



U.S. Department of Agriculture



Office of Inspector General
Western Region

Audit Report

Review of Forest Service's Hurricane Relief Efforts

Report No. 08601-46-SF
November 2006



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



NOV 17 2006

REPLY TO

ATTN OF: 08601-46-SF

TO: Dale Bosworth
Chief
Forest Service

ATTN: Sandy Coleman
Audit Liaison

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Review of Forest Service's Hurricane Relief Efforts

We have completed our current review of Forest Service's (FS) hurricane relief efforts on Hurricanes Katrina and Rita. This review was conducted as part of the Department of Agriculture's Office of Inspector General's (OIG) current participation in a Government-wide effort coordinated by the Department of Homeland Security's (DHS) OIG to monitor and assess agency relief efforts related to the recent hurricanes in the Southeast United States. Our overall objective was to be proactive in evaluating the internal controls agencies have in place to ensure disaster relief funds are being spent wisely.

To accomplish our overall audit objective, we visited two hurricane relief sites, one in Hammond, Louisiana, and the other in Gulfport, Mississippi. We also visited a national buying team staffed by FS at a Federal Emergency Management Agency (FEMA) field office in Jackson, Mississippi. At Hammond and Gulfport, we interviewed the incident commanders and accounting and finance staff and toured the facilities to observe ongoing support activities. In Jackson, we interviewed the national buying team staff and reviewed a sample of their records. In addition, we met with General Services Administration (GSA) procurement staff at the FEMA field office in Jackson to discuss procurement issues that related to both FS and GSA. Subsequent to our field visits, we reviewed additional accounting records obtained from FS and interviewed other key FS officials including the Chief Financial Officer.

Our review identified three proposals for improving accountability over future disaster relief funding which we reported in two separate memorandums to DHS' Inspector General (IG). One of the proposals involved the lack of pre-established contracts or agreements with vendors for critically needed items such as large structural tents used to house relief workers (see the attached memorandum to DHS' IG, dated February 21, 2006) and two of the proposals involved FEMA's lack of guidance about documenting expenditures and tracking items purchased with FEMA funds (see the attached memorandum to DHS' IG, dated September 14, 2006). All of these issues emphasized the need for FEMA to better coordinate with agencies like FS that assist in disaster responses.

We also identified another issue which we reported to KPMG, the accounting firm FS currently uses to audit its financial statements. Our review disclosed that FS could not adequately support its obligated fund balance for the FEMA mission assignments. Furthermore, there was a significant difference between the obligated fund balance reported by FS and FEMA. We referred this issue to KPMG for review in its upcoming audit of FS' financial statements.

This letter concludes our current review of FS' hurricane relief efforts. No further action is required from your agency and we have closed our files on this review. We appreciate the cooperation and assistance provided by your staff during the review.

2 Attachments

ATTACHMENT A – Memorandum to DHS' IG (February 21, 2006)



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



FEB 21 2006

The Honorable Richard L. Skinner
Inspector General
Department of Homeland Security
245 Murray Drive, Bldg. 410
Washington D.C. 20528

Subject: Proposed Use of Emergency Equipment Rental Agreements in Disaster Relief Efforts (Audit No. 08601-46-SF)

Dear Mr. Skinner:

We wanted to bring to your attention an issue that has arisen in the context of our current review of hurricane recovery work conducted by the U.S. Forest Service (FS) on the Gulf Coast. In the course of our review, we found that the widespread hurricane damage caught Federal agencies without established contracts or agreements with vendors for critically needed items, such as large structural tents, thereby depriving the agencies of the opportunity to obtain the best prices for large dollar procurements. However, we are also aware, through recent audit work, of an acquisition tool developed by FS that may be considered by your agency in responding to future disasters.

Last summer, we conducted an audit of FS and its use of Emergency Equipment Rental Agreements (EERA), an interagency acquisition tool developed by FS to ensure that adequate resources are available during emergency firefighting operations. EERAs are established with local vendors and are used primarily to acquire equipment and resources (fire engines, generators, operators, etc.) for short term, limited durations. Although FS can enter into EERAs during an emergency, most are established well before the start of the fire season in order to ensure prompt and economical acquisitions when the equipment and resources are actually needed. Even though EERAs are established during the preseason, there is no contractual liability until FS actually hires the vendor during an emergency incident. Our audit (Audit Report No. 08601-40-SF, July 2005) disclosed that EERAs, when properly used, can be a valuable way to acquire needed emergency equipment and resources promptly at predetermined rates and prices.

In the aftermath of both Hurricanes Katrina and Rita, FS units were tasked by the Federal Emergency Management Agency (FEMA) to provide support for relief efforts. As of October 1, 2005, FS had received 53 mission assignments from FEMA authorizing the expenditure of \$234 million.

To observe FS hurricane relief efforts firsthand, we visited two hurricane relief sites; one in Hammond, Louisiana, and the other in Gulfport, Mississippi. We also visited a national buying team staffed by FS at a FEMA field office in Jackson, Mississippi. At Hammond and Gulfport, we interviewed the incident commanders and accounting and finance staff and toured the facilities to observe ongoing support activities. In Jackson, we interviewed the national buying team staff and reviewed a sample of their records.

