

**DEPARTMENT OF THE ARMY**

**COMPLETE STATEMENT**

**OF**

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**CHIEF OF ENGINEERS**

**U.S. ARMY CORPS OF ENGINEERS**

**BEFORE THE**

**SUBCOMMITTEE ON FINANCIAL MANAGEMENT, GOVERNMENT**  
**INFORMATION AND INTERNATIONAL SECURITY**  
**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

**UNITED STATES SENATE**

**Management and Oversight of Federal Disaster Recovery: Debris Removal, Blue  
Roof Program, Haul and Install Case Studies**

**April 10, 2006**

## INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am Lieutenant General Carl A. Strock, Chief of Engineers. Thank you for the opportunity to testify before you today concerning the Corps' disaster-relief contracting procedures. The Corps of Engineers practices the principle of openness. We strive to maintain transparency in our contracting activities and welcome oversight of our activities. From a contracting perspective, this visibility and transparency is best demonstrated by the publishing of our contract listing on our web site where we give specific contract information, to include the contractor, dollar value, and purpose of the contracts for all to see.

I would like to divide my statement into four parts, pre-disaster planning, contracting during the "emergency" situation, "a return to normalcy", and I will finish with comments on small and local business utilization.

## PRE-DISASTER PLANNING

Under the National Response Plan, the Corps is assigned as the "Coordinator" for Emergency Support Function (ESF) #3, Public Works and Engineering. During disasters, the Corps is the primary agency for response activities such as ice, water and temporary power. The Federal Emergency Management Agency (FEMA) is the primary agency for ESF #3 recovery activities and assigns the Corps to assist in the execution of debris missions. The Corps is also a support agency to other ESFs, for example, the Corps supports ESF #6, Mass Care and Housing, by executing missions to provide temporary roofs. Having these responsibilities, the Corps has created a program called the Advanced Contracting Initiative, or ACI. Under the ACI program, we competitively award contracts for future use in the areas of water, ice, power, temporary roofing, and debris removal. Having these contracts in place allows the Corps to rapidly respond to emergency situations. We did in fact use our ACI contracts to not only support the Katrina recovery, but in those areas impacted by Hurricanes Rita and Wilma as well. We also used the contracts to support recovery efforts in the Southeast after several hurricanes during last year's hurricane season. The ACI program has been in place for about six years.

## EMERGENCY

Turning to the emergency situation, the Federal procurement system is based upon the principle of full and open competition, as provided in the Competition in Contracting Act (CICA). However, Congress also realized in the CICA that emergency situations sometimes require emergency actions. The Federal Acquisition Regulation (FAR) is the government-wide procurement regulation implementing the CICA. In most cases, the FAR mandates a 15 day advertisement period and a 30 day proposal period. If we were to follow these usual rules for full and open competition, we would not have been able to award a contract to get the flood waters out of the city of New Orleans until the end of October. Clearly the people of New Orleans could not wait. In fact, the FAR allowed us to considerably shorten the time period of the award under the urgency exception in the CICA. The Corps' contracting officer contacted four companies on September 1, 2005. Of those four companies, only Shaw Environmental, Inc., of Baton Rouge, Louisiana, could respond in a timely manner to begin the unwatering effort. Contract award was made on September 2, 2005.

In our other efforts to support relief efforts in response to this emergency situation, the Corps considered and used the entire suite of available contracting options authorized under the FAR, including verbal and letter contracts. Using these methods, the Corps procured such critical items as sand bags to be used to stop the flow of water into New Orleans. You probably saw pictures of helicopters dropping these huge sand bags into the various levee breaches. It was an

urgent situation, which required expedited procurement. Additionally, we made use of a Naval Facilities contract to assist in the unwatering of the city.

Due to the magnitude of Katrina and the wide-spread devastation, the Corps needed to award debris contracts in excess of those contracts pre-placed under the ACI program. Based on the large scale of the work that needed to be performed, we awarded four more contracts following the emergency to remove debris in Mississippi and Louisiana. Each contract is valued at \$500M with a \$500M option. This requirement was open to any company, under a shortened advertisement and proposal period. The Corps received 22 proposals in response to the advertisement. The contracting officer awarded the contracts on a best value to the government basis. The Army Audit Agency is reviewing the award and administration of these four contracts.

Prior to Hurricane Katrina making landfall, the Corps had competitively awarded several contracts in the Gulf region for temporary roofs. A full and open competition was conducted during the Summer of 2005 for the anticipated roofing effort in Mississippi and Louisiana. The Corps received 23 proposals and made a best value selection in July resulting in a \$10 million Indefinite Delivery, Indefinite Quantity contract. Given the magnitude of the damage during the 2005 hurricane season, four additional contracts were awarded by the Corps after FEMA tasked the Corps to install over 190,000 temporary roofs in Florida, Louisiana, Mississippi and Texas. The four additional contracts were awarded under Urgency procedures utilizing the ranked proposals from the original competition. Additional urgency increases brought the total of these five contracts to \$330 million. The contractors furnish and install structural panels, joists and rafters, make small roof repairs and install government furnished plastic and furring strips. The temporary roofs allow disaster victims that are living in shelters or other temporary facilities to return to their homes to begin the recovery process.

