



**Homeland
Security**

May 29, 2009

MEMORANDUM FOR: Tony Russell, Acting Director
FEMA Louisiana Transitional Recovery Office

A handwritten signature in black ink that reads "Tonda L. Hadley".

FROM: Tonda L. Hadley, Director
Central Regional Office

SUBJECT: *Jefferson Davis and Beauregard Electric Cooperatives*
FEMA Disaster Number DR-1607-LA
Public Assistance Identification Numbers 000-UVRV0-00
and 000-UQ2NQ-00
Audit Report Number DD-09-08

We audited public assistance funds awarded to the Jefferson Davis Electric Cooperative, Inc. (JDEC) and Beauregard Electric Cooperative, Inc. (BEC), located in Jennings, and DeRidder, Louisiana, respectively (referred to collectively in this report as the Co-ops). Our audit objectives were to determine whether the Co-ops paid reasonable prices for base camp food and lodging and complied with federal procurement standards in awarding contracts for base camps and work necessary to restore power.

JDEC received an award of \$83.3 million, and BEC received an award of \$20.5 million, both from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for damages caused during Hurricane Rita, which occurred on September 24, 2005. The awards provided 100 % FEMA funding for 7 JDEC projects and 3 BEC projects, and 90% funding for 4 JDEC projects (see Exhibit A). The audit covered the period from September 24, 2005, to December 31, 2007.

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, 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 reviewed compliance with federal procurement standards for \$19.6 million in contracts awarded for base camps and \$59.2 million in contracts awarded for

power restoration work. We reviewed all base camp costs and judgmentally selected samples of power restoration costs (selected based on dollar values). We also performed other auditing procedures we considered necessary to accomplish the audit objectives. We did not assess the adequacy of the Co-ops' internal controls applicable to its grant activities because it was not necessary to accomplish our audit objectives. We did, however, gain an understanding of the Co-ops' grant accounting system for disaster-related costs.

BACKGROUND

Hurricane Rita made landfall in western Louisiana on September 24, 2005, only 3 weeks after Hurricane Katrina devastated eastern Louisiana. Hurricane Rita caused catastrophic damage to the electrical transmission and distribution systems of JDEC and BEC. Both Co-ops hired contractors from all over the country to restore power. Normally, repair workers would have stayed in local hotels. However, Co-op management needed another solution because Hurricane Katrina evacuees occupied all hotel rooms in the area. To solve this problem, JDEC contracted with Service Rentals, Inc. (Service Rentals) to build a tent city at the Chennault International Airport in Calcasieu Parish, Louisiana. BEC also hired Service Rentals to set up a similar tent city at the DeRidder Airport in Beauregard Parish.

RESULTS OF AUDIT

JDEC and BEC paid unreasonably high prices for base camp food and lodging and did not comply with federal procurement standards in awarding contracts for base camps and work necessary to restore power. The Co-ops also incurred costs that were ineligible and unsupported. Generally, the Co-ops did not assess the reasonableness of prices paid to contractors, execute written contracts, adequately monitor contractor performance, or properly review invoices before payment. Therefore, we question \$27.0 million, or 26% of the \$103.7 million claimed (see Exhibit A).

JDEC's single audit reports for fiscal years (FY) 2005 and 2006 describe similar deficiencies.¹ Specifically, both reports state, "The Cooperative's request for FEMA public assistance funds contained cost that lacked proper documentation and cost that are considered unreasonable." The single audit reports projected questioned costs for JDEC of \$9,672,000 for FY 2005 and \$9,777,000 for FY 2006. Although the FY 2006 report noted these issues, the independent auditor considered the matter resolved stating that JDEC had implemented procedural changes to prevent future occurrences. BEC's single audit reports for FYs 2005 and 2006 contained no findings related to FEMA funds.

Finding A: Costs Related to Base Camps

¹ Office of Management and Budget (OMB) Circular A-133 requires non-federal entities that expend \$500,000 or more in a year in federal awards to have a single or program-specific audit conducted for that year according to provisions set out in the Circular. The Circular, issued pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. A single audit means an audit that includes both the entity's financial statements and the federal awards.

