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BEFORE THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
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Good morning Madam Chairman and Members of the Committee.

Thank you for the opportunity to be here today to discuss our ongoing and future audit and investigative efforts. I will focus my remarks on the Department of Homeland Security (DHS), Federal Emergency Management Agency's (FEMA) acquisition and oversight of transitional housing, including travel trailers, mobile homes, and modular homes.

The devastation caused by Hurricane Katrina is still being assessed. In the aftermath of a major disaster such as this, the federal government has certain roles and responsibilities: it is obligated to ensure that roads are cleared of debris to allow emergency workers access to affected areas; it is obligated to ensure that immediate steps are taken to shelter and protect the lives of its citizens; and, it is obligated to take measures to mitigate further damage or harm to homes and dwellings. It is also critical that the federal government provide these services quickly and at a reasonable cost.

Today I will discuss how well the federal government addressed its sheltering obligations. The federal government, in particular FEMA, has received widespread criticism for a slow and ineffective response. Unfortunately, as my testimony today articulates, much of the criticism is warranted. These findings are not only emerging from our work, but from that of other federal agencies.

The Government Accountability Office (GAO), Congress, and the Administration are all finding that the federal government fell woefully short in response to this season's Gulf Coast hurricanes. FEMA, in particular, found itself purchasing supplies, commodities, equipment, and other resources to support emergency disaster response efforts, such as travel trailers, and manufactured homes, in large quantities to meet the needs of the hurricane victims. Furthermore, due to severe staffing shortages, contract oversight and monitoring has been inadequate. Consequently, the government has no assurance that it is receiving the goods and services needed to accomplish its missions in a timely manner and at fair and reasonable price.

Background

On August 25, 2005, Hurricane Katrina first made landfall in Florida as a Category 1 hurricane, crossed the Gulf of Mexico and grew in intensity before making a second landfall in Louisiana as a Category 3 hurricane on August 29, 2005.¹ As the storm passed

¹ The Saffir-Simpson Hurricane Scale classifies hurricanes by wind intensity in order to predict the damage and flooding the storm will likely cause upon landfall. A Category 3 hurricane has sustained winds of 111–130 miles per hour and a predicted storm surge of 9–12 feet, causing flooding and some structural damage. A Category 4 hurricane has sustained winds of 131–155 miles per hour and a predicted storm surge of 13–18 feet. The most intense hurricane, Category 5, has sustained winds over 156 miles per hour and a predicted storm surge over 19 feet. A Category 5 hurricane can cause complete roof failure, building failure, utility loss, and major flooding damage. Initial reports indicated that Hurricane Katrina made landfall as a Category 4 storm, particularly due to the level of damage left by the storm; however, on

and assistance started moving into the area, the New Orleans' levee system failed and submerged much of the city, exacerbating the disaster.

Hurricane Katrina left damage in catastrophic proportions along the Gulf Coast in Louisiana, Mississippi, and Alabama. The hardest hit communities lost all infrastructure: electricity; water and sewer; roads and bridges; communication systems including telephone lines, cell phone towers, radio capabilities, and many satellite antennae; and, in some instances, basic governmental operations including law enforcement. To add to the calamity, many local first responders were also victims.

Hurricane Katrina caused 1,326 deaths – 1,096 in Louisiana, 228 in Mississippi, and 2 in Alabama.² More than 700,000 people were displaced from the Gulf Coast region as a result of Hurricane Katrina. More than 273,000 people were evacuated to shelters. An estimated 300,000 homes were destroyed, or received major or minor damage in Louisiana, Mississippi, and Alabama. In Mississippi alone, 780 homes and 413 mobile homes were reported destroyed; 6,482 homes and 808 mobile homes sustained major damage; and 42,444 homes and 18,243 mobile homes had minor damage as of September 17, 2005.³ Major disaster declarations covered over 90,000 square miles of the affected Gulf Coast area. While FEMA and other federal, state, and local entities pre-staged commodities and personnel in and around the region, the magnitude of the storm and its catastrophic effects completely overwhelmed all disaster response systems and resources.

