did not timely record electronic transfers of Federal funds in its Financial Management System, there was no means to verify the receipt of funds or to make timely payments in accordance with the Cash Management Improvement Act. Also, as of January 1999, the Government was depositing Federal funds into its Special and Other funds bank account, which resulted in local and Federal funds being commingled.

## **Recommendations**

We recommend that the Governor of the Virgin Islands require the Department of Public Works to:

1. Provide the U.S. Department of Transportation's Federal Transit Administration with supporting documentation for the unsupported costs of \$97,571 and the cost exceptions of \$22,187 so that the grantor agency can make a final determination as to the allowability of those costs.
2. Reconcile its grant files with information contained in the Federal Transit Administration's Grant Management Information System and the Government's Financial Management System. At a minimum, balances for each grant, based on amounts allocated by Financial Purpose Code, should be reconciled, and those electronic transfers not approved by the Federal Transit Administration should be requested again in the proper format.
3. Provide the Department of Finance's Collector with information pertaining to electronic transfers of Federal funds received during fiscal years 1997 and 1998 and ensure that information on future electronic transfers is provided in a timely manner.

We recommend **that the** Governor of the Virgin Islands require the Department of Finance to:

4. Provide training to the Office of Transportation's Associate Planner on the procedures needed for the Associate Planner to access the Government's Financial Management System and to produce reports on the financial transactions and the status of accounts related to the Office of Transportation.

5. Record electronic transfers of Federal funds in the Government's Financial Management System in a timely manner.

### **Governor of the Virgin Islands Response and Office of Inspector General Reply**

The July 1, 1999, response (Appendix 2) from the Governor of the Virgin Islands concurred with Recommendation 2, nonconcurred with Recommendations 1 and 3, and did not address Recommendations 4 and 5. Based on the response, we consider Recommendation 3 resolved and implemented; Recommendation 2 resolved but not implemented; and Recommendations 1, 4, and 5 unresolved (see Appendix 3).

#### **Recommendation 1. Nonconcurrence.**

**Governor of the Virgin Islands Response.** The response nonconcurred with the recommendation and provided documentation that was not available during the audit to support charges of \$97,372 that we had classified as unsupported costs. The response also stated that charges of \$15,476 that we had classified as cost exceptions had been "charged in **error** to the wrong grant account" and that an adjustment voucher would be processed to correct the charge. The response further stated that the Department of Public Works was still researching a charge of \$199 that we had classified as unsupported costs and that additional charges of \$6,701 that we had classified as cost exceptions were for training related to marine transportation systems and attendance at conferences that the Department believes are allowable under Federal Transit Administration guidelines,

**Office of Inspector General Reply.** Based on our review of the additional documentation provided with the response, we believe that the Department of Public Works should provide all pertinent supporting documents to the Federal Transit Administration for a final determination as to allowability of the questioned costs as follows:

- The documentation and the information provided in the response for the charges of \$97,372 show that the expenditures were not properly allocated to the two related grant accounts. Specifically, although the drawdown documents that we reviewed during the audit and the response stated that the \$97,372 was to be allocated SO-50 to Grant Nos. VI- 18-00 10 and VI-18-001 1 (\$18,686 to each grant), the expenditure documents provided with the response show that \$64,914.50 was charged to Grant No. VI-18-0010 and \$32,457.25 was charged to Grant No. VI-1 8-0011. Therefore, the Department of Public Works should

process an adjustment to properly charge the grant accounts in the amounts for which the funds were originally drawn down.

- The response stated that the \$199 was for the registration fee for a Department official to attend a training conference on the Americans with Disabilities Act. The Department should provide documentation supporting this charge when it has been found.

- The Department should provide documentation to show that the adjustment for the expenditures of \$15,476 has been processed.

- The response did not include any documents supporting the expenditures of \$6,701. Additionally, in the report, we stated, "In its application for Federal assistance, the Department of Public Works stated that Rural Transit Assistance Program funds would be used to support training for the public transit system operations and Office of Transportation staff." The application did not make reference to training related to marine operations or attendance at trade shows and conferences. Accordingly, the Department should provide documentation to support the expenditures.

- The response did not address the additional cost exception of \$10 for alcoholic beverages, which is unallowable in accordance with Circular A-87.

### **Recommendation 3. Nonconcurrency.**

**Governor of the Virgin Islands Response.** The response nonconcurred with the recommendation and included documents indicating that information pertaining to electronic fund transfers was provided to the Department of Finance during the period of May 1998 through April 1999. The response also stated that documentation of drawdowns for fiscal years 1997 and 1998 would be submitted to the Department of Finance by July 15, 1999.

