

**AUDIT OF FDIC'S FOOD SERVICES CONTRACT WITH
ARAMARK SERVICES, INC.**

Audit Report No. 99-009
February 5, 1999




OFFICE OF AUDITS

OFFICE OF INSPECTOR GENERAL

DATE: February 5, 1999

MEMORANDUM TO: Michael J. Rubino, Associate Director
Acquisition Services Branch
Division of Administration

FROM: 
David H. Loewenstein
Assistant Inspector General

SUBJECT: *Audit of FDIC's Food Services Contract with Aramark Services, Inc.*
(Audit Report No. 99-009)

The Office of Inspector General (OIG) has completed an audit of the FDIC's food services contract with Aramark Services, Inc. (Aramark). The contract with Aramark is cost-reimbursable and provides for a fixed management fee. A "cost plus fixed management fee" pricing arrangement such as this one is generally used when cost uncertainties exist. Under this type of pricing arrangement, operating inefficiencies do not adversely affect the fee amount earned by the contractor. The Associate Director, Acquisition Services Branch (ASB), requested that the OIG audit this contract because of a concern over the contract pricing arrangement.

BACKGROUND

The FDIC entered the contract with Aramark on May 26, 1993 for a performance period of June 1, 1993 through December 31, 1993. This contract was extended, through the exercise of options and contract modifications, to February 12, 1998. The contract required that Aramark provide all necessary personnel and services to manage and operate the cafeterias and executive dining rooms at the Main Building and Seidman Center. Aramark also provides catering, banquet and vending machine services for FDIC-occupied buildings in the Washington Metropolitan area. The catering and banquet functions sometimes require additional personnel, such as banquet waiters, who are hired on a temporary basis.

When he requested this audit, the Associate Director, ASB, also asked that the OIG assist with his office's efforts to refine a statement of work for a replacement food services contract. The OIG reviewed the statement of work and compared it to contracts providing similar services at other agencies, which ASB had already gathered. We provided ASB with alternatives to the type of pricing arrangement under consideration as well as suggestions to modify the contract requirements. ASB subsequently issued an amendment to the replacement contract's Request for Proposal and incorporated most of our recommendations. The FDIC awarded the new contract to Aramark.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether (1) Aramark's operating statements were adequately supported and complied with the terms and conditions of the contract and (2) the FDIC's oversight of the Aramark contract was effective. The audit universe included the operating activities culminating in payments made to Aramark for the food services contract between November 1, 1996 and October 31, 1997, source documentation supporting items recorded on the associated invoices, and vending machine commissions for this contract for the same period. These associated invoices reflected (1) sales totaling \$1,528,731, (2) costs and expenses totaling \$1,973,609, and (3) management fees totaling \$43,060. Additionally, FDIC received vending commissions totaling \$30,586.

To accomplish our objectives, we judgmentally sampled Aramark's Seidman Center operating statements for March, July, and September 1997 and Aramark's Main Building operating statement for July 1997. We reviewed support for vending machine commissions for March, July, and September 1997. These months were selected because they appeared to provide an adequate representation of operating activities during the audit scope. Finally, we reviewed performance aspects of the FDIC's oversight of this contract to assist management in protecting the Corporation's interests.

Our audit methodology included the following:

- ◆ Reviewing food services contracts used by various other federal agencies.
- ◆ Gathering and examining support for the sampled operating statements.
- ◆ Gathering and examining support for the vending machine commissions.
- ◆ Developing a questionnaire on contract oversight for Aramark and the FDIC oversight manager.
- ◆ Reviewing the findings of Aramark's district manager audit of its FDIC contract operations.
- ◆ Interviewing the FDIC oversight manager, the Chief of FDIC's Employee/Contractor Security Unit, and the Aramark Food Services Managers.
- ◆ Reviewing contract monitoring files.
- ◆ Reviewing Aramark payroll files to determine if Immigration and Naturalization Forms I-9 had been completed.
- ◆ Performing on-site checks at Virginia Square and the Main Building for fictitious employees.
- ◆ Verifying sales and bank deposit information.
- ◆ Performing surprise cash counts at Virginia Square and the Main Building.
- ◆ Verifying transactions related to the purchasing function.
- ◆ Reviewing vendors for related parties.
- ◆ Reviewing the timeliness of payments for catering invoices.
- ◆ Observing the taking of inventory at Virginia Square.
- ◆ Providing ASB and Aramark staff with preliminary findings to verify factual accuracy, solicit input into the causes of findings, and assist in developing workable recommendations.

- ◆ Obtaining a management representation letter from Aramark's Vice President of Finance-Controller providing assurance of the truth, accuracy and completeness of information provided by Aramark officials during the course of the audit.

