



Homeland
Security

November 10, 2005

MEMORANDUM FOR: Scott Wells
Deputy Federal Coordinating Officer
Joint Field Office, Baton Rouge, Louisiana
Jonda L. Hadley

FROM: Tonda L. Hadley
Director, Dallas Field Office of Audits

SUBJECT: *Clearbrook, LLC Billing Errors Under Contract*
Number HSFE-06-05-F-6232
Report Number DD-04-06

The purpose of this memorandum is to inform you of our concerns regarding Clearbrook, LLC billing errors. The General Services Administration Office of Inspector General referred this issue to our office on November 4, 2005. Clearbrook provides food and lodging to hurricane Katrina disaster responders at seven base camps throughout Louisiana. As of September 28, 2005, the contractor billed, and FEMA paid, \$34 million of the \$80 million contract. We identified several significant problems with the contract and its billings as follows.

- The first payment of \$4.9 million was made for work performed before the effective date of the contract.
- The contractor's billings are mathematically inaccurate indicating over \$3 million in overcharges.
- Although the agreement appears to be an \$80 million firm fixed price contract, the contractor billed FEMA as if it were a time and material plus fixed per diem rate contract.
- The contract has few terms, conditions, or prices. This leads us to question whether the agreement is contractually adequate. The scope of work contains no details and our concerns are compounded by the complete lack of documentation supporting price reasonableness.

At this point, we do not know all of the details behind this contract and its billings. However, we believe it prudent for FEMA to act quickly to temporarily suspend payments until these problems are resolved. We discussed these issues with contracting officials from FEMA and the General Services Administration and they generally concur with our concerns.

To ensure that relief funds are expended in the most effective way, we recommend that the Principal Federal Officer for Hurricane Katrina direct the JFO FEMA contracting officer to suspend payments on this contract until FEMA contracting officials resolved these issues. Please advise us by

November 12, 2005, of the actions taken or planned to implement the recommendation. If you have questions concerning this report, please call me at 940-465-4019.

We conducted this review in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricanes Katrina and Rita. As such, we have forwarded a copy of the report to the PCIE Homeland Security Working Group that is coordinating Inspectors General review of this important subject.

The nature and brevity of this assignment precluded the use of our normal audit protocols; therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

CC: Principal Federal Officer
Deputy Principal Federal Officer
Finance & Administrative Section Chief/Comptroller, Joint Field Office
Chief of Staff, Joint Field Office
Louisiana State Coordinating Officer
Louisiana State Inspector General
Louisiana Legislative Auditor