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HURRICANE KATRINA

Planning for and Management of Federal Disaster Recovery Contracts

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Highlights of [GAO-06-622T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate.

Why GAO Did This Study

The devastation experienced throughout the Gulf Coast region in the wake of Hurricanes Katrina and Rita has called into question the government's ability to effectively respond to such disasters. The government needs to understand what went right and what went wrong, and to apply these lessons to strengthen its disaster response and recovery operations.

The federal government relies on partnerships across the public and private sectors to achieve critical results in preparing for and responding to natural disasters, with an increasing reliance on contractors to carry out specific aspects of its missions. At the same time, the acquisition functions at several agencies are on GAO's high-risk list, indicating a vulnerability to fraud, waste, and abuse.

This testimony discusses how three agencies—the General Services Administration, the Federal Emergency Management Agency (FEMA), and the U.S. Army Corps of Engineers (the Corps)—conducted oversight of key contracts used in response to the hurricanes. Efforts are ongoing by these agencies to address issues GAO and others have identified.

What GAO Recommends

While GAO is not making any new recommendations in this testimony, GAO highlights previous recommendations and also identifies other issues agencies should consider when conducting emergency procurements.

www.gao.gov/cgi-bin/getrpt?GAO-06-622T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov.

HURRICANE KATRINA

Planning for and Management of Federal Disaster Recovery Contracts

What GAO Found

Agency acquisition and contractor personnel have been recognized for their hard work in providing the goods and services required to be responsive. The response efforts nonetheless suffered from three primary deficiencies:

First, there was inadequate planning and preparation in anticipating requirements for needed goods and services. Some key agencies did not always have adequate plans for contracting in a major contingency situation. For example, while contracts for some items were in place prior to the storm, the Federal Emergency Management Agency did not adequately anticipate needs for such services as providing temporary housing and public buildings. There were also competing tensions between the selection of national contractors and the Stafford Act requirement that there be a preference for contractors from the affected area. Better planning could have alleviated those tensions.

Second, there was a lack of clearly communicated responsibilities across agencies and jurisdictions to ensure effective outcomes. In a disaster situation, sometimes local or state officials determine the requirements and communicate them to FEMA, which then may write and award the contract or communicate the requirements to another agency that writes and awards the contract; and then FEMA or another agency will oversee contract performance. To ensure effective execution of the contract, this approach puts a premium on clear alignment of responsibilities and good communications, but our fieldwork identified examples where unclear responsibilities and poor communications resulted in poor acquisition outcomes. For example, the process for ordering and delivering ice heavily depends on effective communications between FEMA and the Corps. However, according to Corps officials, FEMA did not fully understand the contracting approach used by the Corps and ordered at least double the amount of ice required, resulting in an oversupply of ice and a lack of distribution sites to handle the volume ordered.

And third, there were insufficient numbers and inadequate deployment of personnel to provide for effective contractor oversight. The purpose of monitoring is to ensure that contracted goods and services are delivered in accordance with the agreed upon schedule, cost, quality, and quantity provisions stated in the contract. Without sufficient numbers of trained people properly deployed, however, monitoring will not be effective, agencies may not be able to quickly identify and correct poor contractor performance, and agencies will be at risk of overpaying contractors. Our work indicated that while monitoring was occurring on the contracts we reviewed, the number of staff available was not always sufficient and staff were not effectively deployed. For example: FEMA's contracts for installing temporary housing in four states had only 17 of the 27 technical monitors that had been determined necessary to oversee contractor performance.

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss the management and oversight of federal disaster recovery contracts related to Hurricanes Katrina and Rita. The size and strength of Hurricane Katrina resulted in one of the largest natural disasters in our nation's history, and in its aftermath major questions have been raised about our nation's readiness and ability to respond to catastrophic disasters. Hurricane Rita increased demands on an already stressed response and recovery effort by all levels of government.

GAO has a large body of ongoing work on a range of issues relating to all phases of the preparation, response, recovery, and rebuilding efforts related to Hurricanes Katrina and Rita. GAO's work has been coordinated with the rest of the accountability community at the federal, state, and local levels to ensure that all significant issues associated with relief and recovery, including contracting, are addressed while avoiding unnecessary duplication of efforts.