The audit was conducted in accordance with generally accepted government auditing standards. We reviewed Aramark's internal controls over operations to obtain an understanding of the controls in place but not to provide an opinion on the internal control structure. The audit was conducted from February 1998 through August 1998 but was suspended intermittently to complete work on another audit that was in process when this request was received.

RESULTS OF AUDIT

We concluded that Aramark's operating statements were supported in material respects. However, we identified several significant compliance issues and several less significant internal control issues related to Aramark's performance under the contract. Aramark took a number of corrective actions in response to many of these issues during the course of our audit. We also concluded that FDIC's contract oversight was generally effective. However, this report includes recommendations for enhancing contract oversight going forward.

Although this audit provided assurance that Aramark's operating statements were materially supported, it also highlighted the following:

- ◆ On-site Aramark employees are not being subject to background investigations as required by the Acquisition Policy Manual. Our audit disclosed that background investigations had not been completed for 16 of 38 permanent Aramark employees.
- ◆ Aramark did not maintain Forms I-9 (the Immigration and Naturalization Service's Employment Eligibility Verification) for 30 of 73 contractor employees, or 41 percent of the employees included in our sample. This form provides proof of one's eligibility to work in the United States and is required by federal law.
- ◆ FDIC procedures for the payment of catering invoices are not working as intended. As a result, catering invoices are not always paid in a timely manner.
- ◆ Improvements are needed pertaining to Aramark's internal controls over timekeeping procedures, purchasing, and recording sales. Aramark took action to address these issues during the course of our audit.

ARAMARK'S BILLINGS MATERIALLY SUPPORTED

Our review of documentation supporting Aramark's operating statements indicated that Aramark kept adequate records to support sales, food costs, labor costs, and expenses. We used audit procedures to verify these statements which included designing substantive tests to determine whether amounts recorded and billed to the FDIC were valid. We conducted testing in the areas of cash, vending, catering, purchasing, invoice processing, inventory, billings, and payroll.

SOME ARAMARK EMPLOYEES WORKED WITHOUT BACKGROUND CHECKS

Our audit disclosed that background investigations for 16 of 38 permanent Aramark employees had not been performed. On April 10, 1996, 12 Code of Federal Regulations (CFR) Part 366, Contractor Conflicts of Interest became effective. This regulation provides for minimum standards of fitness for contractors working for the FDIC. Part 366.4 (a) states that "...no person shall perform services under an FDIC contract if that person...has been convicted of a felony...." The Acquisition Services Branch's Acquisition Policy Manual (APM), which became effective on November 15, 1996, implements this regulation by requiring that background investigations be conducted for contractor personnel who work on-site. The APM directs the Contracting Officer to request background investigations from the Division of Administration's Security Services Section prior to awarding a contract. The APM further directs that if background investigations have not been completed prior to award, the Contracting Officer will prepare a letter to the contractor explaining that the award is contingent on the outcome of the background investigations. However, Aramark's initial contract with the FDIC predated the procedural requirement for requesting background investigations prior to award. Nevertheless, Aramark's on-site employees became subject to the requirement on November 15, 1996. Based on our testing, it appears that neither the Contracting Officer nor the Oversight Manager requested background investigations for Aramark's then-current on-site employees.

We met with the Chief, Employee/Contractor Security Unit, who told us that, absent a request from the Contracting Officer or Oversight Manager, he initiates a background investigation for contractor employees at the time they request an FDIC picture identification badge. The background investigations initiated by the Chief identified that six Aramark employees working on-site at the FDIC were convicted felons. These employees were subsequently prohibited from working on the FDIC contract. One additional Aramark employee working on-site at the FDIC resigned when the initial background investigation results identified an arrest for charges of committing a felony. The efforts of the Chief provided a meaningful back-up internal control. However, this control was instituted in response to a lack of formal requests from the Contracting Officer and Oversight Manager. As a result, it appears that the 16 sampled permanent Aramark employees were not subject to the required background investigations. Further, as of November 16, 1998, 3 of these 16 held active FDIC badges.

Recommendations

The Associate Director, Acquisition Services Branch, DOA, should:

- (1) Reiterate to the Contracting Officer and/or Contracting Specialist and Oversight Manager their roles in requesting background investigations from the Security Services Section for on-site contractor employees.
- (2) Ensure that background investigations for Aramark employees working on FDIC premises are performed.

MISSING AND/OR INCOMPLETE FORMS I-9

We identified 30 of 73 Aramark employees working at FDIC sites with missing or incomplete Immigration and Naturalization Service Employment Eligibility Verification Forms I-9. A similar condition was also identified in an audit conducted by an Aramark district manager received in September 1997. All employees hired on or after November 7, 1986 are required to fill out section 1 of a Form I-9. This form helps ensure that the employee is eligible to work in the United States (through review and verification, by the employer, of various documents listed on the Form I-9).