FEMA's Housing Strategy

FEMA's overall housing strategy for Hurricane Katrina was to use shelters, hotels, motels, cruise ships, tents, and tarping of roofs in order that victims of the hurricane remain in place where possible. FEMA's plans were then to transition victims to travel trailers and mobile homes, and apartments to address longer-term housing needs. In other words, FEMA attempted to use traditional solutions for non-traditional problems. Some components of FEMA's housing strategy were not well planned or coordinated, while other components to address and support the housing needs of displaced disaster victims were not as effective or efficient as FEMA had anticipated.

Because of Hurricane Katrina's devastation, FEMA made immediate housing decisions. For example, on August 31, 2005, it procured 20,000 manufactured housing units, for approximately \$1 billion, to address anticipated housing needs and planned to purchase over 100,000 units. It also purchased 30 mobile Disaster Recovery Centers to compliment

December 20, 2005, the National Hurricane Center reported that aircraft data showed Hurricane Katrina actually made landfall in Louisiana as a high-end Category 3 hurricane.

² Data from www.firstgov.gov, Frequently Asked Questions – Hurricane Katrina's effects, accessed April 14, 2006.

³ Mississippi Defense Coordinating Element Situation Report 17, September 17, 2005. These totals do not include numbers from two of the hardest hit counties in Mississippi.

its existing inventory and 30 office trailers for use in implementing Individual Assistance field operations.

By September 6, 2005, FEMA's priority issues in Louisiana were stabilizing shelter operations and food distribution; in Mississippi it was supporting shelters and the relocating of evacuees as well as identifying emergency group sites for travel trailers; and in Alabama it was coordinating the installation of travel trailers on individual private sites and developing group sites. Staff in FEMA's Housing Area Command said they had identified sufficient sites to address the housing needs of displaced Alabama residents and would redirect resources to address the more affected states of Mississippi and Louisiana. As of that date, in all states, 3,500 manufactured homes and 5,200 travel trailers, in various stages of production, were purchased from dealer lots.

FEMA also began moving approximately 5,000 manufactured homes from its inventory to staging areas, had 60,000 travel trailers being produced at the rate of approximately 120 per day, and awarded a contract for 1,500 modular structures.

By September 10, 2005, staff at FEMA registration call centers began recording information for manufactured homes and travel trailer pre-placement interviews. The first family to be placed in a travel trailer occurred 12 days after the disaster was declared. By September 12, 2005, construction started on a 500- unit travel trailer site in Louisiana with an accelerated occupancy schedule of one week. Within the three affected states, there were 903 travel trailers occupied by September 15, 2005; an additional 1,306, both travel trailers and manufactured homes, were ready for occupancy; and 4,798 were positioned in various staging areas. The following day, only 910 units were occupied: 491 in Louisiana; 107 in Mississippi; and 312 in Alabama.

In Louisiana, the Housing Area Command was working to have 2,405 housing units ready for occupancy by the week of September 17, 2005, and an additional 3,408 units ready the following week. Construction began on a site in Baton Rouge on September 19, 2005, to place 580 travel trailers. The anticipated completion date for this project was September 29, 2005. As of October 1, 2005, only 4,128 units were occupied: 667 in Louisiana, 2,929 in Mississippi, and 532 in Alabama; and, an additional 5,446 units were ready for occupancy.

FEMA, in working with its contractors, experienced difficulty in identifying acceptable sites to place units and was slow in identifying applicants to occupy units. For example, several sites initially identified by FEMA in Louisiana to place multiple units were not well coordinated with local officials, and local officials determined placement was not acceptable. We are reviewing various sites that were rejected, after an estimated total of \$8.5 million was spent preparing the sites. Sites were rejected for various reasons; in some cases the sites were withdrawn by the owners or public officials, in other sites contamination was found.

Also, in several states there were problems with leasing existing parks. FEMA can pay only for minimum improvements and some parks required major renovations before being considered suitable for unit placement.

As we continue our review, it has become quite obvious that FEMA has purchased manufactured homes in excess of housing needs. Senior FEMA officials in Washington, D.C. and in the Gulf Coast region authorized these purchases. However, there were two issues that hindered our ability to identify the specific FEMA official(s) who authorized the purchase of the manufactured homes.

First, FEMA's purchasing documents should clearly identify the FEMA official(s) responsible for authorizing the order; however, some requisitions lacked this information. We were told that contracting staff was ordered to process the requisitions and approve the documentation to purchase the homes although the proper documentation, i.e., the responsible FEMA official(s) who authorized the purchase was not clearly identified on the purchasing documents.

