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United States Government Accountability Office
Washington, DC 20548

March 16, 2006

Congressional Committees

Subject: *Agency Management of Contractors Responding to Hurricanes Katrina and Rita*

In February 2006, we briefed the staffs of your committees on the results of our review of various contracting issues related to the Gulf Coast hurricanes. We conducted this work under the Comptroller General's statutory authority in order to assess how three agencies—the Federal Emergency Management Agency (FEMA), the U.S. Army Corps of Engineers (USACE), and the General Services Administration (GSA)—planned for and conducted oversight of several key contracts in support of Katrina and Rita response and recovery efforts. The briefing document is attached.

After we completed our work and briefed your staffs, the House Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina and later the White House issued reports based on their reviews of the various hurricane response issues. These reports contain findings and recommendations intended to address a number of the issues identified in our briefing. Additionally, the Senate Committee on Homeland Security and Governmental Affairs has been reviewing these issues, and various inspectors general are proceeding with their reviews as well. In general, while the inspectors general are reviewing a broad range of contracting issues, such as competition and pricing, we focused our efforts on contract planning and oversight. During the course of our work, the agencies informed us that they are taking a number of steps to address the issues that we identified, and we reflected those actions in the briefing where appropriate. Given these developments, we are not making any recommendations at this time; however, we continue to monitor agency actions in this area.

We provided this briefing document to the Department of Homeland Security (DHS), the Department of Defense (DOD), and GSA for review and comment. While DOD did not have any comments, the Corps of Engineers provided some technical clarifications, which we incorporated in the briefing where appropriate. Officials at DHS said they had no further comments beyond those provided at the agency exit conference, which were incorporated where appropriate. GSA provided technical comments, which have also been incorporated in the briefing.

We are sending copies of this briefing to interested congressional committees, the Administrator of General Services, and the Secretaries of Defense and Homeland Security. We will make copies available to others upon request. This briefing also will be available on the GAO Web site at <http://www.gao.gov>. Should you or your staff have any questions, please contact me at (202) 512-4841. Key contributors may be found on the last page of the briefing.

A handwritten signature in black ink that reads "William T. Woods". The signature is written in a cursive style with a large, prominent 'W' and 'T'.

William T. Woods
Director, Acquisition and Sourcing Management

Enclosure

List of Committees

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and
Governmental Affairs
United States Senate

The Honorable Tom Davis
Chairman
Select Bipartisan Committee to Investigate the
Preparation for and Response to Hurricane Katrina
Chairman
Committee on Government Reform
House of Representatives

The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Peter T. King
Chairman
The Honorable Bennie G. Thompson
Ranking Minority Member
Committee on Homeland Security
House of Representatives

Briefing

Why GAO Did This Study

The private sector is an important partner with the government in responding to and recovering from natural disasters such as Hurricanes Katrina and Rita. As we recently noted,¹ such partnerships increasingly underlie critical government operations.

With hundreds of billions of tax dollars spent each year on goods and services, it is essential that all federal agency acquisitions be handled in an efficient, effective, and accountable manner. The fact that disasters, such as hurricanes, are not entirely predictable must not be an excuse for poor contracting practices. Nevertheless, the circumstances created by the hurricanes created a difficult environment in which agencies had to balance the need to deliver goods and services quickly with the need for appropriate controls.

Under the Comptroller General's statutory authority, GAO conducted work to assess how three agencies planned for and conducted oversight of several key contracts in support of Katrina and Rita response and recovery efforts: the General Services Administration (GSA), the Federal Emergency Management Agency (FEMA), and the U.S. Army Corps of Engineers (USACE). A number of efforts are underway by these agencies to address the issues we and others have identified. This briefing does not contain any recommendations.

All three agencies reviewed this briefing and either had no comments or provided technical clarifications, which we incorporated where appropriate.

¹ GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

Agency Management of Contractors Responding to Hurricanes Katrina and Rita

Overview

Background

Congress has appropriated over \$62 billion as an initial commitment of federal support to the Gulf Coast states impacted by the recent hurricanes. The government's response to Hurricanes Katrina and Rita depended heavily on contractors to deliver ice, water, and food supplies; patch rooftops; and provide housing to displaced residents and temporary facilities to local government agencies.