According to the Immigration Reform and Control Act of 1986, all employers must complete the Form I-9 no later than 3 working days after the employee begins work or at the time of hire if the employment is for less than 3 days. The employer is responsible for ensuring that both the employer and employee within the requisite timeframe complete the form. Additionally, the contract between the FDIC and Aramark states: "Each employee of the contractor shall be a citizen of the United States of America, or an alien who has been lawfully admitted for permanent residence or who presents other evidence from the Immigration and Naturalization Service that employment is permitted by his/her immigration status." Without completing the Form I-9 and reviewing the required documents, an employer cannot verify if an employee is eligible to work in the United States.

Aramark responded that the majority of employees we identified with missing or incomplete forms were banquet waiters who worked in September 1997 during a divisional conference for 500 people and at several other one-time functions. The food service manager agreed that the necessary documentation should have been obtained from all the waiters but was not during this very hectic month at the Seidman Center.

Recommendation

The Associate Director, Acquisition Services Branch, DOA, should:

(3) Ensure that the FDIC Oversight Manager periodically reviews Aramark files to ensure that a Form I-9 is correctly completed for each employee and reiterate to Aramark that files should be complete for such documents.

TIMELY PAYMENT OF CATERING INVOICES

We identified 19 catering invoices totaling \$81,661 that were approved and paid from 38 to 135 days after the invoice date using a Payment Authorization Voucher (PAV). Of the 19 invoices, 17 were less than \$5,000, the single procurement limit for the corporate credit card. Under guidelines currently in place, payment could have been facilitated by use of the corporate credit card. Additionally, we identified that Aramark had received \$2,408 for payment of catering invoices that it had previously written off because they were outstanding for a period in excess of 60 days.

Catering services are ordered and paid for by the offices and divisions requesting the services. According to the FDIC oversight manager, in mid-1997, DOA's Corporate Services Branch began to track all catering invoices and follow up with Aramark customers when invoices were not paid within 60 days from the date of the function. The oversight manager believes this process has helped with the timely payment of invoices.

According to Circular A-125, dated December 12, 1989 issued by the Executive Office of the President, Office of Management and Budget (OMB), FDIC must make applicable Prompt Payment Act invoice payments no later than the invoice due date in order to avoid interest penalties. Further, according to the FDIC's Accounts Payable Manual, invoices should be date-stamped with the date received by the applicable FDIC division. Each invoice should be reviewed as soon as possible after receipt. Any invoice determined not to be proper should be returned no later than 7 days after receipt identifying the defects that prevent payment. An invoice is deemed to be received the latter of either (1) the date a proper invoice is actually received as indicated by the date stamp or (2) the seventh day after the invoice date if a stamp is not provided. Unless otherwise specified, the payment is due on either (1) the date specified in the invoice contract or (2) if not specified, 30 days after the start of the payment period as determined above. When payments are made after the due date, the Accounts Payable Purchase Order System calculates the appropriate interest. Interest penalties of less than \$1.00 are waived.

According to the FDIC oversight manager, a technician in DOA's Corporate Services Branch currently makes a notation on each catering invoice to which the Prompt Payment Act applies. However, since most divisions and offices use PAVs to pay catering invoices and those invoices paid by PAV do not accrue interest, the majority of catering invoices are not accruing interest even if it is technically applicable. In addition, under the new contract, which was awarded to Aramark, the FDIC required that the contractor be capable of accepting payment by credit card. According to the FDIC oversight manager, very few offices and divisions have taken advantage of paying by credit card, which as she pointed out, would be less administratively burdensome than the preparation of a PAV. Untimely payment by FDIC divisions and offices could result in financial hardship to Aramark and be a detriment to the FDIC's working relationship with Aramark.

Recommendation

The Associate Director, Acquisition Services Branch, DOA, should:

(4) Facilitate the payment process by encouraging FDIC divisions and offices to use the corporate credit card to pay catering invoices under \$5,000.

OPPORTUNITIES EXIST TO IMPROVE ARAMARK'S INTERNAL CONTROLS OVER TIME RECORDS, SUPPLIER INVOICES, AND CASH REGISTER READINGS

Our review of Aramark's operations identified several instances where established internal controls were not consistently implemented. Implementation of controls over daily and weekly time records, supplier invoices, and cash register sales should be strengthened to help prevent or deter losses to the FDIC.

Time Records: Our review indicated that the weekly time records of 20 non-salaried employees did not include employee signatures. Additionally, banquet server sign-in sheets were completed by someone other than the individuals performing the work, and in four instances, Aramark employees did not clock either in or out. Because employees did not always follow proper time reporting procedures, there was reduced assurance that the FDIC was accurately billed for services.

