



Department of Homeland Security Office of Inspector General

Improving FEMA's Individual Assistance, Technical Assistance Contracts





Homeland
Security

SEP 27 2011

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the strengths and weaknesses of the Federal Emergency Management Agency's Individual Assistance, Technical Assistance Contracts and the agency's acquisition function. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "Matt Jadacki".

Matt Jadacki
Assistant Inspector General
Office of Emergency Management Oversight

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Abbreviations

CO	contracting officer
COTR	contracting officer’s technical representative
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
IA	FEMA Individual Assistance
IA-TAC	Individual Assistance, Technical Assistance Contracts
MCS	mission capability summary
OIG	Office of Inspector General
PaTH	Partnership for Temporary Housing
RMT	resource mobilization table

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

The Federal Emergency Management Agency's Individual Assistance, Technical Assistance Contracts need improvement. These contracts, with a total funding ceiling of \$1.5 billion, are for comprehensive program management services as well as construction, architectural, and engineering capabilities to support housing; mass care; and disaster planning, staffing, and logistics services. Each contractor must be capable of supporting multiple disaster missions of any size, anywhere within the United States and its territories.

However, the contracts do not include specific performance requirements for readiness in key mission areas such as sheltering and feeding. There is no guarantee that the contractors will be able to perform when needed. As a result, the Federal Emergency Management Agency is spending, on average, more than \$5.1 million each year on readiness capabilities that may not be available when needed.

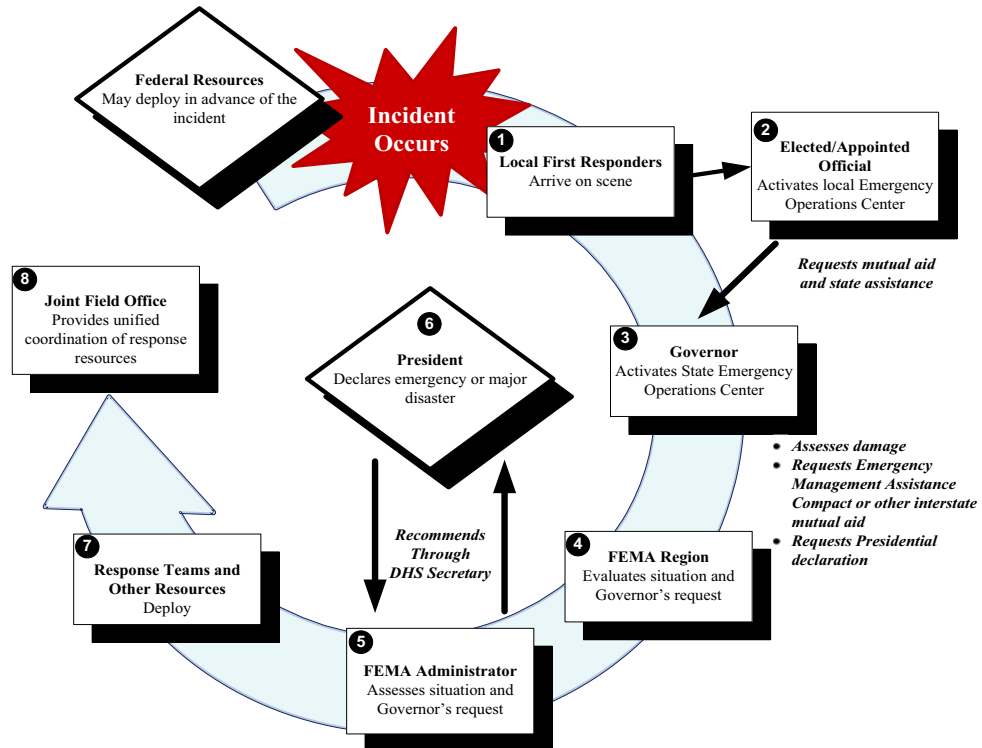
In addition, the Federal Emergency Management Agency needs to improve its acquisition function. Although the agency has attempted to improve contract management, there is still a need for substantial improvement. Improvements in contract file documentation and better management oversight, including the prompt implementation of corrective actions, are needed to prevent opportunities for fraud, waste, and abuse.

We are making five recommendations to improve the Individual Assistance, Technical Assistance Contracts and the agency's acquisition function.

Background

When disasters occur, local communities respond first, followed by the state, if necessary. Under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), a Governor may request declaration of a major disaster when effective response and recovery are beyond the capabilities of the state and affected local governments. The Stafford Act defines the Federal Emergency Management Agency's (FEMA's) role during a declared disaster. Figure 1 depicts the process for requesting and receiving federal assistance authorized under the Stafford Act.

Figure 1. Process for requesting and receiving federal assistance authorized under the Stafford Act



Source: DHS OIG.