**Office of Inspector General Reply.** The documentation provided with the response supports our finding that prior to May 1998, the Department of Public Works did not submit grant drawdown information to the Department of Finance. However, based on the target date provided in the response for submitting such information for fiscal years 1997 and 1998, we consider the recommendation resolved and implemented.

## CLASSIFICATION OF MONETARY AMOUNTS

<u>Finding Area</u>	<u>Funds To Be Put To Better Use*</u>	<u>Questioned Costs</u>	
		<u>Unsupported costs*</u>	<u>cost Exceptions*</u>
A. Grant Administration	\$2,800,000		
B. Financial Accountability	<u>                    </u>	<u>\$97,571</u>	<u>\$22,187</u>
Total	<u>\$2,800,000</u>	<u>\$97,571</u>	<u>\$22,187</u>

\*The amounts represent Federal funds.



**THE UNITED STATES VIRGIN ISLANDS**

OFFICE OF THE GOVERNOR  
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802  
809-774-0001

July 1, 1999

Mr. Robert J. **Williams**, Acting Inspector General  
Office of the Inspector General, Caribbean **Office**  
Federal Building – Room 207,  
Charlotte Amalie, Virgin Islands, 00802

Re: **Response to OIG Draft Audit Report on Federal Transit Administration (FTA)  
Grants Report # V-IN-VIS-001-99-M.**

**Dear** Mr. Roberts:

Attached hereto is the response of the Public Works Department to the above captioned **Draft** Audit Report submitted by your office on our Federal Transit Administration Grants. The eight page response is accompanied and supported by documentation contained in several exhibits numbered **Exhibit 1.** through **Exhibit 6.**

This office has reviewed both the **Draft** Audit Report and the attached response. While we agree that the **findings** are serious indeed, the Public Works Department has submitted arguments and documentation to support their non-concurrence with six of the eleven findings and recommendations directed at that **Department**. The response from the **Department** of Finance, regarding the two recommendations directed at that **Department** is **still** pending and will be **forwarded** to your **office** as soon as it is received.

**Please** be assured that this Administration is committed to improving the management of our Federal Aid Programs and regrets the areas of non-compliance and inefficiency.

Please let me know if I can be of further **assistance** in this matter, or you may contact **Mrs.** Juel T. Molloy at 693-4321.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerard L. James, II".

Gerard L. James, II  
Acting Governor

pc: Juel T. Molloy, Chief of Staff  
Harold G. Thompson, Jr., Acting Commissioner • PWD



GOVERNMENT OF  
THE VIRGIN ISLANDS OF THE UNITED STATES

PUBLIC WORKS DEPARTMENT

6244 SUB BASE

ST. THOMAS, V.I. 00802-5805

OFFICE OF  
THE COMMISSIONER

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June 15, 1999

Honorable Charles W. Turnbull  
Governor of the U. S. Virgin Islands  
Government House  
St. Thomas, V.I. 00802

Re: Response to OIG **Draft** Audit Report on Federal Transit Administration (FTA)  
Grants Report # **V-IN-VIS-001-99-M**

Dear Governor Turnbull:

Attached for your review and submission to the Office of **Inspector** General (OIG) is this Department's response to the above captioned Draft Audit Report. The response is accompanied and supported by documentation contained in several exhibits numbered Exhibit 01 through Exhibit 06.

Please let me know if you have any questions or need additional information on the subject audit or your **staff** may contact Ms. Eva E. **Richardson** at 7764844, ext. 221.

Sincerely,

  
Harold G. Thompson Jr.  
Acting Commissioner

HGT/er

pc: Wayne D. Callwood, Assistant Commissioner  
Verne R. Callwood, Deputy Commissioner for Transportation  
Eva E. Richardson Grants Manager  
Constance Gumbs, Associate Planner

GOVERNMENT OF THE VIRGIN ISLANDS  
PUBLIC WORKS DEPARTMENT



RESPONSE TO FINDINGS AND RECOMMENDATIONS OF THE  
OFFICE OF INSPECTOR GENERAL (OIG) DRAFT AUDIT REPORT  
ON FEDERAL TRANSIT ADMINISTRATION (FTA) GRANTS  
REPORT # V-IN-VIS-001-99-M

FORWARDED TO THE GOVERNOR FOR REVIEW AND SUBMISSION TO THE  
OFFICE OF INSPECTOR **GENERAL** (OIG)  
JUNE 15, 1999

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS  
PUBLIC WORKS DEPARTMENT

**Response to Findings and Recommendations of the Office of Inspector General  
(OIG) Draft Audit Report on Federal Transit Administration (FTA) Grants  
Report # V-IN-VIS-001-99-M**

The following are responses to Findings and Recommendations to the above captioned **Draft Audit Report**. Responses are keyed to Recommendations for: A. **GRANT ADMINISTRATION** found on page 11 of the report and Recommendations for: B. **FINANCIAL ACCOUNTABILITY** found on page 17 of the report.