Aramark responded that its management has communicated to the new food service manager and the new executive chef that signatures need to be obtained on the time records before paychecks are distributed. Additionally, Aramark responded that the banquet server sign-in sheets were prepared by the food service manager, executive chef, or the headwaiter because of the illegible handwriting of most of the waiters. Furthermore, banquet sign-in sheets are no longer used, and all waiters are now required to punch a time clock, a practice that will eliminate the problem.

Supplier Invoices: Of the 36 supplier invoices reviewed, 18 were not signed by Aramark to verify that the goods were received. Furthermore, 5 of the 36 invoices were recorded on Invoice Pending Release Reports that were not signed by Aramark management. Because the reports were not signed, the payment of the invoices by Aramark's corporate headquarters was not properly authorized. Invoices should be signed and properly authorized for payment to ensure adequate controls over expenses billed to the FDIC.

Cash Register Reading Differences/Missing Polling Information: Tests of the sampled 3 monthly operating statements show that there were 6 days in July 1997 when reading differences were untraceable to cash register polling or the polling information was missing. (Cash register polling allows direct retrieval of daily sales data from the cash register.) The cash register ending readings are subtracted from the opening readings to determine the daily sales. However, proper maintenance of internal control over sales credited to the FDIC requires an accurate recording of daily sales data.

Aramark responded that there were software problems with the cash registers that would account for the "missing" or "does not match" data. Errors could be the result of employee error when taking cash register readings. Daily sales procedures have been revised and implemented with a new manager who was hired since the beginning of our audit. These procedures take the clerk/manager systematically through the daily sales process. Procedures for recording cashier voids have also been revised.

Recommendation

The Associate Director, Acquisition Services Branch, DOA, should:

(5) Ensure that the FDIC oversight manager expand her review of Aramark's activities to verify that (a) time records are properly maintained, (b) supplier invoices are properly signed to verify that the receipt of goods and invoice payments are properly authorized by Aramark managers, and (c) daily sales reports and cash register tapes are properly maintained to ensure that sales are accurately reported to the FDIC.

CORPORATION COMMENTS AND OIG EVALUATION

On January 22, 1999, the Associate Director, ASB, provided a written response to the draft report. The response is presented as Appendix I to this report.

The written response provides the requisites for management decisions on each of the recommendations in the draft report. The response is not summarized because the actions planned or already taken are identical to those recommended.


FDIC

Federal Deposit Insurance Corporation
1700 Pennsylvania Avenue, Washington, DC 20429

Acquisition Services Branch
Division of Administration

DATE: January 15, 1999

MEMORANDUM TO: David H. Loewenstein
Assistant Inspector General



FROM: Michael J. Rubino, Associate Director
Acquisition Services Branch

SUBJECT: MANAGEMENT DECISION
Draft Audit Report Entitled "Audit of FDIC's Food Services
Contract ARAMARK Services, Inc." (Audit Number 97-407)

The Acquisition Services Branch (ASB) has completed its initial review of the subject Office of Inspector General (OIG) draft report. Our review focused on those recommendations in the report addressed to the Acquisition Services Branch (ASB), Division of Administration (DOA) that would be entered into the Internal Review Information System (IRIS). The management decision is presented in three parts: (1) the Executive Summary; (2) Management Decision detail; and (3) an Office of Internal Control Management working summary, presented as Exhibit A. **This Management Decision serves as a statement of certification that Management has completed necessary corrective action for recommendation number 3.**

If you have any questions concerning the management responses, please contact Mary Rann, Chief, Financial Review Unit, at (202) 942-3287.

EXECUTIVE SUMMARY

The following table represents an overview of the management decision. A more comprehensive summary of the decision that details specific areas of agreement or disagreement with the findings and describes necessary corrective actions, including milestone dates, is presented in the table at Exhibit A.

Finding #	Finding Description	Questioned Cost	Proposed Management Decision	Amount Disallowed	Amount Allowed
1	Some ARAMARK employees worked without background checks	-0-	Agree	-0-	-0-
2	Missing and/or incomplete Forms I-9	-0-	Agree	-0-	-0-
3	Timely payment of catering invoices	-0-	Agree	-0-	-0-
4	Opportunities exist to improve ARAMARK's internal controls over time records, supplier invoices, and cash register readings	-0-	Agree	-0-	-0-
TOTAL		-0-		-0-	-0-

MANAGEMENT DECISION

FINDING #1: Some ARAMARK Employees Worked without Background Checks

RECOMMENDATIONS: The OIG recommended that the Associate Director, Acquisition Services Branch, DOA: (1) Reiterate to the Contracting Officer and/or Contracting Specialist and Oversight Manager their roles in requesting background investigations from the Security Services Section for on-site contractor employees; (2) Ensure that background investigations for ARAMARK employees working on FDIC premises are performed.