The FEMA Individual Assistance (IA) Division provides financial and direct assistance to individuals and households in a disaster area whose property has been damaged or destroyed and whose losses are not covered by insurance. Direct assistance can include temporary housing, such as government-provided housing units when rental properties are not available, or permanent housing

construction.¹ In providing this assistance, FEMA can use local and small businesses or its Individual Assistance, Technical Assistance Contractors (IA-TACs). FEMA policy is to use local vendors wherever feasible and practicable. When IA-TACs are used, the goal is to transition to local vendors within 6 months of the disaster event, and sooner if practicable.

FEMA used the IA-TACs on a massive scale during the 2005 hurricane season. In response to Hurricane Katrina, FEMA awarded no-bid contracts (IA-TAC I) to Fluor Enterprises, Inc.; Shaw Group; CH2M Hill Constructors, Inc.; and Bechtel National, Inc. The IA-TACs were to provide and coordinate comprehensive project management services for temporary housing, which included all phases of design, planning, budgeting, construction, demolition, and site restoration from project beginning through completion and closeout. The scope of these contracts encompassed numerous support functions, including the transportation, storage, installation, and subsequent deactivation of temporary housing units. Figure 2 depicts temporary housing units installed on an Emergency Group Site by IA-TAC I contractors.

Figure 2. Temporary housing units installed on an Emergency Group Site by IA-TAC I contractors (Pascagoula, MS)



Source: DHS OIG, based on FEMA photo library.

¹ This type of housing assistance is available only in insular areas or remote locations specified by FEMA, where no other type of housing assistance is practicable.

In August 2006, FEMA awarded six new contracts (IA-TAC II) for program and Disaster Recovery Center support, temporary housing group site design and construction, and hauling and installing temporary housing units for future disasters. These contracts were for a 2-year period with a contract ceiling of \$250 million each. Task orders issued in response to a disaster under these contracts would require the IA-TACs to use local firms to the “maximum extent practicable” for additional subcontracting opportunities. The prime contractors receiving awards were Shaw Environmental; Fluor Enterprises, Inc.; Partnership for Temporary Housing; Disaster Solutions Alliance LLC; Bechtel National; and CH2M Hill. Figure 3 depicts construction of a temporary housing unit at a FEMA housing site by IA-TAC II contractors.

Figure 3. Construction of a temporary housing unit at a FEMA housing site by IA-TAC II contractors (Greensberg, KS)



Source: FEMA photo library.

After Hurricane Ike devastated Galveston Island, FEMA did not initially use IA-TAC II to provide temporary housing.² Instead, a FEMA headquarters official instructed field office staff to award a contract to provide mobile homes and “to get it done at all costs.” The official instructed that this be done so local residents and the media would see mobile homes arriving in the disaster area 1 week sooner than would have occurred using the IA-TAC II process for

² DHS OIG, *Improvements Needed in FEMA's Disaster Contract Management* (OIG-10-53), February 2010.

providing mobile homes. Because FEMA was paying for expedited services, the price per mobile home exceeded the government's independent cost estimate by 264%. Had FEMA used IA-TAC II, mobile homes would have arrived in about 10 days and FEMA would have saved more than \$700,000.

In May 2009, FEMA awarded four new contracts (IA-TAC III) using a different acquisition strategy. This strategy, as depicted in appendix D, divided the United States and its territories into four regional sectors: Alpha Sector (FEMA Regions VIII, IX, and X); Bravo Sector (FEMA Regions I, II, and V); Charlie Sector (FEMA Regions VI and VII); and Delta Sector (FEMA Regions III and IV). The solicitation allowed for the award of four separate indefinite-delivery, indefinite-quantity contracts; each successful offeror was assigned responsibility for one of the sectors. According to FEMA officials, this new strategy streamlined the task order award process and enabled FEMA to respond faster to the housing needs of disaster survivors.

As in previous contracts, the IA-TACs are responsible for providing comprehensive emergency management, project management, and program management services, as well as construction, architectural, and engineering capabilities in—

- Housing support,
- Construction services,
- Mass care, and
- Planning, staffing, and logistics services.

Under IA-TAC III, each contractor must also maintain a readiness capability adequate to support multiple disaster missions of any size, anywhere within its sector. This includes providing FEMA with five readiness-related deliverables: (1) executable plans for dealing with different operational situations occurring simultaneously (i.e., Sector-specific Playbooks); (2) readiness training that contractor personnel were to complete; (3) exercises that the contractors were to develop and conduct; (4) monthly readiness reports; and (5) quarterly briefings.

Each contract has a total funding ceiling of \$375 million over 5 years (1 base year plus four 1-year options). The prime contractors receiving awards were Partnership for Temporary Housing (Alpha Sector); Disaster Solutions Alliance LLC (Bravo Sector); Shaw Environmental & Infrastructure (Charlie Sector); and CH2M Hill (Delta Sector).

During the first 2 years of IA-TAC III, FEMA used the contractors for three disasters. FEMA used CH2M Hill in a 2009 West Virginia flood to provide temporary housing services and support. Next, FEMA used the Partnership for Temporary Housing (PaTH) for a 2009 flood in Alaska requiring pre-operations planning services. This included developing an interim and full operations plan for providing individual assistance to the disaster’s survivors. After the 2009 American Samoa earthquake and tsunami, FEMA used PaTH to build permanent housing for disaster survivors. Figure 4 depicts homes under construction by the contractors.