**A. GRANT ADMINISTRATION:**

**Finding/Recommendation 1:** Establish and maintain in accordance with the Code of Federal Regulations (49 CFR 18.20), grant program files for each Federal grant award received. At a minimum, the files should contain documentation of grant awards and authorizations, obligations, outlays or expenditures, unobligated balances, income, assets, and liabilities. In addition, source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contracts, and grant award documents should support accounting records.

**Concurrence or Non-concurrence:** The PWD does not concur with this finding in its entirety, for the following reasons:

a. The Government of the Virgin Islands has a dispersed financial management function with different departments responsible for various aspects of the function. These include the Department of Property and Procurement (DP&P); V.I. Office of Management and Budget (VIOMB); Department of Finance (DOF) as well as the grantee agency, in this case the Department of Public Works (PWD). While the PWD maintains most documents for its grant programs, including FTA grants, documents such as canceled checks and paid bills are maintained at the DOF.

b. The DPW has maintained files for each grant in question. However, at the time of the audit, certain records might have been miss-filed. It is also possible that certain documents might have been lost through Hurricane Marilyn when the roof of the Transportation Office was blown off and many documents and other property were destroyed.

**Corrective Action:** The Acting Commissioner has established a four member Task Force under the leadership of the Director of Administration who had previously worked in the Transportation Office as a Financial Analyst. Other members of the task

Response to OIG **Draft** Audit  
 FTA Grants  
 Page 2

force are the Assistant Director of Administration; the Grants Manager and the **VITRAN** Accountant. The Task Force is charged with the responsibility of working with the Transportation **Office** to locate, coordinate and organize the records for our FTA grants. The group **will** be given a period of six months to complete this task and to submit a report to the **Commissioner**. See memoranda dated May 3, 1999 and June 14, 1999 attached and identified as **Exhibit 1**. A request has been initiated to the Governor through the **VIOMB** for the employment of a Financial Assistant to be assigned to the Grants Management **Office** (GMO) to work exclusively on financial administrative activities including record-keeping, reconciliations and reporting for our FTA grant program.

**Finding/Recommendation 2:** Develop, in coordination with the Division of Personnel, job specifications and job descriptions for the positions of financial analyst and secretary and seek **funding from** the Federal Transit Administration to fill these positions.

**Concurrence or Non-concurrence:** The PWD **does not Concur** with this finding/recommendation in its entirety for the following reasons: While it is agreed that the Transportation **Office** is in need of administrative assistance, and the Department will move expeditiously to meet that need, the exact **staffing** of this and other divisions within **the PWD** are currently under review and will be determined by the Commissioner, in consultation with **staff** and with the approval of the Governor.

**Corrective Action:**

a. The Deputy **Commissioner** of Transportation is instructed to seek **FTA funding** for a general administrative support position and a financial administrative support position for our **FTA** Grant Program.

b. Until Federal funding is available as in **a.** above an immediate request has been initiated through the **VIOMB** to the Governor for the employment of a Financial Assistant. This request is included in a letter dated May 26, 1999; attached and identified as Exhibit 2. The individual will be assigned to work in the (GMO) with specific responsibility for financial and grants management activities of the FTA grants. The Financial Assistant will report to the Grants Manager, thus providing for financial review and oversight; record-keeping; **electronic funds** transfer; reconciliation and reporting for the program; these activities constitute the financial review and support **function** of the GMO. financial. This position **will** be funded through the Public Transit Fund **until** federal assistance is in place for the two positions indicated in **a. above**.

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Finding/Recommendation 3: Prepare annual Financial Status Reports for each of its active Federal grants through the fiscal year-end of September 30, 1998 and continue to prepare the Financial Status Reports on an annual basis, as required by the Code of Federal Regulations (49 CFR 18.41).