Comptroller General Walker recently testified on GAO's preliminary observations on the challenges encountered in the response to Hurricane Katrina, and he identified four themes that are similar to lessons learned from past catastrophic disasters.¹ These include the central importance of (1) clearly defining and communicating leadership roles, responsibilities, and lines of authority for response in advance of a catastrophic disaster; (2) clarifying the procedures for activating the National Response Plan and applying them to emerging catastrophic disasters; (3) conducting strong advance planning and robust training and exercise programs; and (4) strengthening response and recovery capabilities for a catastrophic disaster.

These themes directly relate to what I will discuss today, namely how three agencies planned for and conducted oversight of several key contracts in support of Katrina and Rita response and recovery efforts: the General Services Administration (GSA), the Federal Emergency Management Agency (FEMA), and the U.S. Army Corps of Engineers (the Corps). In doing our review we selected 13 mission-critical contracts each with a dollar value in excess of \$5 million that were awarded to 12 contractors performing work for the three agencies. We analyzed in

¹*Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery.* GAO-06-442T, Washington D.C.: March 8, 2006.

detail how monitoring policies and processes were put into practice. We conducted our work from October 2005 through February 2006 in accordance with generally accepted government auditing standards.

Summary

Given the environment in which they were operating, agency acquisition and contractor personnel have been recognized for their hard work in providing the goods and services required to be responsive. The response efforts nonetheless suffered from three primary deficiencies:

- inadequate planning and preparation in anticipating requirements for needed goods and services,
- lack of clearly communicated responsibilities across agencies and jurisdictions to ensure effective acquisition outcomes, and
- insufficient numbers and inadequate deployment of personnel to provide for effective contractor oversight.

A number of efforts are under way by these agencies to address the issues we and others have identified.

Contractors Role in Responding to Emergencies is Increasing

The private sector is an important partner with the government in responding to and recovering from natural disasters such as Hurricanes Katrina and Rita. As we recently noted,² such partnerships increasingly underlie critical government operations. With hundreds of billions of tax dollars spent each year on goods and services, it is essential that all federal agency acquisitions be handled in an efficient, effective, and accountable manner.

Over \$87 billion of federal funding has been appropriated in response to the recent hurricanes. In responding to Hurricanes Katrina and Rita, the government depended heavily on contractors to deliver ice, water, and food supplies; patch rooftops; and provide housing to displaced residents and temporary facilities to local government agencies. Overall, the circumstances caused by the hurricanes created a difficult environment in which agencies had to balance the need to deliver goods and services quickly with the need for appropriate controls. Although achieving that balance is sometimes hard to accomplish, that fact must not be allowed to serve as an excuse for poor contracting practices.

²GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

There Was Inadequate Planning and Preparation in Anticipating Requirements for Needed Goods and Services

The need for strong planning is one of the themes identified by the Comptroller General in regard to the government's overall response to the hurricanes. Planning also must explicitly address the need for and management of the contractor community. In this regard, we found that some key agencies did not always have adequate plans for contracting in a major contingency situation. We also noted the competing tensions between the selection of national contractors and the requirement under the Stafford Act for a preference for contractors from the affected area. Better planning could have alleviated those tensions.

For example:

- While contracts for some items were in place prior to the storm, the Federal Emergency Management Agency did not adequately anticipate needs for such services as providing temporary housing and public buildings.
- The practice of the U.S. Army Corps of Engineers is to establish Planning and Response Teams for various missions assigned to it by FEMA prior to an event, with specific responsibilities assigned to team members. However, the Corps indicated it did not know prior to the hurricane that it would be tasked by FEMA with some of the mission assignments it received. In one case, faced with a compressed time frame for acquiring portable classrooms and with no prior knowledge about the classroom mission they were assigned, Corps contracting officials placed an order, under an existing agreement, with a subsidiary of an Alaska Native Corporation under the Small Business Administration's section 8(a) Business Development Program. The Corps accepted the contractor's proposed price of \$39.5 million even though the Corps had information that the cost for the classrooms was significantly less than that. Based on our analysis of a quote obtained by the contractor from a local Mississippi business, the price the contractor actually paid for the classrooms, and prices for similar units from General Services Administration (GSA) schedule contracts, our preliminary conclusion is that the Corps could have, but failed to, negotiate a lower price.
- Similarly, better management of requirements development could have avoided costs to house workers and victims. Based on information provided by local officials, FEMA spent \$3 million for 4,000 base camp beds that were never used.