BACKGROUND: According to the OIG report, 12 CFR Part 366, Contractor Conflicts of Interest, became effective on April 10, 1996. This regulation provided the minimum standards of fitness for contractors working for the FDIC. The Acquisition Services Branch's Acquisition Policy Manual (APM), which became effective on November 15, 1996, implemented this regulation by requiring that background investigations be conducted for awards involving contractors who work on-site. The APM directs the Contracting Officer to request background investigations from the DOA's Security Services Section. The audit disclosed that background investigations for 16 of 38 permanent ARAMARK employees had not been performed.

MANAGEMENT RESPONSE: We agree with this finding and recommendations. The Associate Director, ASB, will issue a memorandum to all Contracting Officers and/or Contracting Specialists to reemphasize the importance of the background checks for on-site contractors. The memorandum will direct the contracting officers and/or contracting specialists to discuss the importance of the background checks for on-site staff with the FDIC oversight managers and contractors. Additionally, the contracting specialist and FDIC oversight manager will remind the Contractor that notification and FDIC approval is required for permanent changes of on-site personnel. When such notification is received from the Contractor, the contracting specialist will ensure that a background check is requested from the Security Services Section.

In addition, the contracting specialist will review the contract file to ensure that a background check has been requested and/or completed on all ARAMARK employees working on FDIC premises.

FINDING #2: Missing and/or Incomplete Forms I-9

RECOMMENDATION: The OIG recommends that the Associate Director, Acquisition Services Branch, DOA, ensure that the FDIC oversight manager periodically reviews ARAMARK files to ensure that a Form I-9 is correctly completed for each employee and reiterate to ARAMARK that files should be complete for such documents.

MANAGEMENT RESPONSE: We agree with the finding and recommendation. Management has already taken action to address the issue raised by this finding. On November 3, 1998, officers of the Immigration and Naturalization Service (INS) conducted an inspection of ARAMARK to determine compliance with Section 274A of the Immigration and Nationality Act (Act). During the inspection, technical and procedural failures were discovered. ARAMARK was given until November 30, 1998, to correct the failures. On December 1, 1998, INS conducted a follow up compliance review and found that all I-9 forms were in compliance of the Act. Copies of the letters addressing technical and/or procedural failures and the letter of the notification of compliance from the U.S. Department of Justice have been attached for your review. (Attachment #1 and #2.)

The oversight manager will periodically review random ARAMARK employee files to ensure that employees have properly completed an I-9 form. The review will be based on the Department of Justice's Handbook for Employers, Instructions for Completing Form I-9. This handbook has been attached for your review. (Attachment #3). This review will be documented and placed in a contract "review" file for reference. Any failures technically and/or procedurally will be documented and corrected within ten business days. **This decision serves as a statement of certification that Management has completed the Corrective Action for this finding.**

FINDING #3: Timely Payment of Catering Invoices

RECOMMENDATION: The OIG recommends that the Associate Director, Acquisition Services Branch, DOA, facilitate the payment process by encouraging FDIC divisions and offices to use the corporate credit card to pay catering invoices under \$5,000.

BACKGROUND: During the course of its audit, the OIG identified 19 catering invoices totaling \$81,661 that were approved and paid within 38 to 135 days after the invoice date using the Payment Authorization Voucher (PAV) as the method of payment. Seventeen of the identified invoices were for amounts less than \$5,000, which is the single procurement limit for the corporate credit card.

MANAGEMENT RESPONSE: We agree with the finding and recommendation. The Associate Director, Acquisition Services Branch, will issue a memorandum to all Administrative Officers instructing them to use their Procurement Credit Card to pay ARAMARK for all on-site catering services. The memorandum will also require all Administrative Officers to provide their credit

card number with the request for catering services in order to streamline the bill payment process. The memorandum will be issued by March 1, 1999.

FINDING #4: Opportunities Exist to Improve ARAMARK's Internal Controls over Time Records, Supplier Invoices, and Cash Register Readings

RECOMMENDATION: The OIG recommends that the Associate Director, Acquisition Services Branch, DOA, ensure that the FDIC oversight manager expand her review of ARAMARK's activities to verify that (a) time records are properly maintained, (b) supplier invoices are properly signed to verify that the receipt of goods and invoices payments are properly authorized by ARAMARK managers, and (c) daily sales reports and cash register tapes are properly maintained to ensure that sales are accurately reported to the FDIC.