The Honorable Richard L. Skinner
Page 2

We also met with General Services Administration (GSA) procurement staff at the FEMA field office in Jackson to discuss procurement issues that related to both FS and GSA.

While reviewing procurement records at the FEMA field office, we noted that GSA, as well as other agencies, may have significantly overpaid for the tents they rented in September 2005 to house rescue workers. For example, GSA paid \$2.9 million (\$36.07 per square foot) to a California company to rent two 40,000 square foot tents for 1 month. Each tent housed up to 500 relief workers. We interviewed a GSA contracting officer located at the site visited in Jackson, Mississippi. He said that he too was concerned about the tent procurements that his office had made in September 2005 on behalf of FEMA. The GSA contracting officer said that his office had subsequently improved its solicitation procedures, and he provided us with documentation of two structural tent procurements in October, both from Mississippi companies. In the latter instances, GSA paid \$27.16 and \$21.84 per square foot, respectively, for the two tents it procured for FEMA in October.

Through an Internet search, we identified numerous large tent vendors in the Southeastern United States. We contacted five of these vendors—four were in Louisiana and Mississippi and one in Georgia. Four of the five had rented tents to public and private agencies for hurricane relief. One vendor in the New Orleans area told us he was surprised not to have received any inquiries from relief agencies, even though the company had remained open after the hurricanes. All five vendors said they had additional capacity during this period.

Based on our review to date of procurements related to the Hurricanes Katrina and Rita relief efforts, we recommend that the Department of Homeland Security have its agencies that are involved in emergency response activities examine the possible use of acquisition vehicles like EERAs. The agencies could build upon FS' many years of success and pattern their own systems upon the FS model. We believe that use of EERAs or similar vehicles could help alleviate future overpricing such as was experienced in the tent procurements.

Our review of FS' hurricane relief efforts is continuing and may result in additional reportable issues. If you have any questions, please contact me at (202) 720-8001, or have a member of your staff contact Robert W. Young, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,



Phyllis K. Fong
Inspector General

cc:
GSA OIG
FEMA OIG
GAO

ATTACHMENT B– Memorandum to DHS' IG (September 14, 2006)



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



SEP 14 2006

The Honorable Richard L. Skinner
Inspector General
Department of Homeland Security
245 Murray Drive, Bldg. 410
Washington, D.C. 20528

Subject: Proposals for Improving Accountability Over Emergency Relief Funding in Future Disasters (Audit Nos. 08601-46-SF, 04601-13-Ch, and 08601-15-Ch)

Dear Mr. Skinner:

As part of our review of the Department of Agriculture's (USDA) relief work on Hurricanes Katrina and Rita, we have identified three additional proposals¹ for improving accountability over future disaster relief funding. Two of the proposals involve the need for Federal Emergency Management Agency (FEMA) guidance about documenting expenditures and tracking items purchased with FEMA funds. The third involves the need for better coordination between FEMA and USDA's housing agencies to prevent and detect duplicate payments. All of these issues emphasize the need for FEMA to better coordinate with agencies that assist in disaster responses. FEMA and the supporting agencies should establish, in writing, the roles, responsibilities, and expectations of each participant. This documented agreement needs to occur prior to the occurrence of a disaster.

1. FEMA should coordinate with other agencies involved in hurricane relief work to determine the documents needed to support their expenditures, particularly those paid by credit card (Forest Service, Audit No. 08601-46-SF).

In March 2006, FEMA reimbursed the Forest Service (FS) over \$151 million for the expenses it incurred during its emergency relief operations on the 2005 Gulf Coast hurricanes. However, according to FS' Chief Financial Officer (CFO), FEMA may try to recover a significant portion of this reimbursement because of questions about the adequacy of the documents that FS provided to support expenses, particularly those paid by credit card. FS had over 47,000 credit card transactions pertaining to its hurricane relief work, totaling over \$22 million. The prospect of FEMA not fully reimbursing FS for a significant portion of its hurricane-related expenditures could adversely impact the agency's budget, ultimately affecting FS' ability to accomplish work in its own programs. We understand that your office was also concerned with the expense documentation that FEMA received from other agencies.

¹ In our February 21, 2006, letter to you we discussed the proposed use of emergency equipment rental agreements in disaster relief efforts (Audit No. 08601-46-SF).

FS' hurricane relief efforts primarily involved operating base camps and other facilities that provided lodging, meals, showers, equipment, and supplies for relief workers. These operations generated large numbers of credit card purchases, many for multiple items in large quantities bought under a single credit card transaction. FS' CFO stated that it would not be feasible for FS to list every item purchased under each credit card transaction. According to FS, it would be virtually impossible to provide detailed receipts given the large number of transactions made during the agency's relief efforts. In addition, FS felt that the attempt would be administratively burdensome since it would involve countless hours of system time to pull transaction registers as well as thousands of staff hours to complete, assimilate, copy, and mail the information. In any case, FS' current system for tracking credit card transactions cannot track such detailed information about each transaction. (The system allows each transaction's overall cost and description to be entered but not a list of the specific items purchased under that transaction.)