Figure 4. IA-TAC III permanent housing construction (American Samoa)



Source: American Samoa Department of Commerce.³

³ DHS OIG, *American Samoa 2009 Earthquake and Tsunami: After-Action Report* (OIG-11-03), October 2010.

Results of Audit

Improving Readiness

During the first year of the IA-TAC III contracts, FEMA approved more than \$5.65 million in readiness payments to the IA-TACs. In theory, the IA-TACs are required to maintain readiness capabilities sufficient to support multiple disaster missions of any size, anywhere within their assigned sectors. However, there are no specific performance requirements for readiness in key mission areas such as sheltering, feeding, logistics, support camps, and temporary housing.

Performance Requirements

To address the need for specific performance requirements, after contract award, FEMA tasked the IA-TACs with developing mission capability summaries (MCSs) and resource mobilization tables (RMTs) for inclusion in their Sector-specific Playbooks (Playbooks). However, FEMA allowed the contractors to base the MCSs and RMTs on questionable planning assumptions, such as the following:

1. *Transportation modes are intact and usable.* However, in the initial phase of a catastrophic event, transportation infrastructure can be severely disrupted or destroyed. For example, in the aftermath of Hurricane Katrina, the hardest-hit communities lost all infrastructure, including roads and bridges.
2. *Identified resources are available when needed.* Nevertheless, many of the resources used by the IA-TACs for mission capabilities are not exclusive.⁴ There is no guaranteed minimum level, and critical assets may already have been tasked by state, local, or other entities, reducing the IA-TACs' ability to provide the requisite support. For example, an IA-TAC may indicate that it can feed more than 100,000 people a day. However, the IA-TAC does not actually have the meals in its possession but intends to purchase the food from a supplier. This is not an exclusive agreement, so the supplier may have promised the same food to other entities, and may or may not be able to supply the food to the IA-TAC.

⁴ These resources include goods and services maintained by the IA-TACs or supplied by subcontractors.

Conclusion

To guarantee that the IA-TACs will be able to perform when needed, FEMA pays them, on average, more than \$5.1 million each year. However, because of the nonspecific performance requirements and questionable planning assumptions, FEMA has no assurance that the IA-TACs will be able to perform when needed. If all 4 option years of IA-TAC III are exercised, FEMA could potentially pay the contractors more than \$25.53 million for nonexistent or inadequate readiness capabilities.

Recommendation

We recommend that the Federal Emergency Management Agency's Director, Individual Assistance Division, coordinate with the Chief Procurement Officer to:

Recommendation #1: Replace, as soon as practicable, the Individual Assistance, Technical Assistance Contracts. Future contracts should include specific performance requirements and deliverables that—

- Are developed in coordination with key stakeholders,
- Include realistic planning assumptions,
- Support needed capabilities, and
- Ensure a minimum readiness level in key mission areas.

Management Comments and OIG Analysis

FEMA concurred with the recommendation. According to FEMA, it will work to replace the contracts “as soon as practicable,” considering the acquisition timeframes required and while ensuring mission readiness. This includes developing new performance requirements and deliverables to “more effectively and efficiently ensure a minimum readiness level in all key mission areas.” However, in its comments to the draft report, FEMA also stated that it had established “rigorous deliverables tied to readiness money paid to the contractors, which provides a tangible Return on Investment.”

We recommended that the contracts be replaced as soon as practicable because FEMA (1) is paying the IA-TACs millions of dollars for readiness although it has no assurance that the

contractors will be able to perform when needed; and (2) has violated the Federal Acquisition Regulation (FAR), as detailed in appendix F.

Performance-based acquisitions are structured around the results to be achieved. The IA-TAC III contracts do not consistently describe required results in clear, specific, and objective terms with measurable outcomes. For example, the contracts do not clearly identify what the key mission areas are, the readiness level for each area, or appropriate planning assumptions.

The MCSs and RMTs that FEMA has directed the contractors to develop were not part of the original IA-TAC III solicitation or contracts. The costs associated with developing and maintaining these documents detract from other readiness-related activities. The IA-TACs are paid a fixed lump-sum amount each month regardless of their level of effort for any particular readiness-related activity.

Results from FEMA's IA-TAC III contractor site visits of March/April 2011 indicate that key disaster resources may not be available when needed. Furthermore, FEMA reported that a number of IA-TAC suppliers—

- Had insufficient capability to comply with requirements,
- Had limited experience with disaster survivor support, and
- Were unable “to provide concrete examples of their work.”

Until a corrective action plan and timetable for implementation of the recommendation is provided, the recommendation is open and unresolved.