Second, FEMA's Housing Area Commander requested a large amount of temporary housing. In an August 30, 2005, email sent by the Housing Area Commander concerning the purchasing of temporary housing, the Commander stated, "Purchase until I say stop..." however, he did not state what items should be purchased. In a subsequent email from the FEMA Recovery Deputy Director, questions were directed to the Housing Area Commander and the FEMA Recovery Director asking both to clarify the purchasing authority that the FEMA Senior Procurement Executive should have in purchasing temporary housing. We could not locate subsequent e-mails that provided the specific number of temporary housing units to be purchased or who made the final decision to purchase.

Not only did FEMA over-purchase manufactured homes, but they also purchased the wrong type of homes. FEMA regulations prohibit using manufactured homes in flood plains; therefore, the manufactured homes and modular homes cannot be used where most needed, i.e., in parts of Louisiana and Mississippi. Currently, the only use for modular homes has been to house emergency personnel, 50 in Alabama and 50 in Mississippi, and FEMA is considering using some to store supplies at some of FEMA's locations. In early February, FEMA identified the need for 2,600 manufactured homes in Louisiana and 2,000 in Mississippi. FEMA officials have also advised us that they made some of these homes available for victims of the fire declarations in Texas and Oklahoma. They also advised that with hurricane season close at hand, they might use some of the manufactured housing stock in other areas of the country. While there currently is no plan to sell any of the homes, FEMA officials have hired eight out of a projected 15 sales staff personnel to work out of the Cumberland, Maryland, Distribution/Logistics Center in case the homes cannot be used. Needless to say, should FEMA opt to sell the surplus homes, they will be unable to recoup their investment, essentially wasting taxpayer money.

Again, it is unclear how the decision was made; however, we determined that FEMA purchased to date a total of 24,967 manufactured homes at a cost of \$862.7 million and 1,295 modular homes at a cost of \$40 million. Furthermore, FEMA is now paying to store and maintain manufactured homes at 11 sites throughout the country for an approximate cost of \$47 million (see Table 1). This does not include the cost to set up the staging sites. For example to set up the staging site in Hope, Arkansas, FEMA paid \$272,000 to construct an access road to the site and pays \$58,000 every three months to maintain the road.

Table 1 – Estimated expense to maintain FEMA Emergency Housing Sites

Quarter	Projected Expense
First Quarter 2006/ Expended	\$ 11,416,093
2nd Quarter 2006	\$ 11,658,093
3rd Quarter 2006	\$ 11,766,093
4th Quarter 2006	\$ 12,051,593
Total	\$ 46,891,872

[Source: FEMA]

Additionally, FEMA obtained a no cost lease to use facilities at the Starship facility in Anniston, AL, at the former Fort McClellan Army base for a period of two years on August 31, 2005. The facility is owned and operated by the Joint Powers Authority—a non-profit organization. It is co-located with FEMA’s Nobel Training Center. In return for the no cost lease, FEMA was required to refurbish the facility in order to make it a suitable housing site for approximately 1,000 evacuees. FEMA spent an estimated \$7.9 million in disaster relief funds to refurbish the facility as it was in poor condition after having been mothballed for over six years with mechanical systems and building interiors in poor condition. Most metal surfaces were reportedly corroded and non-metallic surfaces were covered with a black mold. The renovated buildings were adjacent to a firing range that required expensive fencing to minimize risk from unexploded ordinance. Additionally, the contractor performing the work renovated a boiler plant, clinic, resource center, welcome center and started renovations on a gymnasium.

The Starship facility received the first evacuee on September 15, 2005, but was shutdown by FEMA less than two months later on October 25, 2005, as the number of projected evacuees never materialized and facility-operating costs were too high. The Starship facility averaged less than ten evacuees per day during the short time that it was open for business. The contractor performing the work did not receive a formal statement of work until October 25, 2005; the same day the facility was shutdown by FEMA. Between September 15, 2005-October 25, 2005, daily occupancy at the Starship facility ranged between four and 19 evacuees. At the maximum occupancy level, this equates to \$416,000 per evacuee. We understand that FEMA terminated the lease and returned the improved property to the Joint Powers Authority. Although FEMA officials at the Alabama Joint Field Office in mid-September tried to stop work on the facility; this does not mitigate the nearly \$8 million spent to improve the facility.

