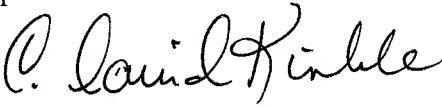




Homeland
Security

August 21, 2007

MEMORANDUM FOR: Sidney L. Melton
Director
FEMA Mississippi Transitional Recovery Office
Biloxi, Mississippi

FROM: C. David Kimble 
Director
Eastern Regional Office

SUBJECT: *Review of Contract Costs — Emergency Disaster Services*
Contract Number HSFE04-05-7233
FEMA Disaster Number 1604-DR-MS
Report Number DA-07-13

At the request of the Comptroller at the Biloxi, Mississippi, Joint Field Office (JFO), we performed a review of charges submitted to FEMA under a food services contract with Emergency Disaster Services (EDS) for Hurricane Katrina activities in Mississippi. Our objective was to determine whether EDS' billings were proper under the contract and applicable federal regulations. EDS completed work under the contract on November 29, 2005, and billed FEMA \$4.8 million for its services. As of July 7, 2006, the date of our exit conference, FEMA had paid EDS \$3.6 million.

We performed 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. Work was performed at EDS' business office in Lexington, Kentucky, and at the JFO in Biloxi, Mississippi. We interviewed officials from FEMA and EDS, reviewed relevant contract documents and billings, and examined EDS' financial records.

BACKGROUND

On September 17, 2005, the General Services Administration (GSA), on behalf of FEMA under Emergency Support Function 7, awarded EDS a fixed price contract for \$1.9 million to provide 3 daily hot meals (breakfast, lunch, and dinner) to Hurricane Katrina disaster victims and disaster relief workers in Mississippi. The contract provided for labor, materials, mobilization, and installation costs for operating two air-conditioned dining facilities in Moss Point and

Poplarville, Mississippi, and for 46,800 meals (27,600 for Moss Point and 19,200 for Poplarville). The performance period was September 16 to October 15, 2005.

Subsequent contract modifications executed by the contracting officer increased the contract value to \$3.6 million, extended the performance period to November 29, 2005, and increased the total number of meals ordered to 93,000 (46,800 for Moss Point and 46,200 for Poplarville). The specifics of the contract and its modifications are shown in the table below.

Initial Contract and Modifications	Date	Performance Period	Dining Facility	Number of Meals Ordered	Dollar Value
Initial	September 17, 2005	September 16 to October 15, 2005	Moss Point Poplarville	27,600 <u>19,200</u> 46,800	\$1,964,270
Modification 1	October 15, 2005	October 16 to November 14, 2005	Poplarville	18,000	653,300
Modification 2	October 15, 2005	October 16 to October 31, 2005	Moss Point	19,200	670,080
Modification 3	November 17, 2005	November 15 to November 29, 2005	Poplarville	9,000	326,650
Total				93,000	\$3,614,300

The contract included a provision, as a non-funded line item, for EDS to bill an additional \$23.65 for each meal served in excess of the amount ordered during each performance period so that no person would be denied a meal. The contract did not specify the type(s) of documentation required to support billings for the number of meals served.

RESULTS OF REVIEW

EDS billed \$4.8 million for food services provided under the contract, which was \$1.2 million above the contract value of \$3.6 million. According to EDS, the \$1.2 million represented charges for 50,292 excess meals (\$23.65 per meal) served at the Moss Point dining facility from September 16 through October 31, 2005. During that period, EDS claimed it served 97,092 meals at the facility, or more than double the 46,800 meals ordered by FEMA. However, EDS could not provide adequate documentation to support the actual number of meals it claimed were served.

EDS officials provided summary schedules that showed daily meal counts at each location delineated by mealtime (breakfast, lunch, and dinner). In almost every case, the schedules showed an identical number of meals served during each mealtime, e.g. 1,100 for breakfast, 1,100 for lunch, 1,100 for dinner. EDS did not maintain any type of supporting documentation such as daily sign-in sheets, daily turnstile records, or other equivalent documentation. Therefore, we could not validate the number of meals EDS claimed was served.

According to the Federal Acquisition Regulation (FAR), a contractor is responsible for maintaining records, including supporting documentation, to adequately demonstrate that claimed costs have been incurred and are allocable to the contract (FAR 31.201-2(d)). Subpart 31.2 of the FAR also permits the disallowance of any claimed cost in its entirety that is not supported by adequate documentation.

Because EDS did not have adequate documentation to support the \$1.2 million billed for excess meals it claimed were served, we examined its financial records to determine total costs associated with mobilizing and operating the two dining facilities from September 16, 2005 through November 29, 2005 (the full performance period of the contract) and reviewed its historical profit data. From this analysis, we validated \$4.2 million of costs (including a reasonable profit) which, absent of adequate documentation of actual meals served, may be a fair and reasonable price for total services provided by EDS under the contract.

Subsequent to completion of our fieldwork, EDS officials provided the FEMA contracting officer with additional documentation in support of its billings. We reviewed the information and determined that it consisted of unsigned customer service surveys and did not provide any additional evidence to support the number of meals actually served under the contract.

RECOMMENDATION

We recommend that the Director, FEMA Mississippi Transitional Recovery Office, in coordination with the contracting officer, work with EDS to negotiate a fair and reasonable price for excess meals EDS claimed were served but that were not supported by adequate documentation.

DISCUSSION WITH MANAGEMENT AND REVIEW FOLLOW-UP

We discussed the results of our review with the FEMA Comptroller at the Mississippi Joint Field Office on July 6, 2006. As issues arose during our review, we discussed them with FEMA and EDS officials. EDS officials did not agree with our conclusion. They said that they had done all that the contract required and thus should be paid in full for the amount billed.

Please advise me by October 18, 2007, of the actions taken to implement the recommendation contained in this report. Auditors Mary Stoneham and Billy Howard performed this review. Should you have any questions concerning this report, please contact me at (404) 832-6702.