

# Memorandum

OFFICE OF INSPECTOR GENERAL

DATE: MAY 09 2005

REPLY TO:

ATTN OF: IG-34 (A05PR040)

Audit Report No.: OAS-L-05-06

SUBJECT: Contractor-Provided Meals for Federal Employees

TO: Director, Office of Management, Budget and Evaluation/Chief Financial Officer, ME-1

The purpose of this report is to inform you of a condition that came to our attention during recent audits.

## INTRODUCTION AND OBJECTIVE

As a general rule, appropriated funds cannot be used to provide meals to Government employees. Furthermore, acceptance of meals provided at Government expense by Federal employees may violate 5 U.S.C. § 5536, which prohibits a Federal employee from receiving compensation in addition to pay and allowances fixed by law. An exception to this general prohibition permits employees, in certain cases, to accept such meals when they are an integral part of a conference or symposium. In all instances when an employee is on official travel, the Federal Travel Regulation (FTR) requires employees to reimburse non-Federal sources or adjust meals and incidental expenses claimed on travel vouchers to account for the cost of all contractor-provided meals.

During our audit of employee meal expenses at management and operating (M&O) contractors, we observed instances when M&O contractors provided meals to Department of Energy (Department) employees. We also noted similar examples in our audit of *Central Office Expenses for the Thomas Jefferson National Accelerator Facility* (DOE/IG-0629, December 2003) and in our audit of *Department of Energy Contractor Home Office Expenses* (DOE/IG-0676, February 2005).

Based on the frequency of these observations, we expanded the scope of our audit of contractor meal expenses to determine whether Department employees reimbursed M&O contractors or appropriately adjusted their travel claims for contractor-provided meals.

## CONCLUSION AND OBSERVATIONS

Our audit disclosed that Federal employees who accepted contractor-provided meals did not always furnish reimbursement or reduce travel claims to account for the value of the meals. In certain instances, M&O contractors provided meals to Department employees whose duty stations were located at or in close proximity to the contractor's site. Our review of contractor records also established that meals were provided to Department employees who were visiting the contractors' sites while in a travel status.

As we noted in our *Audit Report on Management Controls Over Meal Expenses at Management and Operating Contractors* (OAS-M-05-04, April 2005), the meals we identified were provided during routine business activities and were not connected with a formal conference or symposium. The contractors we reviewed charged the meal costs to their Department contracts and, in most instances, could not furnish evidence to indicate that the Federal employees reimbursed the contractor for the cost of the meals. Although our tests were limited, we identified a few Department employees who were in travel status when they received contractor-provided meals and did not reimburse the contractor or reduce their claimed subsistence expenses as required by the FTR. Our testing of Department travel vouchers was limited, however, due to the implementation of changes to the Department's Travel Manager system at the time of our review.

While the cost to the Government of the meals we discovered was immaterial individually as well as in the aggregate, the practice of accepting such meals – without proper reimbursement or accounting – could adversely impact the credibility of the Federal employees involved and the Department as a whole. In addition to potential violations of the FTR and 5 U.S.C. § 5536, acceptance of meals from a contractor can give the appearance that the objectivity of Department employees in dealings with contractors has been impaired or compromised.

We discussed our observations with representatives of the National Nuclear Security Administration, Office of Science, and Fossil Energy, who advised us that corrective actions have commenced to address this issue. Program officials indicated that they either planned to or had taken actions such as emphasizing requirements to senior managers and Federal site-level officials and promulgating supplemental program level guidance.

To ensure that all of the Department's Federal employees are cognizant of issues and requirements regarding acceptance of meals from contractors, we recommend that your office emphasize to Federal employees that as a general rule:

- Acceptance of meals from contractors could constitute a violation of 5 U.S.C. § 5536; and,
- Department employees must deduct the cost of contractor-provided meals from their travel vouchers or reimburse the contractors for the meal cost.

We appreciate the cooperation of your staff during this review. Please advise us within 15 work days of any action you plan to take with respect to these observations.



Rickey R. Hass, Director  
Science, Energy, Technology,  
and Financial Audits  
Office of Audit Services  
Office of Inspector General

**Attachment**

**cc: Deputy Director for Operations, SC-3  
Director, Office of Budget and Financial Management, FE-3  
Director, Policy and Internal Control Management, NA-66  
Team Leader, Audit Liaison, ME-100**

## **OBJECTIVE**

To determine whether Department employees reimbursed M&O contractors for contractor-furnished meals or adjusted their travel claims for contractor-provided meals.