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- Preparation was also lacking in implementation of the Stafford Act preference for contractors residing or doing business in the affected area.³ The Corps staff expressed uncertainty regarding how to apply preferences or determine if a company was in an affected area.⁴ Several GSA and FEMA officials indicated they were aware of the Stafford Act, but stated it is difficult to immediately factor in local businesses in such a catastrophic event. GSA officials stated they plan to review the Federal Acquisition Regulation (FAR) to see if additional Stafford Act guidance is necessary.⁵

In discussing our findings and observations with FEMA officials, they indicated that in order to better respond to future disasters, they were taking steps to improve in areas such as staffing and pre-mobilization capabilities. However, they also stated that such pre-planning and preparedness has a cost. The Corps commented that contracting staff need to have defined requirements in order to get the right type of contracts put in place, and the contracting staff did not always get defined requirements in a timely manner. Additionally, a Corps official commented that until funding for a particular mission is secured, preparation for it cannot go forward and this also delayed contracting efforts. Finally, both GSA and the Corps noted that they tried to reach out to local and small businesses through forums and other means to make them aware of opportunities to contract with the federal government.

³42 U.S.C. § 5150.

⁴GAO recently issued a decision on a protest of the terms of a solicitation issued by the Corps for demolition and debris removal in the State of Mississippi. The protester asserted, in part, that the Corps decision to limit the competition for this work to Mississippi firms improperly exceeded the authority granted under a provision of the Stafford Act to provide a preference to firms residing, or primarily doing business, in the area affected by a major disaster. GAO's decision did not view the Corps decision to implement the Stafford Act preference with a set-aside as an abuse of the agency's discretion, and the Corps did not act improperly by limiting this competition to Mississippi firms. AshBritt, Inc. B-297889, March 20, 2006.

⁵See FAR, Subpart 26.2-Disaster or Emergency Assistance Activities.

There Was a Lack of Clearly Communicated Responsibilities Across Agencies and Jurisdictions

We also found that processes for executing contracts were hindered by poor communication. As envisioned under the National Response Plan (NRP), federal agencies responding to a disaster carry out their acquisition functions through a network of federal, state, and local agencies. In some instances, the local or state officials determine the requirements and communicate them to FEMA; FEMA may write and award the contract or communicate the requirements to another agency that writes and awards the contract; and then FEMA or another agency oversees contract performance. This approach puts a premium on aligning roles and responsibilities clearly and maintaining good communications to ensure effective execution of the contract.

Our fieldwork identified examples where unclear responsibilities and poor communications resulted in poor acquisition outcomes. For example:

- FEMA officials stated that a contractor spent approximately \$10 million to renovate 160 rooms and furnish another 80 rooms in military barracks in Alabama that a FEMA survey team identified for use as temporary housing. To renovate the facility, FEMA headquarters awarded a contract without consulting local FEMA officials in Alabama. According to FEMA officials in Alabama, however, the facility was not needed and they tried to stop the renovation. These same FEMA officials stated that few evacuees agreed to live at the facility, and when officials decided to close the facility, it had only six occupants.
- The process for ordering and delivering ice heavily depends on effective communications between FEMA and the Corps. However, according to Corps officials, FEMA did not fully understand the contracting approach used by the Corps and ordered at least double the amount of ice required, resulting in an oversupply of ice and a lack of distribution sites available to handle the volume ordered. Additionally, the local Corps personnel were not always aware of where ice might be delivered and did not have the authority to redirect ice as shipments arrived, resulting in inefficient distribution and receipt at the state level.
- FEMA tasked GSA to write three contracts in Louisiana for base camps, hotel rooms, and ambulances, with a total value of over \$120 million. GSA contracting officers awarded the contracts, but could not tell us which FEMA officials would be responsible for overseeing contractor performance. The FEMA official identified as the main point of contact by GSA did not have any knowledge of these contracts or who was responsible for oversight. Only after contacting multiple

FEMA officials over a 3-week period were we able to determine the agency officials responsible for contract oversight.