Enhancing the Sector-specific Playbooks

The development and maintenance of Playbooks is a contract deliverable under readiness and included in the firm fixed price. The Playbooks, originally envisioned as executable operational plans, were to be designed for dealing with different operational situations occurring simultaneously. However, after contract award, FEMA changed the Playbooks' requirements without formally modifying the contracts. According to FEMA officials, these changes were made to address the evolving needs of key stakeholders (e.g., the FEMA Regions) and insufficient detail on specific mass care requirements.

The Playbook Scenarios

Contractually, the IA-TACs are required to include in the Playbooks at least three scenarios (based on potential sector risk profiles) for meeting disaster requirements, with a cost estimate and an analysis of the potential disaster risk exposure for each readiness scenario. However, the National Planning Scenarios, which are the focus of federal planning efforts and represent examples of the gravest dangers facing the United States, have largely been excluded from the Playbooks. The Playbooks have focused on natural disasters such as flooding, earthquakes, and hurricanes. None has specifically addressed bombings; nuclear detonations; biological, chemical, or radiological attacks; cyber attacks; or disease outbreaks such as pandemic influenza.

One FEMA program official said that the Playbooks are intended to respond to program functions and not directly to a specific disaster type such as a chemical attack; housing, feeding, and sheltering functions remain essentially the same regardless of the disaster type. However, we are concerned that the unique considerations of certain scenarios⁵ may be overlooked or not sufficiently considered in the Playbooks.

New Requirements

After contract award and without formal contract modifications, FEMA tasked the IA-TACs with preparing MCSs and RMTs for inclusion in the Playbooks. These deliverables were to address the following mission and functional areas:

1. Sheltering, including health and social services
2. Feeding
3. Warehousing operations and transportation of supplies
4. Support camps
5. Temporary housing
6. Disaster planning and staffing support
7. Pet care
8. Accompanied and unaccompanied children
9. Commodities such as cots and blankets

These areas were included in addition to the contractual requirements for creating a database of local requirements and conditions that affect temporary housing, such as utility hookups,

⁵ For example, extraordinary levels of mass casualties requiring specialized services.

local permits, and the use of private sites. Some of the IA-TACs stated that this has caused them to question whether the changes go beyond what FEMA had originally asked for in its solicitation and intended as executable operational plans.

Despite the changes, some responsible FEMA officials have expressed continuing concerns about the usefulness of the Playbooks. Several officials said that the Playbooks contained information that FEMA either already had or that was not very useful. One official commented that the Playbooks had not been coordinated with state and local emergency operations plans. Another official characterized FEMA's Playbook concept as obsolete.

Conclusion

FEMA, without formally modifying the contracts, has changed the Playbooks' contractual requirements. Despite the changes, the usefulness of the Playbooks is questionable.

Recommendation

We recommend that the Federal Emergency Management Agency's Director, Individual Assistance Division:

Recommendation #2: Reevaluate the requirement for Sector-specific Playbooks in future Individual Assistance, Technical Assistance Contracts.

Management Comments and OIG Analysis

FEMA concurred with the recommendation. According to FEMA, the Playbooks are intended to be living documents, subject to modification as needed. As such, FEMA will continue to work with Regions and partners to revise the Playbooks and operational requirements, and to address gaps as necessary to ensure that the Playbooks meet their readiness needs.

We recognize that FEMA has attempted to improve the Playbooks it receives under the IA-TAC III contracts. However, FEMA needs to comply with the FAR when adding or changing contract deliverables.

Until a corrective action plan and timetable for implementation of the recommendation are provided, the recommendation will remain open and unresolved.

Strengthening Accountability and Oversight

FEMA needs to strengthen accountability and oversight of the IA-TAC contracts. IA-TAC III contract requirements for readiness are vague and difficult to enforce. Additionally, the acquisition staff overseeing the contracts has experienced high turnover. Over time, this has resulted in different contracting officers (COs) and contracting officer's technical representatives (COTRs) interpreting the contracts differently, exacerbated contract file maintenance issues, and adversely affected FEMA's oversight of recommended corrective actions.

Separately Priced Deliverables

Each IA-TAC receives a monthly fixed fee for readiness, which includes five specific deliverables: Sector-specific Playbooks, training, exercises, monthly readiness reports, and quarterly briefings. However, none of these deliverables was separately priced. Instead, FEMA incorporated them into a single, firm fixed price that the IA-TACs invoice as a single line item every month. As a result, COTRs believed that they could only approve or reject the invoices in full. For the first year of the contracts, FEMA approved more than \$5.65 million in invoices for deliverables that were not separately priced. If they had been, FEMA would have been better able to approve partial payments when circumstances warranted, track specific costs, and build a historical basis for better firm fixed prices.

Acquisition Staff Turnover

Since award of the IA-TAC III contracts, the FEMA officials responsible for contract administration and oversight have changed several times. By March 2011, at least four different contracting officers had been appointed to manage the contracts. One FEMA official told us that the contracts are "hot potatoes" that none of the COs want to manage. The turnover resulted in different COs and COTRs interpreting the contracts differently over time.

