

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

Congressional Inquiry
Regarding Southwest Charter Lines, Inc.



OIG-07-47

May 2007

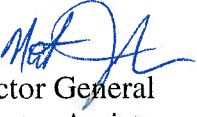
MAY 30 2007



Homeland Security

MEMORANDUM FOR: Deidre Lee
Director of Management and Chief Acquisition Officer
Federal Emergency Management Agency

Margaret Young
Chief Financial Officer
Federal Emergency Management Agency

FROM: Matt Jadacki 
Deputy Inspector General
Office of Disaster Assistance Oversight

SUBJECT: *Congressional Inquiry Regarding Southwest Charter
Lines, Inc.*
Report Number OIG-07-47

At the request of Senator John McCain, we reviewed the contract awarded by FEMA in September 2005 to Southwest Charter Lines Inc. of Mesa, Arizona to provide mobile shower facilities for the FEMA Urban Search and Rescue Base located at Saints' Field in New Orleans. At the Senator's request, we investigated a claim that the company intentionally over-billed FEMA.

Our objective was to determine whether, and to what extent, Southwest Charter Lines Inc. over-billed for services. We conducted this review under the authority of the Inspector General Act of 1978, as amended, and according to Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

Our review included interviews with FEMA employees, review of contract award documentation, analysis of the contractor's invoices, and other procedures considered necessary under the circumstances. We performed this review in coordination with the U.S. Army Criminal Investigation Command and the Defense Contract Audit Agency.

RESULTS OF REVIEW

On September 30, 2005, FEMA awarded contract number HSFE 06-05-P6384 to Southwest Charter Lines Inc. to provide mobile shower facilities for an amount not to exceed \$240,000. The contractor performed services from September 10, 2005 through September 21, 2005, prior to the contract award date. Due to the extraordinary

emergency, and the need for these services to support search and rescue efforts in a highly impacted disaster area, the FEMA Contracting Officer verbally authorized the Contractor to proceed and followed up with the contract award.

This is the only contract obligation FEMA has recorded for this company. The total payments against this contract were \$51,995, and there are no pending invoices. As of March 31, 2007, the unspent balance of the contract is still obligated even though Southwest Charter Lines Inc. has not provided services since September 21, 2005. This has unnecessarily restricted funding that could be used for other purposes.

Southwest Charter Lines Inc. provided mobile shower facilities between September 10, 2005 and September 21, 2005. The company made billing errors resulting in charging \$13,000 less for items allowed under the contract. However, the company also billed \$16,035 for items not allowed under the contract, such as overtime salaries, delivery charges and set-up fees. The result of the company's billing errors, was a net overpayment made by FEMA of \$3,035.

CONCLUSION AND RECOMMENDATIONS

The allegation that Southwest Charter Lines Inc. intentionally over-billed FEMA is not substantiated. We concluded that the alleged over-billing was unintentional. However, during this review, there were issues of concern regarding internal controls and billing errors for items such as overtime and delivery charges, which were not allowed under the contract.

We recommend that FEMA:

1. Review procedures for the approval and payment of invoices to ensure that sufficient internal controls exist to prevent payment of erroneous charges. Only invoices that are consistent with the contract terms and pricing should be paid.
2. Review and close contracts in a timely manner. Procedures should facilitate a review within a reasonable period of time after work is completed so that unused funds can be returned to the Treasury or re-obligated as appropriate.

cc: The Honorable John McCain
DHS Audit Liaison
FEMA Audit Liaison
FEMA Office of Legislative Affairs

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