In any acquisition, agencies need to have in place sound acquisition plans, processes to make and communicate good business decisions, and a capable acquisition workforce to monitor contractor performance so that the government receives good value for the money spent. These components are critical to successfully managing contracts in any environment—even in a contingency situation such as that presented by Hurricanes Katrina and Rita.

In reviewing contracts awarded for Iraq—another contingency situation—GAO found that without effective acquisition planning, management processes, and sufficient numbers of capable people, poor acquisition outcomes resulted. GAO made recommendations regarding the need for: ensuring that requirements for placing orders are within the scope of contracts; timely definition of contract terms and conditions; and sufficient numbers of trained staff who have clear responsibilities and guidance for overseeing contractor performance. Having these capabilities requires preparation, such as having pre-arranged contracts in place in advance of the disaster or other contingency.

Summary of Findings

Given the environment in which they were operating, agency acquisition and contractor personnel have been recognized for their hard work in providing the goods and services required to be responsive. The response efforts nonetheless suffered from:

- Inadequate planning and preparation to anticipate requirements for needed goods and services.
- Lack of clearly communicated responsibilities across agencies and jurisdictions.
- Insufficient numbers and inadequate deployment of personnel to provide for effective contractor oversight.

Briefing Structure

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Risk Areas

Related GAO Reports

- *Continuity of Operations: Agency Plans Have Improved, but Better Oversight Could Assist Agencies in Preparing for Emergencies*, GAO-05-619T (Washington, D.C.: Apr. 28, 2005).
- *Results-Oriented Government: Improvements to DHS's Planning Process Would Enhance Usefulness and Accountability*, GAO-05-300 (Washington, D.C.: Mar. 31, 2005).
- *Homeland Security: Effective Regional Coordination Can Enhance Emergency Preparedness*, GAO-04-1009 (Washington, D.C.: Sept. 15, 2004).
- *Continuity of Operations: Improved Planning Needed to Ensure Delivery of Essential Government Services*, GAO-04-160 (Washington, D.C.: Feb. 27, 2004).

Inadequate Planning and Preparation

Some key agencies involved in responding to the disaster did not have adequate acquisition plans for contingency situations. For example:

- While contracts for some items were in place prior to the storm, the Federal Emergency Management Agency (FEMA) did not adequately anticipate needs for such services as providing temporary housing and public buildings.
- The practice of the U.S. Army Corps of Engineers (USACE) is to establish Planning and Response Teams for various missions assigned to it by FEMA prior to an event, with specific responsibilities assigned to team members. However, the Corps indicated it did not know prior to the hurricane that it would be tasked by FEMA with some of the mission assignments it received. In one case, FEMA tasked the Corps with acquiring temporary classrooms for Mississippi within a very short time frame. To meet the requirement, USACE placed a non-competitive order on a pre-existing agreement for portable buildings. Information in the contract files suggests the negotiated prices were inflated and indicates USACE did not have sufficient time or information to ensure a good acquisition outcome.²
- Similarly, better management of requirements development could have avoided costs to house workers and victims. Based on information provided by local officials, FEMA spent \$3 million for 4,000 base camp beds that were never used.
- Preparation was also lacking in implementation of the Stafford Act preference for contractors residing or doing business in the affected area.³ USACE staff expressed uncertainty regarding how to apply preferences or determine if a company was in an affected area. Several General Services Administration (GSA) and FEMA officials indicated they were aware of the Stafford Act but stated it is difficult to immediately factor in local businesses in such a catastrophic event. GSA officials stated they plan to review the Federal Acquisition Regulation (FAR) to see if additional Stafford Act guidance is necessary.⁴

In discussing our findings and observations with FEMA officials, they indicated they were taking steps to improve in areas such as staffing and pre-mobilization capabilities in order to better respond to future disasters. However, they also stated that such pre-planning and preparedness has a cost. The USACE commented that contracting staff need to have defined requirements in order to get the right type of contracts put in place and, unfortunately, the contracting staff did not always get defined requirements in a timely manner. Additionally, a USACE official commented that until funding for a particular mission is secured, preparation for the mission cannot go forward and this also delayed contracting efforts. Finally, both GSA and the USACE noted that they tried to reach out to local and small businesses through forums and other means to make them aware of opportunities to contract with the federal government.

² GAO, *Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts*, GAO-06-235T (Washington, D.C.: Nov. 2, 2005).

³ 42 U.S.C. § 5150.