JDEC and BEC paid unreasonably high prices for base camp food and lodging because they did not perform a price or cost analysis to determine whether contract prices bid were reasonable. The Co-ops paid their base camp contractor more than twice the rate that other contractors charged during the same time period for similar services in the State of Louisiana. Also, the Co-ops did not review contractor invoices before paying them and, consequently, paid prices higher than the bid prices and did not detect a large math error. JDEC also incurred excessive costs for sack lunches by purchasing them from a vendor at a price higher than the price offered by its base camp contractor. Therefore, we question \$10,629,618 for unreasonable and excessive base camp costs.

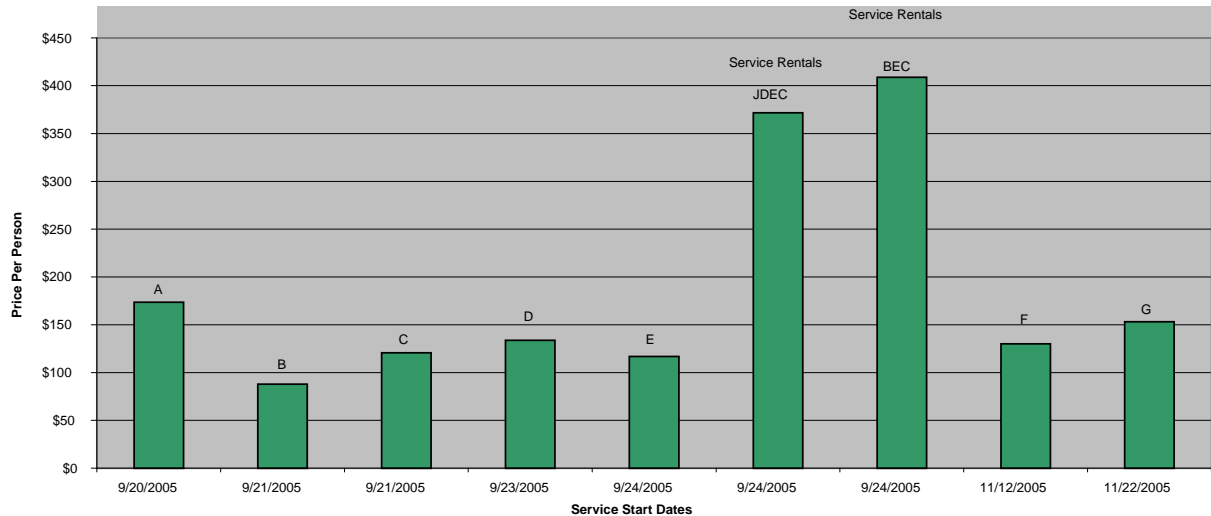
A-1: Base Camp Prices

JDEC and BEC claimed \$19.6 million (\$13.4 million and \$6.2 million, respectively) for base camps to provide food and lodging to personnel performing work to restore electrical power. These costs were unreasonably high in that prices paid were more than twice those charged by other base camp contractors in Louisiana performing similar services during the same period of time. Therefore, we question \$10,440,183 for unreasonable base camp costs, or 55% of the \$19.6 million claimed.

The General Services Administration (GSA), working with FEMA, awarded several contracts for comparable base camp services in southeast Louisiana during the same period of time, September through November 2005. We reviewed the GSA contract information and selected seven comparable contracts. We then calculated the GSA rate per person, per day, based on the capacity and the number of days base camps were open. For the GSA base camp contracts that did not include meals, we added the daily meal cost for the contractor providing the meals. We used the same approach for Service Rentals but, in the absence of a written contract, used the average daily capacity and the actual invoiced amounts to determine the average daily cost per person.