In commenting on our findings, GSA officials stated that their role is to provide resource support in the response phase of a disaster, meaning they are responsible for executing contracts under the NRP, and FEMA is responsible for monitoring the contracts. FEMA officials commented that there needs to be more clarity regarding procurement roles and indicated one of their goals is to work with GSA to clarify procurement responsibilities for the future. GSA officials indicated that the current memorandum of understanding between GSA and FEMA is being updated to reflect the standards of the new NRP as well.

There Were Insufficient Numbers and Inadequate Deployment of Personnel to Provide for Effective Contractor Oversight

The purpose of agencies' monitoring processes is to ensure that contracted goods and services are delivered in accordance with the agreed-upon schedule, cost, quality, and quantity provisions stated in the contract. Without sufficient numbers of trained people properly deployed, however, effective monitoring is hampered and agencies may not be able to identify and correct poor contractor performance in a timely manner. Furthermore, agencies can be at risk of paying contractors more than the value of the services performed.

Our work indicated that while monitoring was occurring on the contracts we reviewed, the number of monitoring staff available was not always sufficient, and staff were not always effectively deployed. For example:

- FEMA's contracts for installing temporary housing in four states had only 17 of the 27 technical monitors that had been determined necessary to oversee contractor performance.⁶
- Corps officials responsible for overseeing the "blue roof" program's field operations told us it was slowed down due to the lack of sufficient monitors.⁷

⁶Data provided by FEMA official was dated November 18, 2005.

⁷The Corps manages the Operation Blue Roof mission for FEMA. Operation Blue Roof provides assistance to storm victims in disaster areas through the installation of rolled plastic sheeting on damaged roofs, helping to protect property and allowing residents to remain in their homes.

Deployment practices did not always provide for appropriate notification of responsibilities or overlap of rotating contracting officers and oversight personnel, thus making knowledge transfer and continuity of contract management operations difficult. For example:

- For four of the contracts we reviewed, officials were either unaware or not notified by FEMA of their oversight responsibilities.
- The lack of overlap between oversight personnel for a large temporary housing contract left the most recent contract administrator with no knowledge or documentation of who had authorized the contractor to perform certain activities or why the activities were being performed.

While discussing our findings and observations with FEMA officials, they emphasized that they lacked adequate staffing, but said they have made efforts to fill staffing gaps. Additionally, FEMA officials stated they recognize the need for continuity in contract oversight and indicated they are implementing a process to ensure workload and knowledge sharing among rotating personnel. However, they also believe that fewer transition difficulties exist now as a result of hiring more people and having more oversight officials staying in the affected areas. GSA officials indicated there may also be other alternatives for ensuring adequate contract oversight, such as designating GSA employees to conduct oversight on some contracts. Corps officials stated their policy is to rotate certain personnel every 29 days to keep personnel costs to a minimum because of regulations under the Fair Labor Standards Act.⁸

Previous Lessons Can Guide Agency Contracting Actions in Emergencies

In reviewing contracts awarded for Iraq—another contingency situation—GAO found that without effective acquisition planning, management processes, and sufficient numbers of capable people, poor acquisition outcomes resulted. GAO made recommendations regarding the need for ensuring that requirements for placing orders are within the scope of contracts; timely definition of contract terms and conditions, and sufficient numbers of trained staff who have clear responsibilities and guidance for overseeing contractor performance. Having these capabilities requires preparation, such as having prearranged contracts in place in advance of the disaster or other contingency.

⁸5 CFR § 551.208.

Among the issues that we have identified in previous reports that warrant consideration by agencies when contracting in an emergency are:

- the strategies and flexibilities they will use to plan their procurements to avoid the risks associated with undefined contracts;
- the knowledge they need to have to identify, select, and manage contractors to achieve successful outcomes; and
- the need to have competitively awarded contracts in place prior to the event against which orders can be placed as needed.