## **SCOPE**

The audit was performed between July 2004 and January 2005 at Department Headquarters, Washington, D.C., and at various contractors. Specifically, meal transactions were reviewed at Lawrence Berkeley National Laboratory, in Berkeley, CA; Y-12 National Security Complex, in Oak Ridge, TN; Sandia National Laboratories in Albuquerque, NM and Livermore, CA; Fermi National Accelerator Laboratory in Batavia, IL; Thomas Jefferson National Accelerator Facility in Newport News, VA and Washington, D.C.; and the University of California in Oakland, CA and Washington, D.C. Meal transactions reviewed occurred during FY 2001 through FY 2003.

## **METHODOLOGY**

To accomplish the audit, we:

- Obtained and reviewed applicable laws and regulations;
- Judgmentally selected a sample of transactions for contractor-provided meals; and,
- Reviewed travel vouchers for selected Department employees.

The audit was conducted in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We did not identify any performance measures or goals applicable to contractor-provided meals as required by the *Government Performance and Results Act of 1993*. We relied on computer-processed data to accomplish the audit objective. When appropriate, we performed limited test work of data reliability during our audit and determined that we could rely on the computer-processed data.

Management waived an exit conference.

# Memorandum

DATE: **MAY 12 2005**

REPLY TO: IG-34 (A05PR040)

SUBJECT: Final Report Package for "Contractor-Provided Meals for Federal Employees"  
Audit Report No.: OAS-L-05-06

TO: George W. Collard, Assistant Inspector General for Audit Operations

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 15  
Actual Elapsed days: 49
2. Names of OIG and/or contractor audit staff:

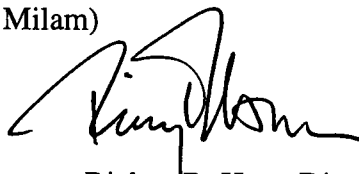
Team Leader: Steve Stronczer  
Auditor-in-Charge: Clem Gallo  
Audit Staff: Lisa Williams  
Chris Narlis

3. Coordination with Investigations and Inspections:

Coordination also covered in contractor meals audit - A04PR010.

Investigations  
Yvette Milam (11/24/03; 8/3/04)

Inspections  
Henry Minner (11/24/03)  
Margaret Lapham (8/3/04 thru Milam)



Rickey R. Hass, Director  
Science, Energy, Technology,  
and Financial Audits  
Office of Audit Services  
Office of Inspector General

Attachments:

1. Final Report
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

**MONETARY IMPACT OF REPORT NO.: OAS-L-05-06**



1. Title of Audit: Contractor-Provided meals for Federal Employees
2. Division: Science, Energy, Technology, and Financial Audits Division
3. Project No.: A05PR040
4. Type of Audit:

Financial: \_\_\_\_\_ Performance: X  
 Financial Statement \_\_\_\_\_ Economy and Efficiency X  
 Financial Related \_\_\_\_\_ Program Results \_\_\_\_\_  
 Other (specify type): \_\_\_\_\_

5.

FINDING		COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsupported	(G) Unresolved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
TOTALS--ALL FINDINGS									

6. Remarks: Our audit disclosed that Federal employees who accepted contractor-provided meals did not always furnish reimbursement or reduce travel claims to account for the value of the meals. While the cost to the Government of the meals we discovered was immaterial individually as well as in the aggregate, the practice of accepting such meals – without proper reimbursement or accounting – could adversely impact the credibility of the Federal employees involved and the Department as a whole.

7. Contractor: N/A 10. Approvals: \_\_\_\_\_  
 8. Contract No.: N/A Division Director/Date:  5/12/05  
 9. Task Order No.: N/A Technical Advisor & Date: 

Office of the Inspector General (OIG)  
Audit Project Office Summary (APS)

Report run on: May 10, 2005 10:06 AM

Audit#: A05PR040 Ofc: PRA Title: CONTRACTOR PROVIDED MEALS FOR DOE

\*\*\*\* Milestones \*\*\*\*

	Planned	End of Survey	Revised	Actual
Entrance Conference:.....	21-MAR-05		21-MAR-05	21-MAR-05
Survey:.....				
Draft Report:.....				
Completed (With Report):.	30-SEP-05			09-MAY-05 ( R )
-----Elapsed Days:	193			49