FEMA needs qualified acquisition staff to manage these multimillion-dollar contracts consistently.

Incomplete Contract Files

The contract files were incomplete and not in compliance with the FAR.⁶ For example, the memorandums documenting the prenegotiation objectives for two of the IA-TACs were missing from the contract files, and FEMA could not locate them. The prenegotiation objectives, established before the negotiation of any pricing action, set up the government's initial negotiation position and assist in the CO's determination of fair and reasonable price.

As we reported in 2009, contracting staff turnover in FEMA exacerbates file maintenance problems.⁷ Frequently, contract files are transferred because of personnel changes, and if the file is not in order at this point, it is difficult if not impossible for the newly assigned CO to put the file in order.

Open Audit Recommendations

DHS OIG and the Government Accountability Office have identified major weaknesses in FEMA's contract management. A number of recommendations remain open. Most notably, FEMA has yet to identify and recover payments for unallowable costs made under IA-TAC I. In 2008, we recommended that FEMA recover—

1. Unsupported or excessive charges identified as questioned costs totaling \$37,226,491 related to inspection and acceptance of goods and services
2. The \$8,686,175 in questioned costs associated with the purchase of a base camp

Office of Management and Budget Circular A-50 states that resolution and corrective actions on audit recommendations shall be prompt. Resolution shall be made within a maximum of 6 months after issuance of a final report or, in the case of audits performed by nonfederal auditors, 6 months after receipt of the report by the federal government. Corrective action should proceed as rapidly as possible.

⁶ FAR Section 4.801(b) states that the documentation in the contract files shall be sufficient to constitute a complete history of the transaction for the purpose of providing a complete background as a basis for informed decisions at each step in the acquisition process, supporting actions taken, providing information for reviews and investigations, and furnishing essential facts in the event of litigation or congressional inquiries.

⁷ DHS OIG, *Internal Controls in the FEMA Disaster Acquisition Process* (OIG-09-32), February 2009.

Conclusion

FEMA needs to improve its acquisition function, including the prompt implementation of corrective actions. Although FEMA has attempted to improve contract management, there is still a need for substantial improvement. Improvements in contract file documentation and better management oversight are needed to prevent opportunities for fraud, waste, and abuse.

Recommendations

We recommend that the Federal Emergency Management Agency's Director, Individual Assistance Division, work with the Chief Procurement Officer to:

Recommendation #3: Require separately priced deliverables in future Individual Assistance, Technical Assistance Contracts.

Recommendation #4: Ensure that acquisition personnel assigned to manage and monitor contracts have the skills and abilities to match the complexity of the contract and that they comply with the Federal Acquisition Regulation.

Recommendation #5: Identify and recover payments for unallowable costs made during the 2005 hurricane season under the Individual Assistance, Technical Assistance Contracts.

Management Comments and OIG Analysis

FEMA concurred with the three recommendations. According to FEMA, it (1) is identifying deliverables that should be separately priced and determining what services should be removed from the contracts; (2) has assigned an experienced CO and tier III certified COTRs to the contracts; and (3) is working to identify and recover payments for unallowable costs.

Based on information provided in FEMA's response to the draft report, we consider recommendation #4 resolved. Until a formal closeout letter and supporting documentation are provided, the recommendation will remain open and unresolved.

The comments by FEMA are responsive to recommendations #3 and #5. If properly implemented, the actions identified should address the conditions identified during the audit. However, until corrective action plans and timetables for implementation of the recommendations are provided, recommendations #3 and #5 will remain open and unresolved.

Appendix A

Purpose, Scope, and Methodology

The objective of this performance audit was to determine the efficacy of FEMA's management of the Individual Assistance, Technical Assistance Contracts, including policies and procedures for (1) awarding individual task orders, (2) monitoring contractor readiness and performance, and (3) certifying contractor billings.

FEMA is required to adhere to contract management policies and procedures that are promulgated in the FAR.⁸ FEMA is also required to adhere to the Homeland Security Acquisition Regulation and the Homeland Security Acquisition Manual, Office of Federal Procurement Policy guidance, and the Stafford Act.

This audit focused on the four base contracts, including modifications, and task orders issued for readiness services. Based on information provided by FEMA before and at the Entrance Conference conducted in November 2010, the team determined that eight task orders were issued with a total value of \$10.5 million. We reviewed the deliverables required under these task orders: Sector-specific Playbooks, training, exercises, monthly readiness reports, and quarterly briefings. We obtained information from FEMA headquarters officials and field officials in Regions I through X. To gain a better understanding of IA-TAC readiness issues and potential improvements, we interviewed officials from all four contractors.

We conducted this performance audit between November 2010 and April 2011 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

⁸ The FAR, codified in Title 48 of the United States Code of Federal Regulations, was developed pursuant to the *Office of Federal Procurement Policy Act of 1974* (Public Law 93-400), as amended by Public Law 96-83.

