



Homeland Security

March 15, 2006

MEMORANDUM FOR: Michael Bolch
Federal Coordinating Officer
Montgomery Joint Field Office
Montgomery, Alabama

FROM: C. David Kimble *C. David Kimble*
Gulf Coast Audit Manager

SUBJECT: *Review of Hurricane Katrina Contract
City of Bayou La Batre, Alabama
Report Number GC-AL-06-20*

The purpose of this memorandum is to inform you of the results of our review of contracts let by the City of Bayou La Batre, Alabama, for Hurricane Katrina debris removal activities. As of November 16, 2005, the city received an award of \$1,120,000 from the Alabama Emergency Management Agency, a FEMA grantee, for such activities. The award provided funding for one project (Project No. 35) under which the city let six contracts totaling \$105,184.

The objective of the review was to determine whether the six contracts were let in accordance with federal procurement requirements (44 CFR §13.36) and FEMA guidelines, and whether the city had adequate procedures for monitoring the activities of the contractors. We interviewed city officials, reviewed contract documents, contractor billings, and other relevant documentation.

We concluded that the city complied with federal procurement requirements and FEMA guidelines when awarding the contracts, and that the city's procedures for monitoring the activities of contractors were adequate. In this respect, the debris removal contracts were either procured competitively or on a sole source basis with appropriate justification. The city also maintained detailed contract files, and had sufficient procedures for reviewing and approving the contractors' activities and billings.

However, we noted that the U.S. Army Corps of Engineers, under a FEMA mission assignment, took over the city's debris removal operations on September 24, 2005. As a result, the city's total direct costs (direct contract work and force account labor and equipment) for completing work under the project will be substantially less than the \$1,120,000 obligated under the project. On January 9, 2006, we informed FEMA public assistance officials about the excess obligation. They subsequently de-obligated \$952,087, reducing the project award to \$167,913. Therefore, we

consider this issue resolved and closed. Because this report contains no recommendations, no actions are required.

The nature and brevity of this assignment precluded the use of our normal audit protocols; therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

We conducted this review in conjunction with the President's Council on Integrity and Efficiency (PCIE), as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. As such, we have forwarded a copy of the report to the PCIE Homeland Security Working Group that is coordinating Inspectors General review of this important subject.

Should you have any questions concerning this report, please contact me at (770) 220-5240.

cc: Under Secretary for Management
Acting Director, FEMA
Chief Financial Officer
Chief Procurement Officer, DHS
Audit Liaison, DHS
Chief Financial Officer, FEMA
Senior Procurement Officer, FEMA
Deputy Director, Gulf Coast Recovery
- FEMA Regional Director, Region IV
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