Service Rentals charged over twice as much as the most expensive GSA contract. As depicted in Figure 1 below, the daily average cost per person was \$371.76 at JDEC and \$415.55 at BEC, while the daily cost charged in seven other base camp contracts ranged from \$87.93 to \$173.63 per person. In calculating questioned costs, we used company A for comparison to Service Rentals because it was the highest priced GSA base camp operator and, therefore, was the most conservative price for this comparison. Using company A's cost of \$173.63, we determined that JDEC incurred excess costs of \$7,123,170 $((\$371.76 - \$173.63) \times 642 \text{ average capacity} \times 56 \text{ days})$ and BEC incurred excess costs of \$3,317,013 $((\$415.55 - \$173.63) \times 571.30 \text{ average capacity} \times 24 \text{ days})$ for a total of \$10,440,183.

Figure 1: Comparison of Daily Base Camp Prices per Person



In late September 2005, as Hurricane Rita approached, JDEC and BEC officials asked the Association of Louisiana Electric Cooperatives (ALEC) to help them find a base camp provider. An ALEC official contacted two base camp providers who said they were not interested in bidding because they were busy providing base camps for Hurricane Katrina. The ALEC official then contacted the President of Service Rentals, Inc. (located in Prairieville, Louisiana) who said he could provide the base camps. Co-op officials said they were faxed a price list and told they had only 15 minutes to make a decision or Service Rentals would rescind its offer. In addition, the Co-ops had to immediately wire \$500,000 each before Service Rentals would start work on the base camps.

Although the Co-ops and Service Rentals did not have written contracts, the oral understanding provided for fixed weekly prices for some items (sleeping tents, laundry facilities and shower units) and daily rates for others (meals and motorized carts). These prices generally included labor costs. Co-op officials told us they believed they had no alternative but to accept Service Rentals' offer because emergency repair workers were on their way, and the Co-ops had no place for them to stay.

Federal regulations allow an exception to the requirement for full and open competition when there is a public exigency or emergency for the requirement that will not permit a delay resulting from competitive solicitation (44 CFR 13.36 (d)(4)(i)(B)). However, federal regulations also require a cost or price analysis in connection with every procurement action (44 CFR 13.36(f)(1)); and require profit be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost or price analysis is performed (44 CFR 13.36(f)(2)). These two requirements are applicable to sub-grantees even when exigent circumstances do not allow time for competition.

The Co-ops did not perform a cost or price analysis to determine whether the agreed-upon rates and prices were reasonable or how they compared to current or recent prices charged for the same or similar items. They also did not negotiate profit as a separate element of price. As a

result, the Co-ops paid unreasonably high rates and prices for base camp services. Therefore, we question \$10,440,183 as unreasonable costs.²

A-2: Base Camp Invoices

The Co-ops did not adequately review Service Rentals' invoices before paying them. As a result, they often paid prices higher than those quoted on the rate sheets. The difference between total cost paid at invoice prices and total cost at rate sheet prices was \$1,235,423 (\$792,540 for JDEC and \$442,883 for BEC). We question the \$1,235,423 in overcharges. Tables 1 and 2 below list the overcharges we identified.

Table 1: Schedule of Invoice Overcharges – JDEC

Item Description	Rate Sheet Price	Total Cost at Rate Sheet Prices (Note 1)	Invoice Price Paid	Total Cost at Invoice Prices (Note 1)	Questioned Costs
Sleeping Tent	\$40,613	\$1,137,150	\$40,613	\$1,137,150	\$ 0
Cots	\$35 each	196,000	\$45 each	252,000	56,000
Dining Tent	\$43,500	348,000	\$51,975	415,800	67,800
Dining Tent	\$40,612	324,900	\$40,612	324,900	0
Hand Wash Station	\$1,095	87,600	\$1,095	87,600	0
Laundry Facility	\$2,800	42,000	\$2,800	42,000	0
Shower Unit	\$43,750	700,000	\$63,000	1,008,000	308,000
Light Towers	\$875	168,000	\$1,095	210,240	42,240
Meals (per day, per person)	\$60	<u>1,950,000</u>	\$73	<u>2,268,500</u>	<u>318,500</u>
Total		<u>\$4,953,650</u>		<u>\$5,746,190</u>	<u>\$792,540</u>

Notes for Tables 1 and 2:

1. The rate sheet price and the invoice price are per unit, per week, unless otherwise noted.
2. Sleeping and dining tents included HVAC/generator.
3. The invoice price for meals decreased from \$73 to \$65 when another vendor was hired to provide sack lunches.