Appendix B

Management Comments to the Draft Report

U.S. Department of Homeland Security
500 C Street, SW
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AUG 22 2011

MEMORANDUM FOR: Matt Jadacki
Assistant Inspector General
Office of Emergency Management Oversight

FROM: 
David J. Kaufman
Director
Office of Policy and Program Analysis

SUBJECT: *Improving FEMA's Individual Assistance, Technical Assistance
Contracts OIG Project No. 11-013-EMO-FEMA*

The Federal Emergency Management Agency (FEMA) appreciates the Office of the Inspector General's (OIG) review of FEMA's Individual Assistance, Technical Assistance Contracts (IA-TAC) and corresponding recommendations for program improvement. In this report, the OIG determined that the contracts do not include specific performance requirements for readiness in key mission areas such as sheltering and feeding and that there is no guarantee that the contractors will be able to perform when needed. Additionally, this report indicates that improvements are needed in FEMA's acquisition function, specifically related to contract file documentation and better management oversight.

As FEMA is always seeking to improve its services to disaster survivors, we appreciate the OIG's review of the IA-TAC contracts and sector-specific playbooks. However, we feel that the OIG's assessment of contracts readiness-related deliverables is not completely accurate and is focused solely on a review of past performance requirements and issues. Over the past years, we have worked diligently to make improvements to our IA-TAC contracts, including:

- The elimination of post-disaster competitions among contractors, which was costly, time-consuming, and did not promote overall competition (as it was always between the same four contractors).
- The establishment of rigorous deliverables tied to readiness money paid to the contractors, which provides a tangible Return on Investment (ROI).
- The establishment of stakeholder partnership and relationship building requirements.

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Appendix B

Management Comments to the Draft Report

Responses to the OIG's Recommendations follow below.

Recommendation #1: Replace, as soon as practicable, the Individual Assistance, Technical Assistance Contracts. Future contracts should include specific performance requirements and deliverables that:

- *Are developed in coordination with key stakeholders,*
- *Include realistic planning assumptions,*
- *Support needed capabilities, and*
- *Ensure a minimum readiness level in key mission areas.*

FEMA concurs with this recommendation. Although current IA-TAC contractors work directly with key stakeholders (i.e. Programs, Regions, Local and State governments, NGOs and private voluntary agencies) to develop requirements and deliverables, FEMA continuously strives to improve its disaster response contracts. As recommended, FEMA will work to replace these contracts "as soon as practicable," considering the acquisition timeframes required and while ensuring mission readiness. This will include developing new performance requirements and deliverables that will more effectively and efficiently ensure a minimum readiness level in all key mission areas.

In addition, FEMA has made the following improvements to the IA-TAC contracts in FY 2011:

- Conducted site visits on all four Individual Assistance – Technical Assistance Contracts (IA-TAC III) to insure operational readiness of the Technical Assistance Contractor to execute Mass Care support functions which are at the forefront of program office objectives. The direct purpose was to assess the contractors' readiness to support FEMA's potential need to provide soft-sided sheltering and feeding for disaster survivors of a catastrophic event. Through continuous readiness initiatives, coordination and reviewing of historical lessons learned chances of success for completing a sheltering/feeding mission is highly probable.
- Deployed three of four IA-TACs to four concurrent disasters in support of Mission Planning Teams (MPTs) and Task Order Management provided the following disaster support:
 - information to be incorporated into each JFO's strategy when addressing disaster survivor's temporary housing needs;
 - key in providing information for a potential MC sheltering mission;
 - market research to acquire a local contractor for a 250 unit (THU) mission and developing an IGCE for a proposed solicitation;
 - developing SOWs and IGCEs to provide ancillary services;
 - working with the contractors to perform a sweep of commercial parks verifying requirements for MH and PM installations; pad size, utilities, leasing;
 - contract administration support for 2 Task Order – (1) - perform 150 commercial site pad assessments to accommodate THUs, (2) provide H&I for 150 THU's and provide a design for a commercial park expansion.

Appendix B

Management Comments to the Draft Report

Recommendation #2: Reevaluate the requirement for Sector specific Playbooks in future Individual Assistance, Technical Assistance Contracts.

FEMA concurs with this recommendation: FEMA is committed to continuously improving the Sector specific playbooks and ensuring that FEMA receives the best product for its investment of readiness funds. Each quarter, the contractors present FEMA with an updated version of the Playbooks, brief us on their activities from the previous quarter and discuss planned activities for the next quarter. Additionally, these Playbooks are intended to be living documents, subject to modification as needed. As such, FEMA will continue to work with Regions and partners to revise the Playbooks, operational requirements and to address gaps as necessary to ensure that the Playbooks continue to meet our readiness needs.

Recommendation #3: Require separately priced deliverables in future Individual Assistance, Technical Assistance Contracts.

FEMA concurs with this recommendation. The OCPO is currently coordinating with the Recovery Directorate to identify deliverables that should be separately priced and determining what services should be removed from the IA-TAC contracts. The team is also strategizing to identify the best contracting vehicle to support the agencies needs to support the disaster survivors.