Concurrence or **Non-concurrence**: The PWD concurs with this finding:

Corrective Action: The Associate Planner, who has been assisting with the financial activities of the Transportation **Office** on a temporary basis has started work on preparing the Financial Status Reports in question. These will be reviewed by the Grants Manager prior to entry into the Transportation Electronic Award and Management System (**TEAM**). With the employment of a financial person to work on the financial activities of our Federal Transit grant program, these reports should be completed by July 30, 1999 and should remain in a state of currency there **after**.

Finding/Recommendation 4: Prepare final Financial Status Reports for the two grants which we classified as inactive; prepare a certification or summary of Project expenses for each grant; and submit an independent audit report, as applicable, in accordance with the U.S Department of Transportation's Master Agreement.

Concurrence or Non-concurrence: The PWD **concurs** with this recommendation:

**Corrective Action:** The Deputy Commissioner for Administration is instructed to prepare an RFP to **hire** an accounting firm to effect an independent audit report for the two grants in question. The estimated time for completion of this task is six months **from** June 15, 1999.

**Finding/Recommendation 5:** Ensure **that**, immediately after notification of a grant award **from** the Federal Transit Administration, **the** document "Department /Agency Federal Budget Plan [OMB (3)]" is prepared and submitted with a copy of the approved grant award to **the** Department of Finance for assignment of a cost center code. Upon receipt of **the** cost center code, the Budget Plan, grant award, and **cost** center designation should be forwarded to the Virgin Islands **Office** of Management and Budget for the establishment of **an** approved project budget within the Government 's Financial Management System.

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**Concurrence or Non-concurrence. :** The PWD **does not concur with** this finding/recommendation for the following reason:

**The Transportation Office** has provided 'documentation to show that the **V.I** Government procedures are being followed for the requesting of cost center codes **from** the DOF and for the submission of budgets to the **VIOMB**. See copies of budget submittals attached and identified as Exhibit 3. The Associate Planner has indicated that while there might have been an isolated instance where budgets submitted to **VIOMB** might have been misplaced or lost, The Department follows the Government budget procedures.

**Finding/Recommendation 6: Develop** specifications for accessible vehicles to be purchased for non-profit organizations to transport elderly and disabled persons and identify vendors who are willing to reconfigure these vehicles for left-hand driving in the Virgin Islands

**Concurrence or Non-concurrence:** The PWD **does not concur with** this finding/recommendation for the following reason:

Requests to participants in the **Section 5310 grant** program for specifications to be used in the purchase of buses for the transportation of the elderly and disabled were intended to be preliminary and information gathering in nature. The said information was then used to develop generic specifications for busses, which were then submitted to **DP&P** for obtaining bids. The questions of staffing and technical expertise aside, we believe that the participation of recipient organizations in assisting to specify their needs should be considered a plus. However, The Deputy Commissioner of Transportation is **instructed to** work with his staff do develop three standard vehicle specifications **from** which to select for the purchase of vehicles.

**Finding/Recommendation 7: Formally request in** writing approval from the Federal Transit Administration to reallocate grant program **funds from** the Elderly and Persons with Disabilities Program for grants awarded during 1991 to 1995 in order to **pay** for the vehicles purchased.

**Concurrence or Non-concurrence:** The PWD concurs with this finding/recommendation.

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Corrective Action: In a letter dated June 11, 1999, attached and identified as Exhibit 4, a request was made to the Regional Administrator, **FTA**, to effect this recommendation. According to staff in our Transportation Office, verbal concurrence was obtained **from FTA officials** for the re-allocation of funds to purchase buses. However, this should have been obtained in writing. The attached request seeks to obtain that approval.

Finding/Recommendation 8: Prepare miscellaneous disbursement vouchers for submission to the Department of Finance to refund the appropriate amounts to the four non-profit organizations which contributed \$16,521 of their own funds to assist the Department in purchasing accessible vehicles for transportation of elderly and disabled persons.

Concurrence or Non-concurrence: The PWD concurs with this recommendation:  
Corrective Action: Once formal approval is obtained **from FTA** for the reallocation of funds between pertinent Section 5310 grants, Miscellaneous Disbursement Vouchers will be submitted to the Department of Finance to reimburse the nonprofit organizations in question. The Deputy Commissioner of Transportation will ensure that this item is concluded by September 30, 1999.