#### RETURN TO NORMALCY

In the immediate aftermath of Hurricane Katrina, it was of course not prudent to follow the full waiting periods that apply in normal circumstances before awarding contracts. It was our goal, however, to return to standard procurement operations as soon as possible and the Corps has done that. We are currently advertising our requirements in accordance with standard synopsis periods prescribed in the Federal Acquisition Regulation, we are attempting to give prospective contractors as much time as possible to prepare their proposals, and we are using Federal Acquisition Regulations principles and competitive awards to the maximum extent possible. The situation still requires us to complete our work quickly. Our highest priority is to assure that citizens who have been impacted by this event can return to their normal lives as quickly as possible.

#### UTILIZATION OF SMALL AND LOCAL BUSINESSES

The Corps has made extensive use of standard authorities granted to us under the various small business set aside programs, especially in the area of Small Business Administration registered 8(a) firms. Section 8(a) is a Small Business Administration business development program for firms owned by socially and economically disadvantaged individuals. The 8(a) Business Development program seeks to foster the business growth and development of firms by providing business development (i.e. management, technical, financial and procurement) assistance. The overall objective of the program is to enable participants to develop the necessary infrastructure to compete in the market place upon completion of their nine-year tenure in the program. Most participants can receive non-competitive awards up to \$5 million for manufacturing contracts and up to \$3 million for all other contracts. Many of these small companies are local and therefore are already in the area and available quickly to participate in recovery efforts. We have also targeted work for firms located in economically distressed areas, known as Historically Underutilized Business Zone, or HUBZone companies and for Service-Disabled Veteran Owned companies.

We will continue to hold competitions in which only 8(a) firms from designated areas can compete. In those areas where we have awarded contracts to large businesses, we encourage use of local business subcontractors. We have instituted high goals for small business subcontracting and a reporting requirement that keeps them focused on achieving results in these areas. These contractors report their sub-contracting efforts to us weekly for the first 90 days, and monthly thereafter instead of every six months, the typical reporting requirement. We also include clauses citing the preference for use of local subcontractors.

We have been following an acquisition strategy for the continued mission from FEMA, which includes opportunities at the prime level for local disadvantaged companies and a geographic set aside for the unrestricted portion of the strategy. Competition was limited to Mississippi companies for the Mississippi aspect of the mission and will be limited to Louisiana for the Louisiana mission. Although this strategy would ensure award to local companies, the process has been hindered by protests. Mississippi debris removal efforts are projected to be completed by May 31, 2006.

The Corps of Engineers takes pride in being a Learning Organization. We have learned that every event is different. Our goal is to provide the required, immediate relief services to the impacted populations. In the course of doing so, mistakes can and do occur. There is also opportunity for unscrupulous individuals to take advantage of the system. We work to strike a balance between expeditiously providing relief to those in need and limiting the opportunities for malefactors. Our solution is to immediately deploy Corps' internal auditors, teamed with the Defense Contract Audit Agency and the U. S. Army Criminal Investigation Command, to oversee all emergency response efforts (both Corps and contractors' operations) to help detect – early in the process – actual or potential mistakes, help mission managers comply with their fiscal stewardship responsibilities, and detect instances of fraud, waste, or abuse. Corrective actions are implemented immediately to address problems or weaknesses identified by these teams. We have learned that by doing so, we not only improve our processes, but avoid unnecessary or wasteful expenditures, and become more efficient. I welcome the reviews conducted by external audit and investigative activities as they are also a valuable tool to help us identify potential vulnerabilities and weaknesses in processes and procedures.

Part of being a Learning Organization is implementing actions to correct our mistakes and strengthen our weaknesses. Several years ago the Corps instituted a formal procedure, our Remedial Action Program, to capture lessons learned and adjust our processes for future events. Simply put (although this is not a simple process) for each emergency event we prepare After Action Reports which include issues and weaknesses identified from all sources during our response efforts. We attempt to correct or strengthen our procedures and adjust supporting Standard Operating Procedures (SOPs). Personnel are trained on the new procedures and then we conduct exercises which help us determine whether the corrective actions were effective. Where necessary, the procedures and SOPs are adjusted and placed in readiness for the event. We then start this process all over again.

## SUMMARY

To close, I would like to thank you once again, Mr. Chairman, for allowing the Corps of Engineers the opportunity to appear before this Committee to discuss contracting procedures during times of emergencies. Many Corps personnel have served our Nation by helping in the response to natural disasters in Texas, Louisiana, Mississippi, Alabama, Florida, or elsewhere in the nation or the world. We are proud to do so. I would be happy to answer any questions Members of the Committee may have.

Thank you.