⁴ See the FAR, Subpart 26.2-Disaster or Emergency Assistance Activities.

Risk Areas

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Related GAO Reports

- *Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts*, GAO-06-235T (Washington, D.C.: Nov. 2, 2005).
- *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations*, GAO-05-201 (Washington, D.C.: Apr. 29, 2005).
- *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, GAO-05-179 (Washington, D.C.: Mar. 29, 2005).
- *Homeland Security: Effective Intergovernmental Coordination Is Key to Success*, GAO-02-1013T, (Washington, D.C.: Aug. 23, 2002).

Lack of Clearly Communicated Responsibilities

We also found that processes for executing contracts were hindered by poor communication. As envisioned under the National Response Plan (NRP), federal agencies responding to a disaster carry out their acquisition functions through a network of federal, state, and local agencies. In some instances, the local or state officials determine the requirements and communicate them to FEMA; FEMA may write and award the contract or communicate the requirements to another agency that writes and awards the contract; and then FEMA or another agency oversees contract performance. This approach puts a premium on aligning roles and responsibilities clearly and maintaining good communications to ensure effective execution of the contract.

Our fieldwork identified examples where unclear responsibilities and poor communications resulted in poor acquisition outcomes. For example:

- FEMA officials stated that a contractor spent approximately \$10 million to renovate 160 rooms and furnish another 80 rooms in military barracks in Alabama that a FEMA survey team identified for use as temporary housing. To renovate the facility, FEMA headquarters awarded a contract without consulting local FEMA officials in Alabama. According to FEMA officials in Alabama, however, the facility was not needed and they tried to stop the renovation. These same FEMA officials stated that few evacuees agreed to live at the facility, and when officials decided to close the facility, it had only six occupants.
- The process for ordering and delivering ice heavily depends on effective communications between FEMA and USACE. However, according to Corps officials, FEMA did not fully understand the contracting approach used by the Corps and ordered at least double the amount of ice required, resulting in an oversupply of ice and a lack of distribution sites available to handle the volume ordered. Additionally, the local Corps personnel were not always aware of where ice might be delivered and did not have the authority to redirect ice as shipments arrived, resulting in inefficient distribution and receipt at the state level.
- FEMA tasked GSA to write three contracts in Louisiana for base camps, hotel rooms, and ambulances, with a total value of over \$120 million. GSA contracting officers awarded the contracts, but could not tell us which FEMA officials would be responsible for overseeing contractor performance. The FEMA official identified as the main point of contact by GSA did not have any knowledge of these contracts or who was responsible for oversight. Only after contacting multiple FEMA officials over a 3-week period were we able to determine the agency officials responsible for contract oversight.

In commenting on this briefing, GSA officials stated that their role is to provide resource support in the response phase of a disaster, meaning they are responsible for executing contracts under the NRP, and FEMA is responsible for monitoring the contracts. FEMA officials commented that there needs to be more clarity regarding procurement roles and indicated one of their goals is to work with GSA to clarify procurement responsibilities for the future. GSA officials indicated that the current memorandum of understanding between GSA and FEMA is being updated to reflect the standards of the new NRP as well.

Risk Areas

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Related GAO Reports

- *Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts*, GAO-05-274 (Washington, D.C.: Mar. 17, 2005).
- *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges*, GAO-04-605 (Washington, D.C.: June 1, 2004).
- *Human Capital: Opportunities to Improve Federal Continuity Planning Guidance*, GAO-04-384 (Washington, D.C.: Apr. 20, 2004).
- *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380 (Washington, D.C.: Mar. 9, 2004).

Insufficient Numbers and Deployment of Oversight Personnel

Ensuring that contracted goods and services are delivered in accordance with the agreed upon schedule, cost, quality, and quantity provisions as stated in the contract is the purpose of agencies' monitoring processes. Without sufficient numbers of trained people properly deployed, however, effective monitoring is hampered and agencies are at risk of being unable to identify and correct poor contractor performance in a timely manner. Furthermore, agencies can be at risk of paying contractors more than the value of the services performed.