In executing these contracts, agencies should consider such issues as how to effectively

- communicate and coordinate with other agencies and with contractors;
- define contract terms and conditions to avoid excessive costs and ensure desired performance; and
- monitor contractors.

Finally, agencies should consider crosscutting issues that affect their overall ability to manage contractors, such as the

- capability of their information systems to provide visibility into financial and contracting operations;
- skills and training of the acquisition workforce;
- alignment of responsibilities among the key officials in managing the award and oversight of contracts; and
- the policies, procedures, and guidance for managing contracts.

In closing, in any acquisition, agencies must have in place sound acquisition plans, processes to make and communicate good business decisions, and a capable acquisition workforce to monitor contractor performance so that the government receives good value for the money spent. These components are critical to successfully managing contracts in any environment—even in a contingency situation such as that presented by Hurricanes Katrina and Rita.

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Mr. Chairman this concludes my statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

For further information regarding this testimony, please contact William T. Woods at (202) 512-4841 or woodsw@gao.gov. Individuals making key contributions to this testimony included Penny Augustine, James Kim, John Needham, and Shannon Simpson.

Appendix I: Recent GAO Products on Hurricanes Katrina and Rita

Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. [GAO-06-460](#), Washington, D.C.: April 6, 2006

Hurricane Katrina: Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO-06-600T, Washington, D.C.: April 6, 2006

Hurricane Katrina: Status of the Health Care System in New Orleans and Difficult Decisions Related to Efforts to Rebuild It Approximately 6 Months After Hurricane Katrina. GAO-06-576R, Washington, D.C.: March 28, 2006

Agency Management of Contractors Responding to Hurricanes Katrina and Rita. GAO-06-461R, Washington, D.C.: March 16, 2006

Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery. GAO-06-442T, Washington D.C.: March 8, 2006

Emergency Preparedness and Response: Some Issues and Challenges Associated with Major Emergency Incidents. GAO-06-467T. Washington: D.C.: February 23, 2006.

Disaster Preparedness: Preliminary Observations on the Evacuation of Hospitals and Nursing Homes Due to Hurricanes. GAO-06-443R. Washington: D.C.: February 16, 2006.

Investigation: Military Meals, Ready-To-Eat Sold on eBay. GAO-06-410R. Washington: D.C.: February 13, 2006.

Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse. GAO-06-403T. Washington: D.C.: February 13, 2006.

Statement by Comptroller General David M. Walker on GAO's Preliminary Observations Regarding Preparedness and Response to Hurricanes Katrina and Rita. GAO-06-365R. Washington, D.C.: February 1, 2006.

Federal Emergency Management Agency: Challenges for the National Flood Insurance Program. GAO-06-335T. Washington, D.C.: January 25, 2006.

Hurricane Protection: Statutory and Regulatory Framework for Levee Maintenance and Emergency Response for the Lake Pontchartrain Project. GAO-06-322T. Washington, D.C.: December 15, 2005.

Hurricanes Katrina and Rita: Provision of Charitable Assistance. GAO-06-297T. Washington, D.C.: December 13, 2005.

Army Corps of Engineers: History of the Lake Pontchartrain and Vicinity Hurricane Protection Project. GAO-06-244T. Washington, D.C.: November 9, 2005.

Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts. GAO-06-246T. Washington, D.C.: November 8, 2005.

Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts. GAO-06-235T. Washington, D.C.: November 2, 2005.

Federal Emergency Management Agency: Oversight and Management of the National Flood Insurance Program. GAO-06-183T. Washington, D.C.: October 20, 2005.

Federal Emergency Management Agency: Challenges Facing the National Flood Insurance Program. GAO-06-174T. Washington, D.C.: October 18, 2005.

Federal Emergency Management Agency: Improvements Needed to Enhance Oversight and Management of the National Flood Insurance Program. GAO-06-119. Washington, D.C.: October 18, 2005.

Army Corps of Engineers: Lake Pontchartrain and Vicinity Hurricane Projection Project. GAO-05-1050T. Washington, D.C.: September 28, 2005.

Hurricane Katrina: Providing Oversight of the Nation's Preparedness, Response, and Recovery Activities. GAO-05-1053T. Washington, D.C.: September 28, 2005.

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