Recommendation #4: Ensure that acquisition personnel assigned to manage and monitor contracts have the skills and abilities to match the complexity of the contract and that they comply with the FAR.

FEMA concurs with this recommendation. In December 2010, the Chief Procurement Officer assigned a seasoned Team Leader/Contracting Officer (CO) to oversee the IA-TAC III contracts. This acquisition professional has over 10 years of experience performing complex contract awards and contract management.

Additionally, in FY 08, OCPO established the Contracting Officer Technical Representatives (COTR) tiered certification program. The purpose of the program is to ensure FEMA's COTR competency match contract complexity in supporting FEMA's mission to contract execution (see matrix below). The CO has appointed tier III COTRs to administer the IA-TAC III contract, ensuring COTR competency match contract complexity.

Appendix B Management Comments to the Draft Report

	Tier I Certification	Tier II Certification	Tier III Certification
Contract Responsibilities	Contracts up to \$5M	Contracts \$5M to \$57M	Contracts \$57M and above
Training Requirements	<ul style="list-style-type: none"> 40 hours of Initial COTR Training <ul style="list-style-type: none"> Includes 2 hours of Procurement Ethics Training (new) Free online training for the initial COTR training requirements can be accessed through Federal Acquisition Institute (FAI) Vendor training is also available 	<ul style="list-style-type: none"> Tier I Certification 3 Additional Courses: <ol style="list-style-type: none"> Market Research and Commercial Item Acquisitions Federal Contracting Basics Federal COTR Training Program 	<ul style="list-style-type: none"> Tier I and II Certification 3 Additional Courses: <ol style="list-style-type: none"> Negotiation Strategies and Techniques Performance-Based Acquisition: Preparing Work Statements Pre-award Business Decisions in Contracting
Equivalent Certifications		<ul style="list-style-type: none"> Contracting (FAC-C) Level 2 Certification Or PM Level II Certification 	<ul style="list-style-type: none"> Contracting (FAC-C) Level 3 Certification Or PM Level III Certification

Recommendation #5: Recover questioned costs of \$45.9 million made during the 2005 hurricane season under the Individual Assistance, Technical Assistance Contracts.

FEMA concurs with this recommendation. The OCPO is working on Audits to determine if the questionable costs were allowable and retrieve those questionable costs paid to the IA-TAC Contractors. The IA-TAC Contract Specialist is currently reviewing Bechtel invoice numbers (513266 and 513418), and Hill's invoices (5038771 and 50338920) to determine allowable cost. Based on the findings, OCPO will assess the best course of action.

We thank you for the opportunity to review and provide comments on your Draft Report. Please feel free to contact Bradley Shefka, Chief, FEMA GAO/OIG Audit Liaison Office (202-646-1308) regarding any questions or concerns.

Appendix C
IA-TAC Contracts and Major Disaster Declarations

**IA-TAC Contracts and Major Disaster Declarations
(2005–2011)**

IA-TAC I (2005)

- August 2005: Hurricane Katrina
- **September 2005: FEMA awards IA-TAC I Contracts**

IA-TAC II (2006–2008)