Our work indicated that while monitoring was occurring on the contracts we reviewed, the number of monitoring staff available was not always sufficient or effectively deployed to provide effective oversight. For example:

- FEMA's contracts for installing temporary housing in four states had only 17 of the 27 technical monitors that had been determined necessary to oversee contractor performance.⁵
- USACE officials told us that the "blue roof" program was slowed down due to the lack of sufficient monitors.⁶

Deployment practices did not always provide for appropriate notification of responsibilities or overlap of rotating contracting officers and oversight personnel, thus making knowledge transfer and continuity of contract management operations difficult. For example:

- For four of the contracts we reviewed, officials were either unaware or not notified by FEMA of their oversight responsibilities.
- The lack of overlap between oversight personnel for a large temporary housing contract left the most recent contract administrator with no knowledge or documentation of who had authorized the contractor to perform certain activities or why the activities were being performed.

While discussing our findings and observations with FEMA officials, they emphasized that they lacked adequate staffing, but said they have made efforts to fill staffing gaps. Additionally, FEMA officials stated they recognize the need for continuity in contract oversight and indicated they are implementing a process to ensure workload and knowledge sharing among rotating personnel. However, they also believe that fewer transition difficulties exist now as a result of hiring more people and having more oversight officials staying in the affected areas. GSA officials indicated there may also be other alternatives for ensuring adequate contract oversight, such as designating GSA employees to conduct oversight on some contracts. USACE officials stated their policy is to rotate certain personnel every 29 days to keep personnel costs to a minimum due to regulations under the Fair Labor Standards Act.⁷

⁵ Data provided by FEMA official was dated November 18, 2005.

⁶ The USACE manages the Operation Blue Roof mission for FEMA. Operation Blue Roof provides assistance to storm victims in disaster areas through the installation of rolled plastic sheeting on damaged roofs, helping to protect property and allowing residents to remain in their homes.

⁷ 5 CFR § 551.208.

Appendix

Contributors

If you have any questions concerning this briefing, please call Bill Woods, Director, Acquisition and Sourcing Management, at (202) 512-4841, or John K. Needham, Assistant Director, Acquisition and Sourcing Management, at (202) 512-5274.

Other key contributors to this report were Penny Augustine, Elaine Boudreau, Myra Watts Butler, Dave Cooper, Lisa Henson, James Kim, Victoria Klepacz, Sandy Reigle, Ralph Roffo, Jeff Rose, Moshe Schwartz, and Shannon Simpson.

Scope and Methodology

Due to the level of congressional interest in the federal response to Hurricanes Katrina and Rita, we initiated this review under the Comptroller General's statutory authority. We conducted our work from October 2005 through February 2006 in accordance with generally accepted government auditing standards.

In order to determine which agencies to include in our review, we analyzed data collected from the Federal Procurement Data System-Next Generation (FPDS-NG) and agency websites on contract awards and dollar amounts for Hurricanes Katrina and Rita response and recovery work. This led us to review three agencies: GSA, USACE, and FEMA. We discussed acquisition management issues with, and obtained documentation from, officials in these agencies, as well as with employees from other agencies that served in oversight positions on behalf of these agencies. We also traveled to sites in Louisiana and Mississippi to meet with agency officials at field locations and observe oversight practices at contractor locations.

We selected 13 contracts from 12 contractors performing work for the agencies in our review to analyze in further detail how monitoring policies and processes were put into practice (see table below). Our criteria for selection included:

- Minimum contract value of \$5 million.
- Variety of missions (type of activity to be conducted under the contracts).
- Coordination with the Inspectors General and other audit offices to avoid duplication to the extent possible.
- Contract award and administration locations (to facilitate data collection and interviews).

Contractor Name	Contracted Product or Service
C. Henderson Consulting, Inc.	Ambulance services
Americold Logistics, LLC	Transportation, storage, and delivery of commodities
Clearbrook, LLC	Base camp construction and operation
CS&M Associates	Hotel rooms for displaced persons
Gulf Stream Coach, Inc.	Gulf Stream travel trailers
Morgan Building & Spas, Inc.	Travel trailers and shipping
Bechtel National, Inc.	Installing trailers/ mobile homes for temporary housing
Fluor Enterprises, Inc.	Installing trailers/ mobile homes for temporary housing
CH2M Hill Constructors, Inc. (2 contracts)	Installing trailers/ mobile homes for temporary housing (FEMA); site preparation/installation of portable public buildings (USACE)
E.T.I., Inc.	Quality assurance inspectors for temporary housing
Ceres Environmental Services, Inc.	Temporary roofing repairs ("blue roof" program)
Thompson Engineering, Inc.	Quality assurance inspectors

Source: GAO.