MANAGEMENT RESPONSE: We agree with the finding and recommendation. Management has already addressed some of the issues raised and has initiated following corrective actions: (1) As of March, 1998, the oversight manager reviews the time records in more detail, by spot checking for employee signatures on either the time cards or payroll sheets. Temporary help time sheets and banquet server time cards are also reviewed for signatures on temporary agency time sheets and time cards respectively. (2) In addition, as of March 1998, the oversight manager conducts spot reviews for signatures on supplier invoices. The review of time records and supplier invoices is done on a monthly basis. Any deficiencies are reported directly to ARAMARK. (3) The oversight manager will review daily sales reports and cash registers tapes during "unannounced" visits 2 to 4 times annually beginning in March 1999. (4) Also, the Policy Development and Compliance Section, ASB, will conduct an annual review of all expenses under the ARAMARK contract, beginning in March, 1999. These reviews will ensure that sales are accurately reported to the FDIC.

cc: Deborah Reilly
David McDermott
Mary Rann
Andrew Nickle
Howard Furner
Kelly McGaughey

Exhibit A

<i>SUMMARY OF ACQUISITION SERVICES BRANCH MANAGEMENT DECISIONS</i>
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NO.	FINDING DESCRIPTION	QUESTIONED COST	AMOUNT DISALLOWED	DESCRIPTION OF CORRECTIVE ACTION	EXPECTED COMPLETION DATE	DOCUMENT VERIFYING COMPLETION
1	Some ARAMARK employees worked without background checks	-0-	-0-	Management agreed with the finding and recommendations. The Assistant Director, Policy and Compliance Section, ASB, will issue a memorandum to all Contracting Officers and/or Contracting Specialists to reemphasize the importance of the background checks for on-site contractors. The memorandum will direct the contracting officers and/or contracting specialists to discuss the importance of the background checks for on-site staff with the FDIC oversight managers and contractors. Additionally, the contracting specialist and FDIC oversight manager will remind the Contractor that notification and FDIC approval is required for permanent changes of on-site personnel. When such notification is received from the Contractor, the contracting specialist will ensure that a background check is requested from the Security Services Section. In addition, the contracting specialist will review the contract file to ensure that a background check has been requested and/or completed on all ARAMARK employees working on FDIC premises.	March 31, 1999	A copy of the memorandum issued by the Assistant Director, Policy and Compliance Section, ASB

Exhibit A

<i>SUMMARY OF ACQUISITION SERVICES BRANCH MANAGEMENT DECISIONS</i>
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NO.	FINDING DESCRIPTION	QUESTIONED COST	AMOUNT DISALLOWED	DESCRIPTION OF CORRECTIVE ACTION	EXPECTED COMPLETION DATE	DOCUMENT VERIFYING COMPLETION
2	Missing and/or incomplete Forms I-9	-0-	-0-	<p>Management agreed with the recommendation. ASB Management has already taken action to address the issue raised by this finding. On November 3, 1998, officers of the Immigration and Naturalization Service (INS) conducted an inspection of ARAMARK to determine compliance with Section 274A of the Immigration and Nationality Act (Act). During the inspection, technical and procedural failures were discovered. ARAMARK was given until November 30, 1998, to correct the failures. On December 1, 1998, INS conducted a follow up compliance review and found that all I-9 forms were in compliance of the Act. Copies of the letters addressing technical and/or procedural failures and the letter of the notification of compliance from the U.S. Department of Justice have been attached for your review. (Attachment #1 and #2.)</p> <p>The oversight manager will periodically review random ARAMARK employee files to ensure that employees have properly completed an I-9 form. The review will be based on the Department of Justice's Handbook for Employers, Instructions for Completing Form I-9. This handbook has been attached for your review. (Attachment #3). This review will be documented and placed in a contract "review" file for reference. Any failures technically and/or procedurally will be documented and corrected within ten business days. <u>This decision serves as a statement of certification that Management has completed the Corrective Action for this finding.</u></p>	Completed	See Attachments 1,2, and 3

Exhibit A

SUMMARY OF ACQUISITION SERVICES BRANCH MANAGEMENT DECISIONS

NO.	FINDING DESCRIPTION	QUESTIONED COST	AMOUNT DISALLOWED	DESCRIPTION OF CORRECTIVE ACTION	EXPECTED COMPLETION DATE	DOCUMENT VERIFYING COMPLETION
3	Timely payment of catering invoices	-0-	-0-	Management agreed with the recommendation. The Associate Director, Acquisition Services Branch, will send a global e-mail to all Washington Office employees notifying them that the on-site caterer, ARAMARK, is capable of accepting the Corporate Credit Card for charges under \$5,000. The intent of this global e-mail will be to encourage those who utilize the on-site catering services of ARAMARK to use the Corporate Credit Card to pay invoices. The e-mail will also emphasize to those users that catering bills must be paid timely and that use of the Corporate Credit Card is the most efficient and effective means of paying for services. The Oversight Manager will continue to track the payment of catering invoices, sending reminders to those who have outstanding invoices of 60 days.	March 31, 1999	Global E-Mail From the Associate Director, ASB