Table 2: Schedule of Invoice Overcharges – BEC

Item Description	Rate Sheet Price	Total Cost at Rate Sheet Prices (Note 1)	Invoice Price	Total Cost at Invoice Prices (Note 1)	Questioned Costs
Sleeping Tent	\$40,613	\$ 365,512	\$60,500	\$ 524,333	\$ 158,821
Cots	\$35 each	87,010	\$45 each	106,860	19,850
Dining Tent	\$43,500	174,000	\$51,975	190,575	16,575
Dining Tent	\$40,612	139,243	\$46,400	170,133	30,890
Hand Wash Station	\$10,500	42,000	\$15,500	56,833	14,833
Laundry Facility	\$2,800	11,200	\$3,500	12,833	1,633
Shower Unit	\$43,750	350,000	\$51,000	374,000	24,000
Light Towers	\$875	84,000	\$1,095	96,360	12,360
Meals (per day, per person)	\$60	751,020	\$73	913,741	162,721
Motorized Carts (per day)	\$100	<u>4,800</u>	\$125	<u>6,000</u>	<u>1,200</u>
Total		<u>\$2,008,785</u>		<u>\$2,451,668</u>	<u>\$442,883</u>

² This amount includes \$1,332,423 also questioned in findings A-2 and A-4 (see Table 3 in Exhibit B).

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, (§C.2), states that, to be allowable under federal awards, costs must be reasonable. These cost principles define a reasonable cost as one that “does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

We discussed the overcharges with the President of Service Rentals, who said the rate sheets did not constitute a binding agreement, but rather only represented his estimate. He added that his operating costs were higher than he estimated. We also discussed the overcharges with Co-op management officials, who said they were not aware of them. A prudent person would have executed written contracts to avoid misunderstandings or, at minimum, would have secured a firm agreement on the rate sheet prices. Further, a prudent person would have reviewed invoices before paying them so they would have been aware of the overcharges. Therefore, we concluded that the Co-ops did not act prudently in paying prices higher than those quoted on the rate sheets. As a result, we question the \$1,235,423 charged over the agreed rates as unreasonable costs.

A-3: JDEC Sack Lunch Prices

We question \$189,435 of the \$293,435 JDEC paid to a local company to provide sack lunches in lieu of those provided by Service Rentals and included under its per-person-per-day meal rate. A JDEC official said that Service Rentals provided the same sack lunch each day for the first month and the work crews eventually refused to eat it. JDEC asked Service Rentals if it would change the lunch or reduce the price. Rather than provide greater variety, Service Rentals agreed not to provide the sack lunches and to reduce the overall daily meal price by \$8. JDEC then made arrangements with the other company to provide sack lunches at a price of \$20 each, or \$12 more than the sack lunch discount. JDEC did not act prudently in paying \$20 per sack lunch without securing an agreement with Service Rentals for a comparable reduction in the daily meal price. As a result, JDEC incurred additional costs of \$189,435, which we question as unreasonable costs.

A-4: JDEC Invoices

We question a \$97,000 overcharge to JDEC that resulted from a math error in a Service Rentals’ invoice. JDEC management said they were unaware of the error and would recover the money from Service Rentals.

Finding B: Costs Related to Power Restoration

As a result of Hurricane Rita’s devastation, the Co-ops awarded contracts totaling \$59,232,387 for work related to power restoration (utility repairs and debris removal). Many of the resources the Co-ops would have normally used were already committed to Hurricane Katrina recovery. As a result, the Co-ops and their contractors provided for their basic necessities and supplies while working diligently to make repairs and restore power as quickly as possible. We considered these extraordinary circumstances during our review. Nevertheless, we question \$16,349,896 in costs related to power restoration because the Co-ops did not comply with federal procurement standards or FEMA guidelines in awarding contracts and incurred unsupported and ineligible costs.

