



# Homeland Security

March 31, 2010

MEMORANDUM FOR: Mark H. Landry, Interim Director  
FEMA Louisiana Transitional Recovery Office

FROM: *for Christopher Todd*  
Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *Orleans Parish Criminal Sheriff's Office*  
FEMA Disaster Number 1603-DR-LA  
Public Assistance Identification Number 071-UPP9W-00  
Audit Report DD-10-08

We audited public assistance (PA) funds awarded to the Orleans Parish Criminal Sheriff's Office (OPCSO) under FEMA Disaster 1603-DR-LA for project worksheets (PW) 360, 1320, and 15882. Our audit objective was to determine whether OPCSO accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines for the catering of OPCSO inmate and employee meals.

OPCSO received awards for the three PA projects estimated at \$6.3 million in total from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for work related to damages from Hurricane Katrina, which occurred on August 29, 2005. The awards provided 100% funding for the projects, and OPCSO had completed all approved work and received reimbursement for all claims submitted. At the time of our audit, FEMA had not completed its closeout process on any of the projects in the audit scope. The audit covered the period September 13, 2005, through our cut-off date of December 21, 2009, during which OPCSO claimed \$6.3 million for direct project costs (see Exhibit).

We conducted this performance audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We interviewed FEMA, GOHSEP, and OPCSO officials; reviewed 100% of the vendor invoices supporting charges; analyzed the dates of purchase requisitions and purchase orders; and performed other procedures considered necessary to accomplish our objective. We also reviewed the documentation supporting the grant award and administration of the catered services. In addition, we interviewed local, state, and federal government agency officials who reimbursed OPCSO for the custody and care of their respective agency's inmates. We did not assess the adequacy of OPCSO's controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of OPCSO's method of accounting for disaster-related costs and its procurement policies and procedures.

## **BACKGROUND**

OPCSO operates jail facilities providing for the care, custody, and control of inmates in Orleans Parish. Before the disaster, OPCSO was responsible for feeding approximately 6,000 inmates. As a result of the disaster, OPCSO's kitchen facilities were destroyed, which required it to seek alternate means to feed inmates (as required by statute). OPCSO also used its kitchen to feed employees (based on OPCSO's general practice). The three PWs we reviewed were emergency work projects (Category B) written to provide meals to OPCSO inmates and employees. FEMA obligated, and GOHSEP reimbursed to OPCSO, \$6.3 million for claimed meal costs.

## **RESULTS OF AUDIT**

OPCSO did not account for and expend FEMA funds according to federal regulations and FEMA guidelines. OPCSO officials did not follow federal procurement standards in awarding and administering one of two unwritten agreements for catered meals; however, OPCSO did solicit full and open competition for a second agreement for only inmate-catered meals. OPCSO's claim included \$2,472,053 of costs that were ineligible. The ineligible costs consisted of \$1,000,249 in unreasonable costs for employee meals and \$1,471,804 in duplicate funding for inmate meals. In addition, GOHSEP did not adequately monitor its subgrant to OPCSO or ensure that OPCSO was aware of federal procurement standards.

### **Finding A: Contracting**

OPCSO did not procure catering services according to federal procurement standards. According to 44 CFR 13.36(c), all procurement transactions must be conducted in a manner providing for full and open competition. An exception to this regulation allows procurement by noncompetitive proposals when the award of a contract is not feasible under other methods of procurement and when "the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation" (44 CFR 13.36(d)(4)). Given the exigent circumstances and emergency activities immediately following the disaster, we did not question the costs for meals provided before November 2, 2005.

OPCSO negotiated a verbal agreement with a local catering company for meals at \$46 per person per day for employees. Catering services began 16 days after the disaster on September 13, 2005. OPCSO added inmate meals to the verbal agreement at the same \$46 rate on October 18,

2005.<sup>1</sup> On November 3, 2005, OPCSO renegotiated the rate for inmate meals to \$27.50 per inmate per day. After soliciting sealed bids for inmate meals only, OPCSO hired a second caterer to provide meals to inmates at a rate of \$7.25 per inmate per day beginning January 23, 2006, until July 12, 2006.

When OPCSO renegotiated a reduced daily rate for inmate meals from \$46 to \$27.50 per day on November 3, 2005, it did not also renegotiate a lower rate for employee meals. Instead, the verbal agreement with the original caterer continued for employee meals at a reduced rate of \$40 per employee per day beginning January 23, 2006. During the final month of the contract, OPCSO reduced employee meal rates again to \$31 per employee per day for the first week of July 2006, and to \$25 per employee per day for the remainder of the month of July.

OPCSO officials explained that they did not renegotiate employee meal rates when they renegotiated inmate meal rates in November 2005 because they expected the kitchen facilities to be online within 3 months, and FEMA indicated bidding the contract was not required. The continued use of a noncompetitive proposal for employee meals did not comply with federal procurement standards and resulted in excessive employee meal costs as shown in Figure 1.