The Case of Hope, Arkansas

Hope, Arkansas is one of the 11 FEMA emergency housing storage sites. Due to the large number of homes purchased and the need to prepare sites before distribution, FEMA granted three mission assignments to the United States Forest Service to set up these emergency housing storage sites, including the one in Hope. Currently, there are 22,832 mobile homes, and travel trailers being stored at ten of the 11 sites (see Table 2).

Table 2 – Total number of manufactured homes per FEMA Emergency Housing Site.

Location	Mobile Homes	Travel Trailers	Sub-Total
Baton Rouge, LA	756	3,279	4,035
Carnes, MS	568		568
Craig, AL			
Cumberland, MD	676	542	1,218
Hope, AR	10,167		10,167
Jasper, TX	4	196	200
Lake Charles, LA	184	209	393
Purvis, MS	3	1,865	1,868
Selma, AL	1,183	1,065	1,248
Summerdale, AL	636	743	709
Texarkana, TX	1,426		1,426
Total	15,603	7,229	22,832

[Source: FEMA as of April 17, 2006]

As of April 17, 2006, the inventory of manufactured homes in Hope, Arkansas was 10,167. At one point there were as many as 10,770. The approximate cost for the homes is \$301.7 million. However, this does not include the cost for storage, maintenance, etc., which adds another overhead cost. The total projected cost to maintain the site at Hope, Arkansas alone is estimated at \$3.1 million (Table 3, page 8).

In January 2006, we conducted site visits to evaluate procedures used by FEMA to accept and maintain manufactured homes and modular homes staged at Hope, Arkansas, as well as at Red River Army Depot (RRAD) in Texarkana, Texas. Our objective was to determine whether FEMA established reasonable requirements for these types of housing units and to evaluate the arrangements for staging the units.

In our report, we made several recommendations to FEMA, including:

1. Develop a comprehensive plan that will set forth the most cost effective way to use, or dispose of, the manufactured and modular homes.
2. Continue to monitor all storage sites to ensure that homes are properly maintained to mitigate deterioration. Inventory those that may have already been damaged and make the necessary repairs.

3. Recoup from the manufacturers repair costs for damages that were caused by the manufacturer during delivery.
4. For future disasters, develop written policies, procedures, and plans to govern the acquisition and use of mobile and modular homes. These policies should prohibit the procurement of oversized mobile homes that do not meet FEMA’s specifications. Also, FEMA should work with state and local governments to identify prearranged sites that could be used for mobile homes. FEMA should not wait until a disaster strikes to identify possible sites for the homes.

Table 3 – Estimate of Cost to Maintain Hope, Arkansas site for One Year

Item	Cost
Rent	\$ 225,000
Security	\$ 2,250,000
Utilities	\$ 2,700
Telephones	\$ 1,710
Sanitation	\$ 27,000
Waste Disposal	\$ 9,000
Maintenance	\$ 53,250
Refurbishing	\$ 525,000
Total	\$ 3,093,660

[Source: FEMA]

We visited Hope again earlier this month. We learned that a purchase order was issued from the Baton Rouge Joint Field Office on November 17, 2005, for “crush and run” to be delivered to Hope. The contract was awarded on March 10, 2006, and \$4.2 million was obligated, with the option for an additional \$2.9 million. “Crush and run,” essentially gravel, placed on the open fields would help mitigate deterioration of the homes. Out of the 170 acres to be covered with “crush and run,” 17 acres were covered as of April 11, 2006. The project was to be completed within 90 days; however, it is currently estimated that it will take approximately 120 days. The Contracting Officer’s Technical Representative (COTR) for the “crush and run” contract has not been to the site. The FEMA site manager is overseeing the work.

FEMA also addressed some of our other concerns. We learned that although two more staff members and 30 locals have been hired to assist the site manager at Hope, there is still no Accountable Property Officer or COTR. We conducted a site visit at the beginning of April and discovered the grounds dryer than was expected and minimal warping of the frames of the units, but some warping of frames did occur. FEMA officials advised us that they have ordered jack stands to be put under any mobile home over 60 feet long for stabilization. Currently, approximately 83 of the approximate 2,000 mobile homes have been stabilized.