## B. FINANCIAL **ACCOUNTABILITY**:

Finding/Recommendation 1: Provide the U.S. Department of Transportation's Federal Transit Administration with supporting documentation for the unsupported **costs** of **\$97,751** and the **cost** exceptions of \$22,187 so that the grantor agency can make a final determination as to the allowability of those **costs**.

Concurrence or Non-concurrence: The WD does not concur with this finding/recommendation for the following reasons:

### **a. unsupported Costs of \$97,571:**

Attached is documentation for \$97,372 which represents partial payments to Eldorado National Company for the purchase of 1 each 25' accessible vehicle (bus) for St. John. The payment and **electronic** transfer of **funds** were related to Requisition # 60-714-97; Purchase Order # **1-1624-PP-97**, dated **6/23/97** in the amount of \$129,573. By the time the Purchase Order was issued, the vendor had raised their price by about **\$150** per bus. Payments were made as follows:

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Pay. Date	Voucher #	Invoice #	Inv. Date	Description	Amount
9/30/97	A46537	970923D	9/23/97	Deposit 20% of Cost	\$ 25,914.80
5/20/98	A941 15	353970 •	2/1/98	Chassis Received	32,427.25
5/20/98	A94115	353972 •	3/16/98	Body Completion	32,457.25
6/25/98	AA2892	354249 •	5/1/98	Bus Shipped	32,457.25
6/25/98	AA1581	354922	6/2/98	Final Payment	6,542.65
					<u>129,739.20</u>

In drawing down the amounts for the three invoices identified by an asterisk above, on 5/13/1998, the Associate Planner totaled the three amounts and divided the total 50%/50% for reimbursement from Grants # VI-18-0010 and VI-18-0011. The three invoices totaled \$97,371.75. See attached copies of Miscellaneous Disbursement Vouchers (4 vouchers); copies of Vendor Invoices (5 Invoices). There was apparently an error where Invoice #3 54249 was listed twice, once on Voucher # A94 115 and again on Voucher # AA2892. This error was caught and the Invoice # 353070 was paid on Voucher # A941 15 instead. Also attached are copies of ECHO Payment Request Form for Request No. 3, dated 5/13/98, both the hand written request and the completed Draw Down Request from the ECHO system. The Draw Down Request shows the amount of \$48,686 twice. This totals back to (\$97,372) the amount of three invoice identified with an asterisk above. Documents listed herein are attached and identified as Exhibit 5, to support the claim.

b. The amount of \$15,476, identified as cost exceptions was for in-plant inspection of buses. This was charged in error to the wrong grant account. A **Voucher For Adjustment** will be issued to the Department of Finance (DOF) to record this charge against the Section 5311 Grant and to credit back the Section 3 Grant. The Grants Manager will be responsible for preparing any adjustments necessary to correct the records. This activity should be completed by July 31, 1999.

c. According to the Transportation **Office staff** a Miscellaneous Disbursement Voucher was issued for \$199 for a registration fee for a the Senior Planner and ADA Coordinator to attend an ADA training conference sponsored by Project – Accessible Community Transportation In Our Nation (Project ACTION). **While** The National Easter Seal Society is the parent organization of Project ACTION, Project ACTION itself is not a charitable organization. The PWD is still researching this item and as soon as our efforts are exhausted, information will be forwarded to the auditor.

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d. The **PWD** contends that costs associated with training in the amount of \$6,701 and listed as cost exceptions are indeed allowable costs subject to FTA Circular 9030.1C; under Fixed Guide-way Systems which include ferryboats and other marine inter-modal equipment. Training related to these marine systems are allowable. The FTA and FHWA have invited and encouraged the DPW to participate in this training which they have sponsored. As to the costs associated with travel for the then Assistant Commissioner to attend a transportation conference on the mainland, these costs are also allowable. Our inquiries show that he did attend more than one conference. Based on discussions with the Deputy Commissioner of Transportation his comments to the effect that the former Assistant Commissioner did not attend a conference were based on second-hand information and had no basis in fact. As a matter of fact, it appears that the conference which the Deputy Commissioner discussed with the auditor was a Transportation Research Board Conference which the Assistant Commissioner traveled to in Dallas Texas in 1997, while the conference mentioned by the auditor was a Transportation Privatization conference which he attended in New York in 1996.

Finding/Recommendation 2: Reconcile grant files with information contained in the Federal Transit **Administration's** Grant Management Information System and the Government's Financial Management System. At a minimum, balances for each grant, based on amounts allocated by Financial Purpose Code, should be reconciled, and those electronic transfers not approved by the Federal Transit Administration should be requested again in the proper format.