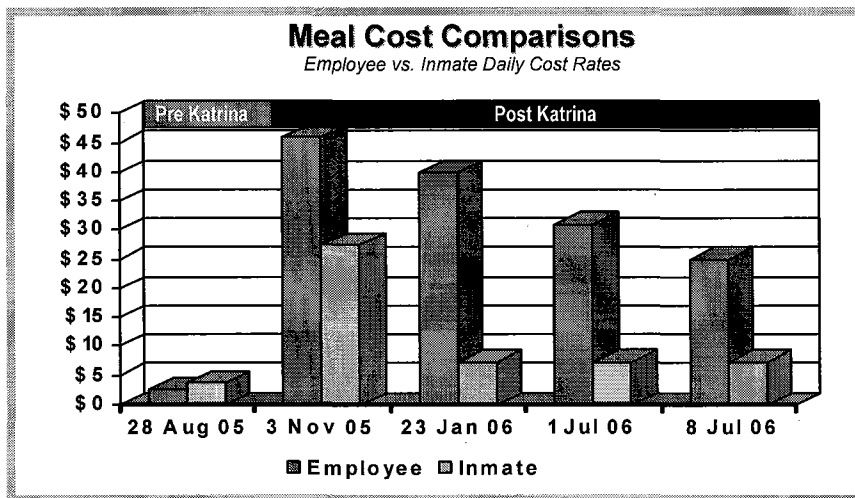


Figure 1

We address the effect of excessive meal costs in Finding C below and, therefore, made no recommendation for this finding.

**Finding B: Contract Administration**

OPCSO did not ensure that catering vendors performed according to the specifications of OPCSO purchase orders. According to 44 CFR 13.36(b)(2), subgrantees must maintain a contract administration system that ensures contractors perform according to the terms,

<sup>1</sup> OPCSO evacuated inmates from the OPCSO prison facilities damaged by the disaster until repairs to the facilities, except the kitchen, were complete.

conditions, and specifications of their contracts or purchase orders. OPCSO's purchasing policy required approval of purchase orders in advance for procurement of goods and services from vendors. OPCSO could not provide evidence that it had followed these procedures.

We reviewed 93% (64 of 69) of OPCSO's purchase orders and 86% (59 of 69) of the purchase requisitions for PWs 1320 and 15882. None of the 64 purchase orders and only 2 of the 59 purchase requisitions were dated before the corresponding vendor invoice dates. The purchase requisitions and purchase orders were dated an average of 12 and 24 days, respectively, after the first dates of service on corresponding vendor invoices. OPCSO officials said that they accepted the terms of a verbal agreement with the original caterer based on signed purchase orders.

We asked OPCSO how it ensured that the caterers provided the correct number of requested meals. OPCSO officials stated that they communicated the number of required meals to the caterers the day before the caterers provided the meals, and that OPCSO's accounting department reconciled meal quantities. We provided our analysis of dates between the purchase requisitions, purchase orders, and invoices to OPCSO officials and asked them to provide documentation of how they validated the number of meals provided. These officials told us that they prepared purchase requests and purchase orders after receipt of the caterer's invoices and did not provide any documentation to us that demonstrated they validated meal quantities provided by the caterers. Because OPCSO's purchase agreements were verbal and purchase orders were prepared after receipt of vendor invoices, FEMA has no assurance that OPCSO properly monitored the contractor's performance. However, because we did not identify any increased meal costs due to inadequate contract administration, we made no recommendation for this finding.

### **Finding C: Employee Meal Costs**

OPCSO employee meal costs were excessive because OPCSO did not solicit proposals through full and open competition or conduct a price analysis. OPCSO generally paid from \$40 to \$46 per day for employee meals over a 9-month period, while it reduced its inmate meal cost from \$46 to \$7.50 per day after only 3 months. OPCSO should have solicited proposals from contractors to reduce its employee costs along with its inmate costs. Federal cost principles state that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of federal awards (2 CFR Part 225, Appendix A, C.1.a). Federal cost principles also state that the reasonableness of costs must take into consideration whether the individuals concerned acted with prudence in conducting their work (2 CFR Part 225, Appendix A, C.2.d).

OPCSO explained that, before Katrina, it did not allow employees to leave the prison during the workday due to contraband infiltration concerns. OPCSO's general practice was to provide employee meals, at no cost to the employee, from the prison kitchen. However, after Katrina, employees consumed meals off-site while the caterer delivered inmate meals to the prison. Providing low-cost employee meals at the prison as a preventive measure to control contraband appears reasonable. However, providing higher-cost employee meals off-site provides no benefit, and, therefore, appears unreasonable.