B-1: Contracting During and After the Emergency Period

JDEC and BEC claimed contract costs totaling \$59,232,387 (\$47,597,507 for JDEC and \$11,634,880 for BEC) for work related to power restoration. However, the Co-ops did not comply with federal procurement standards or FEMA guidelines in procuring contract work. As a result, full and open competition did not occur and FEMA had no assurance that the Co-ops paid reasonable prices. We question \$10,563,502 claimed for contract work performed after power was fully restored to the Co-ops' customers (\$10,280,612 for JDEC and \$282,890 for BEC) because, after power was fully restored, exigent circumstances no longer existed to justify the Co-ops' non-compliance with federal procurement standards.

Federal procurement requirements at 44 CFR 13.36:

- Require the performance of procurement transactions in a manner providing full and open competition except under certain circumstances. One allowable circumstance is when there is a public exigency or emergency for the requirement that will not permit a delay resulting from competitive solicitation. (13.36(d)(4)(i)(B))
- Require subgrantees to maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, the basis for contractor selection, and basis for the contract price. (13.36(b)(9))
- Require subgrantees to maintain a contract administration system that ensures contractors perform according to the terms, conditions, and specifications of their contracts or purchase orders. (13.36(b)(2))
- Prohibit the use of time-and-material-type contracts unless a determination is made that no other contract is suitable and provided that the contract include a ceiling price that the contractor exceeds at its own risk. (13.36(b)(10))
- Require a cost or price analysis in connection with every procurement action, including contract modifications. (13.36(f)(1))
- Require profit to be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost or price analysis is performed. (13.36(f)(2))

Hurricane Rita occurred on September 24, 2005, causing massive power outages in southwest Louisiana. The Co-ops used their own employees (force account labor), mutual aid assistance from other power companies, and private contractors to restore power to their customers. JDEC and BEC hired private contractors at hourly rates (time-and-material-type contracts) for labor and equipment without competition. In addition, the Co-ops did not (1) maintain records sufficient to detail their rationale for contractor selection and basis for contract price, (2) justify the use of time-and-material contracts or include ceiling prices in these contracts, (3) perform a cost or price analysis, or (4) negotiate profit as a separate element of price. In nearly every case, both Co-ops used verbal agreements and rate sheets, rather than written contracts.

JDEC and BEC officials were also unable to provide evidence of adequate contract monitoring of time-and-material type contracts. BEC officials stated that their employees often accompanied the contractors, but did not prepare written reports or review contractor invoices before payment. Without written monitoring reports, the Co-ops had no evidence to validate the

labor and equipment hours billed in the invoices. Contract monitoring is essential to ensure that contractors perform according to the terms, conditions, and specifications of their agreements.

FEMA's *Public Assistance Debris Management Guide* (FEMA 325, April 1999), p. 28, states:

- Time-and-Material contracts should be limited to a maximum of 70 hours of actual emergency debris clearance work and should be used only after all available local, tribal and State government equipment has been committed.
- Time-and-Material contracts may be extended for a short period when absolutely necessary, for example, until appropriate Unit Price contracts have been prepared and executed.

In addition, FEMA's *Public Assistance Guide* (FEMA 322, October 1999), p. 40, states:

- FEMA provides reimbursement for three types of contracts: lump sum, unit price, and cost-plus-fixed-fee contracts.
- Time-and-material contracts should be avoided, but may be allowed for work that is necessary immediately after the disaster has occurred when a clear scope of work cannot be developed.
- Applicants must carefully monitor and document contractor expenses.