Exhibit A

<i>SUMMARY OF ACQUISITION SERVICES BRANCH MANAGEMENT DECISIONS</i>
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NO.	FINDING DESCRIPTION	QUESTIONED COST	AMOUNT DISALLOWED	DESCRIPTION OF CORRECTIVE ACTION	EXPECTED COMPLETION DATE	DOCUMENT VERIFYING COMPLETION
4	Opportunities exist to improve ARAMARK's internal controls over time records, supplier invoices, and cash register readings	-0-	-0-	Management agreed with the finding and recommendation. Management has already addressed some of the issues raised and has initiated following corrective actions: (1) As of March, 1998, the oversight manager reviews the time records in more detail, by spot checking for employee signatures on either the time cards or payroll sheets. Temporary help time sheets and banquet server time cards are also reviewed for signatures on temporary agency time sheets and time cards respectively. (2) In addition, as of March 1998, the oversight manager conducts spot reviews for signatures on supplier invoices. The review of time records and supplier invoices is done on a monthly basis. Any deficiencies are reported directly to ARAMARK. (3) The oversight manager will review daily sales reports and cash registers tapes during "unannounced" visits 2 to 4 times annually beginning in March 1999. These reviews will ensure that sales are accurately reported to the FDIC.	March 31, 1999	Contractor Documentation/Oversight Manager's File and/or Contract File



U.S. Department of Justice
Immigration and Naturalization Service
4501 Ford Avenue, Suite 1300
Alexandria, Virginia 22302

NOTIFICATION OF TECHNICAL OR PROCEDURAL FAILURES

November 12, 1998

Mr. Richard Sage
Aramark Corporation Services
3501 N. Fairfax Dr.
Arlington, VA 22203

RE: 1-9 Inspection
File No. **WAS-99-EO-000002**

Dear Mr. Sage:

On **November 3, 1998**, officers of the Immigration and Naturalization Service conducted an inspection of **ARAMARK** to determine compliance with Section 274A of the Immigration and Nationality Act (Act). At that time, **approximately 77** Employment Eligibility Verification Forms (Forms I-9) were presented for inspection.

During the inspection of the Forms I-9 presented, technical or procedural failures to meet the employment verification requirements of Section 274A(b) of the Act were discovered. Pursuant to Section 274A(b)(6) of the Act, these technical or procedural failures are considered violation of Section 274A(b) of the Act if they remain uncorrected.

NOTE: Additional failures to meet the employment verification requirements of Section 274A(b) of the Act may have been discovered. These failures are not included in this notification and may result in the issuance of a Notice of Intent to Fine (Form I-763). If a Notice of Intent to Fine is issued, it will be served separately from this notification.

This letter and accompanying documents are to notify **ARAMARK** of the technical or procedural failures encountered and to provide **ARAMARK** a period of not less than ten business days within which to correct these failures.

Accompanying this letter are the Forms I-9 that were presented for inspection, some contain technical or procedural failures. The technical or procedural failures found on each Form I-9

have been circled in ink. They include one or more of the following technical or procedural failure:

- Employees' maiden name, address or birth date missing in section 1
- No "A" number filled-in next to the phrase in section 1, "A Lawful Permanent Resident" where the number is in sections 2 or 3 of the I-9 (or on a document retained on the Form I-9 and presented at the I-9 inspection)
- No Alien or Admission number filled-in next to the phrase in section 1, "An alien authorized to work until" where the number is in sections 2 or 3 of the I-9 (or on a document retained on the Form I-9 and presented at the I-9 inspection)
- Employee attestation date missing in section 1
- Employee attestation not completed at the time of hire in section 1
- Name, address or signature of the preparer and/or translator certification box in section 1
- No document identification number of a List A, B or C document in section 2 where a copy of document(s) is retained with the Form I-9 and presented at the I-9 inspection
- No document expiration date of a List A, B or C document in section 2 where a copy of document(s) is retained with the Form I-9 and presented at the I-9 inspection
- Business title, name or address missing in section 2
- Date of hire missing in section 2
- No employer attestation date in section 2
- Employer attestation in section 2 not completed within 3 business days of hire or, if the employee is hired for 3 business days or less, at the time of hire
- No document identification number of a List A, B or C document in section 3 where a copy of document(s) is retained with the Form I-9 and presented at the I-9 inspection
- No document expiration date of a List A, B or C document in section 3 where a copy of document(s) is retained with Form I-9 and presented at the I-9 inspection
- Date of rehire missing in section 3

You must correct the circled failures directly on the Form I-9. Initial and date the corrections made. A brief explanation must be provided for corrections that reasonably cannot be made (e.g., "information unavailable: individuals' employment terminated"). Verification failures that are not technical or procedural have not been circled on the Forms I-9 accompanying this letter.

ARAMARK is being provided until **Monday, November 30, 1998 at 11:00 a.m.** to correct the circled failures on the accompanying Forms I-9. These Forms I-9 may be subject to review by an INS officer after that date.