OPCSO asserted that the costs for employee meals were reasonable compared to the federal employee per diem rate and that higher meal rates were justified because of the higher quality food and services provided. Initially GOHSEP questioned the reasonableness of employee meal costs, but later approved the costs claimed based on the comparison of meal costs to the federal employee per diem rate. We requested, but GOHSEP could not provide, an explanation of how it had conducted its analysis. FEMA also had no information on how it reviewed and agreed with GOHSEP's assertion that employee meal costs were reasonable. Federal employee per diem rates are not a proper basis of comparison for a recurring and large volume of catered meals procured without competition.<sup>2</sup>

Additionally, because employee meal costs (\$2.69 per employee per day) and inmate meal costs (\$3.82 per inmate per day) were similar before the disaster, there is no justification for higher employee meal costs after the disaster (see Figure 1). Therefore, we question \$1,000,249 in unreasonable employee meal costs, which is the total difference between employee and inmate meal costs claimed after November 2, 2005.

#### **Finding D: Funding of Inmate Meals**

OPCSO received duplicate benefits for a portion of costs claimed for inmate meals. Section 312 of the Stafford Act, *Duplication of Benefits*, prohibits entities from receiving assistance that duplicates benefits available for the same purpose from any other source. OPCSO quoted a cost rate of \$3.82 per inmate per day for providing inmate meals before the disaster. We determined that local, state, and federal government agencies reimbursed OPCSO for the custody and care of all inmates to include feeding costs consistent with existing intergovernmental agreements with OPCSO.<sup>3</sup> Because OPCSO did not account for these reimbursements, a portion of the FEMA funds provided to OPCSO for feeding inmates constituted a duplication of benefits. We calculated the number of inmates meals provided and multiplied that total by the pre-disaster daily inmate food cost rate to determine the total duplicated costs. Therefore, we questioned \$1,471,804 in duplicate costs paid to OPCSO for inmate meals (385,289 inmate meals x \$3.82).

#### **Finding E: Subgrant Management**

OPCSO's lack of compliance with federal procurement standards demonstrates that GOHSEP did not adequately monitor the OPCSO's subgrant activities and did not ensure that OPCSO was aware of federal procurement requirements. According to 44 CFR 13.37(a)(2), grantees are responsible for ensuring "that subgrantees are aware of requirements imposed upon them by Federal statute and regulation." Further, 44 CFR 13.40(a) requires grantees to monitor subgrant-supported activities to assure compliance with applicable federal requirements. We made recommendations for improving GOHSEP's performance in a prior report, and FEMA and GOHSEP are taking actions to implement those recommendations.<sup>4</sup> Therefore, this report does not include additional recommendations related to subgrant management.

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<sup>2</sup> Federal per diem rates computed for a single diner purchasing meals at local restaurants in a travel status include allowances for incidental expenses, taxes, and a 15% gratuity on meals.

<sup>3</sup> OPCSO received \$44 million in 2005 and \$29 million in 2006 for inmate custody and care.

<sup>4</sup> *Audit of Louisiana State Grant Management Award, Public Assistance Program*, Report number DD-08-01, issued January 17, 2008.

## **RECOMMENDATIONS**

We recommend the Interim Director, FEMA Louisiana Transitional Recovery Office:

1. Disallow \$1,000,249 in unreasonable costs for employee meals.
2. Disallow \$1,471,804 in duplicate funding for inmate meals.

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

We discussed the results of our audit with OPCSO and GOHSEP officials on March 29, 2010, and with FEMA officials on March 30, 2010. FEMA officials generally concurred with our findings and recommendations. GOHSEP officials said they would reserve comment until after the report was issued. OPCSO generally did not concur with the audit findings and recommendations.

Please advise this office by May 31, 2010, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. Significant contributors to this report were Moises Dugan, Timothy Scott, Christopher Dodd, and Jennifer Burba. Should you have questions concerning this report, please contact me, or your staff may contact Christopher Dodd, Audit Manager, at (214) 436-5200.

cc: Regional Administrator, FEMA Region VI  
Audit Liaison, FEMA Region VI  
Audit Liaison, FEMA Louisiana Transitional Recovery Office  
Audit Liaison, FEMA (Job Code DG9C08)

**EXHIBIT**

Schedule of Projects  
Orleans Parish Criminal Sheriff's Office  
FEMA Disaster Number 1603-DR-LA

<b>Project Number</b>	<b>PA Funding</b>	<b>Audited Amount</b>	<b>Unreasonable Costs</b>	<b>Duplicative Costs</b>	<b>Total Questioned Costs</b>
360	\$ 145,590	\$ 145,590	\$ 0	\$ 0	\$ 0
1320	5,632,865	5,632,865	912,352	1,362,159	2,274,511
15882	<u>508,965</u>	<u>493,802</u>	<u>87,897</u>	<u>109,645</u>	<u>197,542</u>
<b>Totals</b>	<u>\$6,287,420</u>	<u>\$6,272,256</u>	<u>\$1,000,249</u>	<u>\$1,471,804</u>	<u>\$2,472,053</u>