JDEC restored power to its customers by November 18, 2005, which was 55 days after Hurricane Rita occurred; and BEC restored power to its customers by October 21, 2005, or 27 days after Hurricane Rita. We considered these time periods to be the emergency periods for the Co-ops. We concluded that the lack of power constituted exigent circumstances that warranted the Co-ops' use of non-competitive, time-and-material type contracts because the Co-ops did not have time to solicit competitive bids or develop clear scopes of work until after they restored power to their customers.

Although JDEC and BEC did not follow required procurement standards during this emergency period (e.g., negotiate profit separately, perform a price analysis, or monitor contract performance), we are not questioning contract costs during the emergency periods on the basis of improper procurement procedures before power was restored.

However, we do question \$10,280,612 and \$282,890 of contractor costs incurred by JDEC and BEC, respectively, after the emergency periods ended.³ We question these costs because, after JDEC and BEC restored power, significant threats to life and property ended. At that time, the Co-ops should have stopped using the non-competitive, time-and-material type contracts and solicited competitive bids for the remaining work using lump sum, unit price, or cost-plus-fixed-fee contracts. Instead, JDEC and BEC continued to use these non-competitive, time-and-material type contracts until their contractors completed the work.

Co-op officials stated that they were unaware of federal procurement requirements. According to 44 CFR 13.37(a)(2), states 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 states to monitor subgrant-supported activities to assure compliance with applicable

³ This amount includes \$45,068 also questioned in findings B-3, B-5, and B-6 (see Table 4 in Exhibit B).

federal requirements. The Co-ops' lack of compliance with federal procurement standards demonstrates that GOHSEP or its representatives did not ensure that the Co-ops were aware of federal procurement requirements or adequately monitor the Co-ops' subgrant activities. We made recommendations for improving GOHSEP's performance in a prior report, and FEMA and GOHSEP are taking actions to implement those recommendations.⁴

B-2: Cost Documentation

We question \$5,654,891 in unsupported costs for time-and-material contracts for JDEC (\$5,654,580) and BEC (\$311) because the Co-ops did not provide timesheets and other appropriate documents to support invoices paid. Federal regulations require subgrantees to maintain records that adequately identify the source and application of funds and to maintain accounting records supported by source documentation, such as cancelled checks, paid bills, payrolls, time and attendance records, and contract documents (44 CFR 13.20(b)(2) and (6)). The unsupported costs were comprised of charges for credit card purchases, equipment, and labor hours. Generally, the contractors summarized these charges, rather than provide itemized schedules with supporting documentation. We asked JDEC management to obtain the supporting documentation from the contractors, but they declined our request.

B-3: Meals and Lodging Expenses

We question \$110,444 for meals and lodging expenses claimed by JDEC (\$39,182) and BEC (\$71,262) for costs incurred during the period of time when Service Rentals was providing the same services at the base camps or incurred as per diem for contractors after power was restored. Contractors typically included these charges in their invoices when workers elected to stay in a hotel or eat meals at restaurants, rather than sleep and eat at the base camps. The Service Rentals meals included breakfast and dinner at the camps and a sack lunch to take to the job site each day. The Co-ops paid Service Rentals for the food and lodging regardless of whether workers slept or ate at the camps. Therefore, the \$110,444 claimed for food and lodging is a duplicate cost and, as a result, not allowable.

B-4: Land Purchase

Hurricane Rita destroyed JDEC's customer service facility. JDEC purchased land and placed a prefabricated building on the property to use as a temporary customer service facility. FEMA approved expenses totaling \$93,423 for the temporary facility, of which \$25,000 was for the purchase of the land.

We question the \$25,000 that JDEC paid to purchase land for a temporary customer service facility. JDEC must reimburse FEMA for the value of the asset by one of the methods allowed in federal regulations that include: retaining the title but reimbursing the awarding agency the property's fair market value, selling the property with the proceeds going to the awarding agency, or transferring the title to the awarding agency (44 CFR 13.31, *Real property*).