Concurrence or Non-concurrence: The **PWD** concurs with this recommendation.

Corrective Action: With the employment of a Financial Assistant, the work associated with the reconciliation of the **FTA** grants will be assigned to the GMO. Once this office is developed and staffed it will be responsible for financial management and record-keeping for all federally **funded** programs within the **PWD**. The estimated time for completing the reconciliations for the **FTA** grants is six to eight months, **after** the employment of the Financial Assistant..

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Finding /Recommendation 3: Provide the Department of Finance's Collector with information pertaining to electronic transfers of Federal funds received during fiscal years 1997 and 1998 and ensure that information on future electronic transfers is provided in a timely manner.

**Concurrence or Non-concurrence:** The PWD does not concur with this Finding for the following reason:

Copies of the completed ECHO Payment Request Forms are usually submitted to the Commissioner of Finance; see attached memoranda and completed ECHO Payment Requests, identified as Exhibit 6. However, a schedule will be made of the electronic Clearing House Operation (ECHO) Draw Down Requests for 1997 and 1998 and these will be submitted to the Commissioner of Finance and the attention of Collector # 8501. The Grants Manager will be responsible for re-submitting these documents under a cover letter signed by the Commissioner. This task should be completed by July 15, 1999.

**PUBLIC WORKS DEPARTMENT  
SCHEDULE OF EXHIBITS SUBMITTED WITH RESPONSE TO  
OIG AUDIT OF FEDERAL TRANSIT ADMINISTRATION (FTA) GRANTS  
REPORT # V-IN-VIS-001-99-M**

Exhibit #	No. of Pages	Recommd. No.	Description
1	2	A-1	FTA Records Task Force memos dated 5/3/99 & 6/14/99
2	3	A-2	Letter to Governor Re: Emergency Hiring dated 5/26/99
3	8	A-5	Copies of Budget Plan (OMB 3)
4	7	A-7	Letter to FTA Regional Administrator dated 6/11/99
5	12	B-1	PO & Supporting Documentation for \$97,372.00
6	69 Sheets	B-3	Completed ECHO Draw Down Requests & Memos to DOF

[NOTE- EXHIBITS NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL. ]

## STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/ Recommendation Reference	Status	Action Required
A.1	Resolved; not implemented.	The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. When completed, documentation should be provided showing that the Department of Public Works task force has completed its project of locating, coordinating, and compiling grant files for Federal Transit Administration grants.
A.2	Management concurs; additional information needed.	Provide a target date for seeking Federal funding for financial support staff for the Office of Transportation Department of Public Works.
A.3	Resolved; not implemented.	The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. When completed, documentation should be provided showing that Financial Status Reports for active Federal Transit Administration grants have been prepared and submitted to the grantor agency.
A.4	Resolved; not implemented.	The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. When completed, documentation should be provided showing that inactive Federal Transit Administration grants have been closed out, including final independent audits.
A.5	Unresolved.	Reconsider the recommendation. If concurrence is indicated, a plan of action should be provided, including the target date and title of the official responsible for ensuring that grant <b>drawdown</b> information and grant budget requests are submitted to the Department of Finance and the Virgin Islands Office of Management and Budget on a timely basis.

Finding/ Recommendation Reference	Status	Action Required
A.6	Management concurs; additional information needed.	Provide a target date for developing standard vehicle specifications for buses to be used for transportation of the elderly and the disabled.
A.7	Implemented.	No further action is required.
A.8	Resolved; not implemented.	The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. When completed, documentation should be provided showing that refunds have been paid to nonprofit organizations which contributed funds to assist in the purchase of vehicles for transportation of the elderly and the disabled.
B.1	Unresolved.	Reconsider the recommendation. If concurrence is indicated, provide a plan of action, including the target date and the title of the <b>official</b> responsible for submitting supporting documents for unsupported costs and costs exceptions to the Federal Transit Administration for final determination as to their allowability.
B.2	Resolved; not implemented.	The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. When completed, documentation should be provided showing that the Department of Public Works has finished reconciling Federal Transit Administration grant information to the Government's Financial Management System and has made the necessary adjusting entries.
B.3	Implemented.	No further action is required.
B.4 and B.5	Unresolved.	Respond to the recommendations. If concurrence is indicated, provide a plan of action, including target dates and titles of officials responsible for implementation. If nonconcurrence is indicated, provide reasons for the nonconcurrence.

**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO  
THE OFFICE OF INSPECTOR GENERAL**

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