We agree that FEMA should have reasonable assurance that claims for reimbursement are adequately supported. We also agree with FS' position that it may not be practical or cost effective for the agency to provide the high level of documentation necessary to support each transaction. To resolve this issue, we recommend that FEMA coordinate with FS representatives in order to develop a solution that assures FEMA that reimbursable transactions are valid and gives FS a cost-effective way to provide this assurance. One possible remedy is to use statistical sampling to validate FS' claims for reimbursement. Under this solution, FS would only have to provide detailed supporting documentation for transactions in the sample. FEMA and FS could work together to jointly develop a sampling plan. The sample could be statistically selected so that the rate of error determined from the sample could be projected against the entire universe of credit card transactions to determine the overall amount that FEMA needs to recover. The sample could also be stratified to focus primarily on those credit card transactions with the highest value. We noted during our audit that only about 35 percent of FS' credit card transactions pertaining to its hurricane relief work had values exceeding \$250. A dollar threshold could also be established to determine whether the error amount projected is significant enough to warrant recovery.

2. FEMA should issue more specific guidance—including requirements for tracking specific items of nonexpendable property and a dollar threshold for tracking the rest—so that agencies can more effectively determine and track only those significant items FEMA would like to be returned at the end of the mission assignment (Forest Service, Audit No. 08601-46-SF).

As disaster relief sites were demobilized, FEMA required FS personnel to submit lists of non-expendable property that FS had purchased with reimbursable funds. After reviewing the lists to determine what it wanted to keep, FEMA directed FS to dispose of the remaining items, which FS usually donated to local communities or charities such as the Red Cross. However, since FEMA had not issued specific direction about the items it wanted agencies to return, it risked not having the items properly accounted for. FS expressed to us its concerns about the lack of direction from FEMA on those items it wanted tracked and returned at the end of the mission assignment. A

The Honorable Richard L. Skinner

Page 3

member of your staff informed us that a number of other agencies expressed frustration about their difficulties in tracking the property due to FEMA's inadequate policies and procedures in this area.

To ensure that agencies efficiently and adequately account for items FEMA wants returned, FEMA should determine what items a purchasing agency must track and establish a dollar threshold for tracking the remaining items. Many of the items purchased are of nominal value such as flash lights, fire extinguishers, fans, and telephones; it would be an inefficient use of staff hours to track them, particularly if FEMA does not want them back. For those items under the threshold, FEMA should specify how an agency should properly dispose of them. In developing these additional guidelines, FEMA should meet with representatives from agencies like FS whose experience could assist in identifying the types of items that should be retained for future operations, possible locations for storing the items so that they are readily available when needed, and the best methods to dispose of those items that do not need to be retained.

3. Federal agencies that provide housing assistance to victims of future disasters should coordinate with each other in order to prevent and detect duplicate payments. (Rural Development, Audit Nos. 04601-13-Ch and 04601-15-Ch).

In the aftermath of hurricanes Katrina and Rita, USDA Rural Development (RD) identified over 4,000 vacant apartments in the agency's Rural Rental Housing Program (RRH) and subsequently placed nearly 11,000 disaster victims into those units. In doing so, USDA provided over \$2.6 million in emergency rental assistance. In addition, Congress appropriated over \$1.5 billion in funding for RD's single-family housing programs.

In December 2005, we began our audits to assess RD's efforts to ensure that it had properly accounted for the housing relief funds provided to disaster victims. Our audit in the multi-family housing area determined that a significant percentage of the victims residing in RRH apartments who had received housing assistance from USDA also received housing assistance from other Federal agencies, including FEMA, which was the primary provider through Transitional Housing Assistance. Thus, a significant amount of the \$2.6 million RD provided was likely unnecessary.

While our review is ongoing in the single-family housing program area, we attribute the cause of the duplicate payments in both programs to a lack of coordination between RD and FEMA. We noted that there was no contact between the two agencies either before or after providing assistance to the disaster victims.

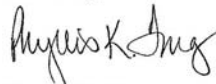
To address this issue, we have been working with other Offices of Inspector General that are members of the President's Council on Integrity and Efficiency's (PCIE) Housing subgroup to create data sharing agreements among Federal agencies. In our view, coordination among Federal agencies providing housing assistance is essential to prevent and detect duplicate payments to victims of future disasters.

The Honorable Richard L. Skinner
Page 4

We are providing this information for your consideration. We believe this information may be helpful to Department of Homeland Security's (DHS) OIG in working with DHS agencies and PCIE to help improve responses to emergency situations.

This letter concludes our current review of hurricane recovery work conducted by FS. Our reviews of RD's RRH continue and may result in additional reportable issues. If you have any questions, please contact me at (202) 720-8001, or Mr. Robert W. Young, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,



Phyllis K. Fong
Inspector General

cc:
GAO

Informational copies of this report have been distributed to:

Office of the Chief Financial Officer
Planning and Accountability Division

Director (1)

Government Accountability Office (2)