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FEMA

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The Honorable John F. Kerry
United States Senate
Committee on Small Business & Entrepreneurship
Washington, DC 20510

Dear Senator Kerry:

Thank you for your letter of March 23, 2006, to the Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA) expressing your concerns about the Administration's commitment to ensuring small business participation in the rebuilding of the Gulf Coast region and the use of no-bid contracts at the onset of Hurricane Katrina. I apologize for the delayed response.

First, you asked that FEMA award the 15 prime contracts of approximately \$100 million each to small businesses. We are happy to announce that FEMA awarded all 37 contracts to Section 8(a) Program and other small businesses (i.e., 18 to the former and 19 to other small businesses). Each maintenance and deactivation contract has a maximum value of \$100 million. The procurement was initially announced on November 3, 2005, with proposals due on January 17, 2006. Due to the overwhelming response, it took approximately six weeks to evaluate the more than 250 offers received by the agency. Awards were announced on the Federal Business Opportunities web site beginning on March 31, 2006.

Second, you asked that FEMA re-compete the so-called "big four" contracts and require substantial small business subcontracting plan for any large company competing for an award. When FEMA awarded these four contracts they contained subcontracting goals. FEMA set contractors goals for subcontracting as follows (as expressed as a percentage of total contract dollars);

Small Business Subcontracts	40%
Small Disadvantaged Business Subcontracts	5%
Women Owned Small Business Subcontracts	5%
Historically Underutilized Business Zone Small Business	3%
Service Disabled Veteran Owned Small Small Business	3%

Senator Kerry
Page 2

Third, you asked that FEMA implement and strongly enforce a policy that includes the utilization of liquidated damages to hold prime contractors accountable for failing to meet their subcontracting goals. If a contractor or subcontractor fails to comply in good faith with established subcontracting goals, both Federal Acquisition Regulation (FAR) §19.705-7 and the relevant contract clause at FAR §52.219-16, Liquidated Damages—Subcontracting Plan, provide for assessment and collection of liquidated damages in addition to any other remedies that may be available to the contracting officer.

I hope the above information addresses your concerns. We at FEMA believe the agency has made substantial progress in enhancing small business participation in our acquisitions since Hurricane Katrina. If you need additional information, please have a member of your staff contact FEMA's Office of Legislative Affairs on (202) 646-4500.

Sincerely,



Patricia A. English
Director
Office of the Chief Procurement Officer