Although FEMA is taking measures to address the concerns we raised in our management advisory in February, the problem is exacerbated because FEMA cannot use any manufactured homes greater than 14 feet wide or 60 feet long, of which they currently have approximately 2,360 in stock, because they do not meet current FEMA specifications. According to FEMA officials, most of the old existing mobile home parks were built to accommodate mobile homes that do not exceed 60 feet in length; therefore, it has become standard FEMA practice to not have mobile homes in excess of this length. FEMA is considering declaring these homes as excess and transferring them to the General Services Administration (GSA) for donation to other federal agencies that may have a need. However, in the interim, we observed that some of the homes were warping since they were not properly stored (Figure 1).

Figure 1 – Example of warped manufactured home at Hope, Arkansas.



[Source: Photo taken by DHS/OIG auditors, April 11, 2006]

As of April 11, 2006, approximately 4,000 manufactured homes were ready for occupancy and 3,100 units are currently occupied in Louisiana. FEMA is drawing down as necessary to replenish inventory in Louisiana and Mississippi, placing approximately 35-50 units a day. Units are being placed inside and outside of the floodplain. FEMA ensures us that units placed within the floodplain meet the additional elevation requirements. It is our understanding that units will be transferred to not for profit entities. Under the Stafford Act, not-for-profit entities are eligible to receive mobile homes to be used for the sole purpose of providing temporary housing to disaster victims. FEMA has worked with the Department of Homeland Security's Office of General

Counsel and volunteer agencies to establish policies and procedures for this program. No units have been donated as of April 11, 2006.

To date, FEMA has purchased 114,341 travel trailers at a cost of \$1.7 billion. However, the cost does not end with this figure. For the life span of a travel trailer, one must also add the cost to install, maintain, and prepare the site (Table 4).

Table 4 – Estimated cost for the life cycle of a travel trailer.

Item	Description	~Cost
Purchase Price	Purchase from Manufacturer = \$10,000-\$11,000. If purchased from a lot, they can cost from \$13,000-\$15,000	\$ 14,000.00
Haul & Install	Haul trailer to staging area and installation includes utility hook-up, building walkways, anchoring and blocking.	\$ 12,000.00
Maintenance	\$300/month for the life of a trailer, which is 18 months	\$ 5,400.00
Deactivation	Unhooking, hauling and clean-up, \$1,000-\$3,000. Does not include cost to refurbish.	\$ 2,000.00
Site	\$500-\$1,000 for design per unit, i.e., a 400 unit site could cost up to \$300,000.	\$ 750.00
Pad Construction	Site preparation	\$ 25,000.00
Total:		\$ 59,150.00

[Source: FEMA]

Evacuees are using approximately 75,000 travel trailers and another 17,000 are available for delivery to disaster victims. The remainders are being transported to sites or undergoing preparations for use.

As we reported to this committee in February, we are reviewing the entire process for accountability of the trailers from the initial orders, the receipt by FEMA, to final delivery to an evacuee. We have reviewed various reports, all with a different set of numbers, as to what has been ordered, received, and occupied. These discrepancies suggest that FEMA and its contractors do not have sufficient controls or systems in place to account for the trailers and their ultimate disposition.

Conclusion

Hurricane Katrina has been a catastrophic event beyond anything in recent experience. We will debate its lessons and calculate its total monetary and economic impact for many years to come. Our oversight efforts are focused on prevention of fraud, waste, and abuse in the expenditure of Katrina related funds, but we also hope to provide lessons for future disasters.

Because of the nature of disasters, we understand that pre-disaster planning cannot address every issue that arises. However, to address disaster operation, the need for an overall catastrophic housing plan is vital. Had the federal government, FEMA in particular, had such a plan, FEMA would not have wasted millions of dollars on unused/unneeded housing.

The issues raised in this hearing relate to the federal government's ability to make needed purchases in response to a disaster in a timely manner, for a fair price, and in quantities needed. In essence, the federal government's ability to put in place a catastrophic housing plan. There were many weaknesses in the federal government's pre-disaster planning. However, we hope that the lessons learned from our findings will help address weaknesses so that we all will be better prepared for future disasters.

Madam Chairman, that concludes my prepared statement. I would be happy to answer any questions you or the members may have.

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