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

B-5: Invoice Charges

We question a \$21,465 duplicate charge on a JDEC contractor's invoice. JDEC officials said they were unaware of the error and agreed to recover the money from the contractor. As stated previously, the \$21,465 is also included in the amount questioned in B-1 above.

B-6: Mark-ups on Contract Costs

We question \$19,662 in mark-ups on pass-through contract costs billed to JDEC for materials, rented equipment, meals, and lodging. Contractors billed JDEC these mark-ups as a percentage of costs without any justification as to their purpose. Such markups are a form of cost-plus-a-percentage-of-cost contracts, which are strictly prohibited by federal regulations (44 CFR 13.36(f)(4)).

RECOMMENDATIONS

We recommend that the Director, Louisiana Transitional Recovery Office:

- A-1. Disallow \$9,107,760 for unreasonable base camp costs (\$6,233,630 for JDEC and \$2,874,130 for BEC). See Exhibit B.
- A-2. Disallow \$1,235,423 for invoice overcharges (\$792,540 for JDEC and \$442,883 for BEC).
- A-3. Disallow \$189,435 for excessive costs for JDEC sack lunches.
- A-4. Disallow \$97,000 for the math error in JDEC's Service Rentals invoices.
- B-1. Disallow \$10,518,434 for improper contracting procedures (\$10,235,544 for JDEC and \$282,890 for BEC). See Exhibit B.
- B-2. Disallow \$5,654,891 for unsupported costs (\$5,654,580 for JDEC and \$311 for BEC).
- B-3. Disallow \$110,444 for duplicate or improper meals and lodging expenses (\$39,182 for JDEC and \$71,262 for BEC).
- B-4. Disallow \$25,000 for the land purchase not reimbursed by JDEC.
- B-5. Disallow \$21,465 for the duplicate invoice charge for JDEC.
- B-6. Disallow \$19,662 for unallowable mark-ups by JDEC contractors.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with FEMA officials on May 1, 2009, GOHSEP officials on April 1, 2009, and BEC and JDEC officials on March 31, and April 1, 2009, respectively. GOHSEP officials withheld comment on our findings and recommendations. BEC and JDEC officials partially agreed with our findings and recommendations, as discussed throughout this report.

Please advise this office by August 31, 2009, of the actions planned or taken, including target completion dates for any planned actions, to implement our recommendations. Should you have questions concerning this report, please contact me, or your staff may contact Chris Dodd, Audit Manager, at (940) 891-8900.

cc: Acting Regional Administrator, FEMA Region VI
Audit Liaison, FEMA Louisiana Transitional Recovery Office
Audit Liaison, FEMA (Job Code DP7C05)
Audit Liaison, FEMA Region VI

**Schedule of Questioned Costs
Jefferson Davis Electric Cooperative
Beauregard Electric Cooperative
FEMA Disaster 1607-DR-LA**

<u>PW</u>	<u>Cat.</u>	<u>Amount Claimed</u>	<u>Contract Amount</u>	<u>Finding</u>	<u>Amount Questioned Finding A</u>	<u>Amount Questioned Finding B</u>	<u>Total Amount Questioned</u>
JDEC							
191	B	\$ 254,445	\$ 2,132		\$ 0	\$ 0	\$ 0
631	B	395,843	395,843		0	0	0
795	B	13,365,675	13,365,675	A-1	6,233,630	0	6,233,630
"				A-2	792,540	0	792,540
"				A-3	189,435	0	189,435
"				A-4	97,000	0	97,000
4177	B	10,067	0		0	0	0
4181	B	93,423	30,020	B-4	0	25,000	25,000
2374	B	1,350,847	1,350,847		0	0	0
1737	B	43,512,917	32,889,635	B-2	0	5,654,580	5,654,580
"				B-3	0	23,774	23,774
"				B-6	0	11,467	11,467
2339	E	1,662,658	0		0	0	0
4180	E	171,344	171,344		0	0	0
1975	F	20,184,219	10,929,379	B-1	0	10,191,830	10,191,830
"				B-3	0	15,408	15,408
"				B-5	0	21,465	21,465
"				B-6	0	5,204	5,204
2368	F	2,251,520	2,251,520	B-1	0	43,714	43,714
"				B-6	0	2,991	2,991
Subtotal		<u>\$ 83,252,958</u>	<u>\$61,386,395</u>		<u>\$ 7,312,605</u>	<u>\$15,995,433</u>	<u>\$23,308,038</u>
BEC							
401	B	\$ 19,269,301	\$16,781,438	A-1	\$ 2,874,130	\$ 0	\$ 2,874,130
"				A-2	442,883	0	442,883
401	B			B-2	0	311	311
"				B-3	0	71,262	71,262
615	F	899,375	756,303	B-1	0	282,890	282,890
759	B	319,866	299,354		0	0	0
Subtotal		<u>\$ 20,488,542</u>	<u>\$17,837,095</u>		<u>\$ 3,317,013</u>	<u>\$ 354,463</u>	<u>\$ 3,671,476</u>
Grand Totals		<u>\$103,741,500</u>	<u>\$79,223,490</u>		<u>\$10,629,618</u>	<u>\$16,349,896</u>	<u>\$26,979,514</u>