**Elap. Less Susp:**

Date Suspended: Date Terminated:  
Date Reactivated: Date Cancelled:  
DaysSuspended(Cur/Tot): ( ) Report Number:  
Rpt Title: Report Type: LTR LETTER REPORT  
CONTRACTOR-PROVIDED MEALS FOR FEDERAL EMPLOYEES; OAS-L-05-06, DATED MAY 9, 2005

\*\*\*\* Audit Codes and Personnel \*\*\*\*

Class: PER PERFORMANCE  
Function: Not Found  
MgtChall: Not Found  
Site: MRA MULTI-REGION AUDIT AD: 403 HASS  
SecMiss: CMT CORPORATE MANAGEMENT AIC: 116 GALLO JR  
PresInit: IFP IMPROVED FINANCIAL P Team Ldr: 115 STRONCZER  
Tech Adv: 84 CROWDER

\*\*\*\* Task Information \*\*\*\*

Task No:  
Task Order Dt: CO Tech. Rep:  
Orig Auth Hrs: Orig Auth Costs:  
Current Auth: Current Auth Cost:  
Tot Actl IPR Hr: Tot Actl Cost:

\*\*\*\* Time Charges \*\*\*\*

<u>Emp/Cont Name</u>	<u>Numdays</u>	<u>Last Date</u>
STRONCZER, S	2.9	30-APR-05
GALLO JR, C	12.1	30-APR-05
<b>Total:</b>	<b>15.0</b>	

\*\*\*\* Keywords \*\*\*\*

5 USC 5536  
ADJUST TRAVEL VOUCHERS

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A05PR040
2. Title of Audit: Contractor-Provided Meals for Federal Employees
3. Report No./Date: OAS-L-05-06/May 9, 2005
4. Management Challenge Area: Contract Administration
5. President Mgmt Initiative: Improved Financial Performance
6. Secretary Priority Initiative: Corporate Management
7. Program Code: Multi-Program
8. Location/Sites:
  - Department Headquarters and selected contractors:
    - Lawrence Berkeley National Laboratory, in Berkeley, CA
    - Y-12 National Security Complex in Oak Ridge, TN
    - Sandia National Laboratories in Albuquerque, NM and Livermore, CA
    - Fermi National Accelerator Laboratory in Batavia, IL
    - Thomas Jefferson National Accelerator Facility in Newport News, VA
    - University of California in Oakland, CA, and Washington, DC
9. Finding Summary:
  - As a general rule, appropriated funds cannot be used to provide meals to Government employees and acceptance of meals provided at Government expense by Federal employees may violate 5 U.S.C. § 5536, which prohibits a Federal employee from receiving compensation in addition to pay and allowances fixed by law. For employees on official travel, the Federal Travel Regulation (FTR) requires employees to reimburse non-Federal sources or adjust meals and incidental expenses claimed on travel vouchers to account for the cost of all contractor-provided meals. During our audit of employee meal expenses at management and operating (M&O) contractors and during other prior audits, we observed instances when M&O contractors provided meals to Department employees.
  - The objective of the audit was to determine whether Department employees reimbursed M&O contractors or appropriately adjusted their travel claims for contractor-provided meals.



- Our audit disclosed that Federal employees who accepted contractor-provided meals did not always furnish reimbursement or reduce travel claims to account for the value of the meals. In certain instances, M&O contractors provided meals to Department employees whose duty stations were located at or in close proximity to the contractor's site. Although our tests were limited, we identified a few Department employees who were in travel status when they received contractor-provided meals and did not reimburse the contractor or reduce their claimed subsistence expenses as required by the FTR.
- While the cost to the Government of the meals we discovered was immaterial individually as well as in the aggregate, the practice of accepting such meals – without proper reimbursement or accounting – could adversely impact the credibility of the Federal employees involved and the Department as a whole. In addition to potential violations of the FTR and 5 U.S.C. § 5536, acceptance of meals from a contractor can give the appearance that the objectivity of Department employees in dealings with contractors has been impaired or compromised.
- Program officials indicated that they either planned to or had taken actions such as emphasizing requirements to senior managers and Federal site-level officials and promulgating supplemental program level guidance. We recommended that the Office of Management, Budget and Evaluation/Chief Financial Officer emphasize to Federal employees that as a general rule acceptance of meals from contractors could constitute a violation of 5 U.S.C. § 5536 and Department employees must deduct the cost of contractor-provided meals from their travel vouchers or reimburse the contractors for the meal cost.

10. Keywords:

- Contractor-provided meals
- Federal employees
- Federal Travel Regulations
- Reimburse contractors