

Congress of the United States
Washington, DC 20515

September 28, 2005

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G. Street, NW
Washington, D.C. 20548

Dear Mr. Walker:

Congress has passed and the President has signed into law two emergency supplemental appropriations bills for the purpose of aiding the victims of Hurricane Katrina and for rebuilding areas devastated by this destructive storm. The first emergency supplemental appropriations bill, H.R. 3645, which became law on September 2, 2005 (P.L. 109-61), provided \$10.5 billion for relief of the hard hit areas of the Gulf Coast and the City of New Orleans. The Federal Emergency Management Agency (FEMA) received \$10 billion and the Department of Defense received \$500 million, money immediately available out of Fiscal Year 2005 funds.

The second emergency supplemental appropriations bill, H.R. 3673, to meet the immediate needs of persons and property in the aftermath of Hurricane Katrina, was signed by the President on September 9, 2005 (P.L. 109-62). The second relief Act totaling \$51.8 billion provides \$50 billion for the FEMA Relief Fund, \$1.4 billion for the Department of Defense, and \$400 million for the Army Corps of Engineers. It is anticipated that there will be additional supplemental appropriations to support the relief, recovery, and rebuilding effort. On Thursday, September 15, 2005, President Bush announced that "Federal funds will cover the great majority of the costs of repairing public infrastructure in the disaster zone, from roads and bridges to schools and water systems." These funds will be spent by Federal agencies and by the affected States through Federally-funded projects.

On Monday, September 12, 2005, *The Wall Street Journal* contained an article announcing the award of contracts without competitive bidding for rebuilding areas damaged by Hurricane Katrina. The contracts are to be paid from funds appropriated in the two emergency supplemental appropriations bills. Further, on September 26, 2005, *The New York Times* contained an article stating that over 80 percent of \$1.5 billion in Katrina-related contracts awarded by the Federal Emergency Management Agency were placed through no-bid or limited-competition vehicles. These contracts were awarded largely, if not solely, to large businesses. It does not appear that any of these contracts contain subcontracting plans for participation of small business in the relief effort. Yet, small businesses are of vital importance to the economies of the three states most devastated by the Hurricane: Louisiana, Mississippi, and Alabama. The revival and participation of small business in the impacted areas is vital to the economic recovery in the area. We note with particular concern that some of the large companies which received sizeable Katrina-related relief contracts, have been cited by the GAO for generating "misleading data" on small business subcontracting and overstating their small business subcontracting performance.

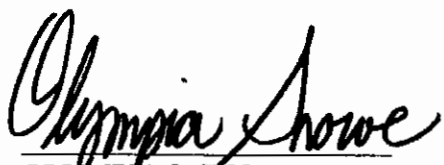
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We ask that you study and report on how the money from the two emergency supplemental appropriations Acts, as well as any other Katrina-related appropriations, is being spent, and who is receiving the money. Specifically, we would like the report to determine:

1. How much of the money was contracted as Federal prime contracts to small businesses and how much to other than small businesses.
2. Whether the businesses receiving Federal prime contracts are located in, or in proximity to, the areas devastated by Hurricane Katrina.
3. For Federal prime contracts, those small businesses receiving prime contracts, and whether they are small businesses owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women.
4. Whether the Federal prime contracts awarded to other than small businesses contained small business subcontracting plans, the nature of those plans, compliance with those plans, along with a list of those contracts (organized by agency, awardee, date of award, and contracting officer) which did not contain small business subcontracting plans.
5. The amount of money received by small businesses as subcontractors under those small business subcontracting plans or otherwise and, if possible, identification of subcontracting dollars received by small businesses according to the socio-economic groupings set forth in 3, above.
6. The use of government credit cards to buy goods and services in terms of those purchases made from small business and those from other than small businesses and, if possible, identification of small businesses according to the socio-economic groupings set forth in 3, above.
7. The extent to which compliance is being achieved with regard to participation by qualified small business concerns in the Disadvantaged Business Enterprise program in Federally-funded transportation projects that relate to reconstruction or recovery from the Hurricane Katrina.

We appreciate your undertaking this study and report. You have provided valuable assistance in the past. Any questions concerning this request may be directed to Max Kidalov, Counsel, Senate Committee on Small Business and Entrepreneurship at (202) 224-8495 or Nelson Crowther, General Counsel, House Committee on Small Business at (202) 225- 7797.

Sincerely,



OLYMPIA J. SNOWE
Chair
Senate Committee on Small Business
and Entrepreneurship



DONALD A. MANZULLO
Chairman
House Committee on Small Business

cc: Mr. Peter McClintock, Acting Inspector General, U.S. Small Business Administration