Costs Questioned Under Multiple Criteria

Our report questions costs related to base camps (findings A-1 through A-4) and costs related to power restoration (findings B-1 through B-6). In some instances, we question costs for more than one reason. Recommendations A-1 and B-1 recommend disallowance of questioned costs net of amounts we questioned in other findings.

As shown in Table 3, finding A-1 questions \$10,440,183, which includes \$1,332,423 also questioned in findings A-2 and A-4. Therefore, if costs are not disallowed for findings A-2 and A-4, they should be added back to the amount recommended for disallowance in finding A-1.

Table 3: Questioned Costs Related to Base Camps

Finding			Totals
A-1. Unreasonable base camp prices:			
JDEC	\$ 7,123,170		
BEC	3,317,013		
Totals JDEC and BEC	<u>\$10,440,183</u>		
(Less costs also questioned in A-2 and A-4)	<u>-1,332,423</u>		
Net amount questioned in A.1			\$ 9,107,760
A-2. Invoice overcharges			
JDEC		\$ 792,540	
BEC		<u>442,883</u>	
Totals JDEC and BEC			1,235,423
A-3. Excessive costs for JDEC sack lunches	\$ 189,435		189,435
A-4. JDEC invoice math error		97,000	97,000
Totals	\$ 9,297,195	\$1,332,423	\$10,629,618

As shown in Table 4, finding B-1 questions \$10,563,502 (See note 1 below table), which includes \$45,068 also questioned in findings B-3, B-5, and B-6. Therefore, if costs are not disallowed for findings B-3, B-5, and B-6, they should be added back to the amount recommended for disallowance in finding B-1.

Table 4: Questioned Costs Related to Power Restoration

Finding	JDEC	BEC	Totals
B-1. Improper contracting after emergency period (Less amounts also questioned in B-3, B-5 and B-6, see note 2 below table)	\$10,280,612		
B-1 Subtotals	<u>45,068</u>		
	<u>\$10,235,544</u>	\$282,890	\$10,518,434
B-2. Unsupported costs	\$ 5,654,580	311	5,654,891
B-3. Duplicate/improper meal and lodging expenses	39,182	71,262	110,444
B-4. Land purchase not reimbursed	25,000	N/A	25,000
B-5. Duplicate invoice charge	21,465	N/A	21,465
B-6. Unallowable mark-ups on contract costs	<u>19,662</u>	<u>N/A</u>	<u>19,662</u>
Finding B Totals	\$15,995,433	\$354,463	\$16,349,896

Note 1: The \$10,563,502 consists of the \$10,280,612 in the JDEC column and the \$282,890 in the BEC column for improper contracting.

Note 2: The \$45,068 consists of \$15,408 from finding B-3, \$21,465 from finding B-5, and \$8,195 from finding B-6. JDEC incurred these contract costs after power was restored.