Be aware that any uncorrected technical or procedural failures may result in the issuance of Notice of Intent to Fine.

If you have any questions regarding your responsibilities in the verification process, you may call **Special Agent Demeroto at (703) 578-4900.**

Sincerely,



James D. Godman
Assistant District Director
Investigations

Enclosures



U.S. Department of Justice
Immigration and Naturalization Service
Washington District Office
Investigations

4501 Ford Avenue, Suite 1300
Alexandria, VA 22302

NOTIFICATION OF COMPLIANCE

WAS-99-EO-000002

Mr. Richard Sage
Aramark Corporation Services
3501 N. Fairfax Dr.
Arlington, VA 22203

Dear Mr. Sage:

On December 1, 1998, the Immigration and Naturalization Service (INS) conducted a compliance review and inspection of your firm. During this review, the requirements of Section 274A of the Immigration and Nationality Act, as amended by the Immigration Reform and Control Act of 1986 (IRCA), were discussed and your I-9 Forms reviewed.

As a result of that inspection, the INS has determined that there is no basis for further inquiry to be conducted at this time. We greatly appreciate your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "J.D. Goldman", with a long horizontal flourish extending to the right.

James D. Goldman
Assistant District Director of Investigations
Washington District

MANAGEMENT RESPONSES TO RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires the OIG to report the status of management decisions on its recommendations in its semiannual reports to the Congress. To consider FDIC's responses as management decisions in accordance with the act and related guidance, several conditions are necessary. First, the response must describe for each recommendation

- the specific corrective actions already taken, if applicable;
- corrective actions to be taken together with the expected completion dates for their implementation; and
- documentation that will confirm completion of corrective actions.

If any recommendation identifies specific monetary benefits, FDIC management must state the amount agreed or disagreed with and the reasons for any disagreement. In the case of questioned costs, the amount FDIC plans to disallow must be included in management's response.

If management does not agree that a recommendation should be implemented, it must describe why the recommendation is not considered valid.

Second, the OIG must determine that management's descriptions of (1) the course of action already taken or proposed and (2) the documentation confirming completion of corrective actions are responsive to its recommendations.

This table presents the management responses that have been made on recommendations in our report and the status of management decisions. The information for management decisions is based on management's written response to our report.

REC. NUMBER	CORRECTIVE ACTION: TAKEN OR PLANNED/STATUS	EXPECTED COMPLETION DATE	DOCUMENTATION THAT WILL CONFIRM FINAL ACTION	MONETARY BENEFITS	MANAGEMENT DECISION: YES OR NO
1-2	The Associate Director, ASB agreed with the recommendations. The Associate Director will issue a memorandum to all Contracting Officers and/or Contracting Specialists to reemphasize the importance of background checks for on-site contractors.	March 31, 1999	A copy of the memorandum issued by the Assistant Director, Policy and Compliance Section, ASB	N/A	Yes
3	The Associate Director, ASB agreed with the recommendation. Management has already acted to address the issue raised by this finding. On November 3, 1998, officers of the Immigration and Naturalization Service (INS) conducted an inspection of ARAMARK and discovered technical and procedural failures. On December 1, 1998, INS conducted a follow-up compliance review and found that all I-9 forms were in compliance.	Completed	Copies of the Notification of Technical or Procedural Failures and the subsequent Notification of Compliance from the INS	N/A	Yes
4	The Associate Director, ASB agreed with the recommendation. The Associate Director will issue a memorandum to all Administrative Officers instructing them to use their Procurement Credit Card to pay ARAMARK for all on-site catering services. The memorandum will also require all Administrative Officers to provide their credit card number in order to streamline the bill payment process. The memorandum will be issued by March 1, 1999.	March 31, 1999	Global E-Mail from the Associate Director, ASB	N/A	Yes
5	The Associate Director, ASB agreed with the recommendation. Management has already addressed some of the issues raised and has initiated following corrective actions: (1) As of March, 1998, the oversight manager reviews the time records in more detail, by spot checking for employee signatures on either the time cards or payroll sheets. Temporary help time sheets and banquet server time cards are also reviewed for signatures on temporary agency time sheets and time cards respectively. (2) In addition, as of March 1998, the oversight manager conducts spot reviews for signatures on supplier invoices. The review of time records and supplier invoices is done on a monthly basis. Any deficiencies are reported directly to ARAMARK. (3) The oversight manager will review daily sales reports and cash registers tapes during "unannounced" visits 2 to 4 times annually beginning in March 1999. (4) Also, the Policy Development and Compliance Section, ASB, will conduct an annual review of all expenses under the ARAMARK contract, beginning in March 1999. These reviews will ensure that sales are accurately reported to the FDIC.	March 31, 1999	Contractor Documentation/Oversight Manager's file and/or Contract File	N/A	Yes