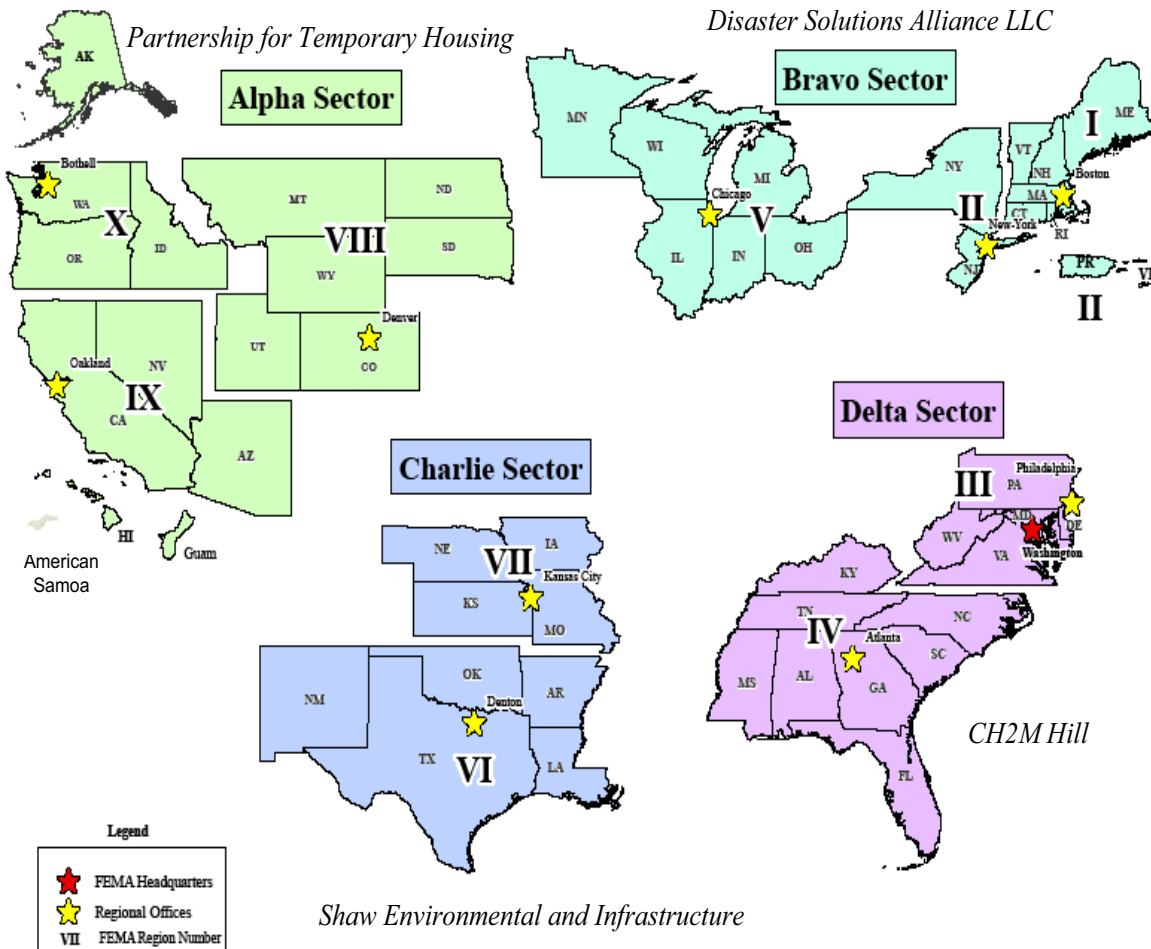
- **August 2006: FEMA awards IA-TAC II Contracts**
- DR-1603 (LA) *Housing Mission*
- DR-1659 (NM) *Housing Mission*
- DR-1679 (FL) *Housing Mission*
- DR-1697 (TX) *Housing Mission*
- DR-1699 (KS) *Housing Mission*
- DR-1711 (KS) *Housing Mission*
- DR-1712 (OK) *Housing Mission*
- DR-1717 (MN) *Housing Mission*
- DR-1731 (CA) *Housing Mission*
- DR-1733 (OR) *Housing Mission and Formaldehyde Testing*
- DR-1744 (AR) *Housing Mission and Formaldehyde Testing*
- DR-1745 (TN) *Housing Mission and Formaldehyde Testing*
- DR-1763 (IA) *Housing Mission*
- DR-1771 (IL) *Housing Mission*
- DR-1786 (LA) *Housing Mission*
- DR-1791 (TX) *Housing Mission*
- DR-1792 (LA) *Housing Mission*

IA-TAC III (2009–March 2011)

- **May 2009: FEMA awards IA-TAC III Contracts**
- DR-1843 (AK) *Housing Mission*
- DR-1838 (WV) *Housing Mission*
- DR-1859 (AS) *Subject Matter Experts and Housing Mission (permanent housing)*

Source: DHS OIG, based on FEMA contract files.

IA-TAC Sectors with FEMA Regions and Contractors



Source: DHS OIG, based on FEMA contract files.

Appendix E
Selected DHS OIG Reports

American Samoa 2009 Earthquake and Tsunami: After-Action Report (OIG-11-03),
October 2010.

Improvements Needed in FEMA's Management of Public Assistance-Technical
Assistance Contracts (OIG-11-02), October 2010.

FEMA's Preparedness for the Next Catastrophic Disaster – An Update (OIG-10-123),
September 2010.

Improvements Needed in FEMA's Disaster Contract Management (OIG-10-53),
February 2010.

FEMA's Sourcing for Disaster Response Goods and Services (OIG-09-96), August 2009.

Internal Controls in the FEMA Disaster Acquisition Process (OIG-09-32),
February 2009.

Hurricane Katrina Temporary Housing Technical Assistance Contracts (OIG-08-88),
August 2008.

Appendix F
Letter to FEMA's Chief Procurement Officer

Office of Inspector General

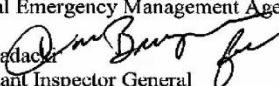
U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

May 5, 2011

MEMORANDUM FOR: Jacob B. Hansen
Chief Procurement Officer
Federal Emergency Management Agency

FROM: Matt Jagoda 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: Management letter for advisory comments related to the
audit of *FEMA's Individual Assistance, Technical
Assistance Contracts – For Official Use Only*
OIG Project No. 11-013-EMO-FEMA

We conducted a performance audit of *FEMA's Individual Assistance, Technical Assistance Contracts* between November 2010 and March 2011 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. In connection with this audit, we reviewed FEMA's solicitation, award, management of contracts and compliance with laws and regulations.

In planning and performing our audit, we considered internal controls that were significant within the context of our audit objectives. Our procedures were not designed to identify all internal control deficiencies.

We noted certain violations of Federal Acquisition Regulations (FAR) which are summarized below and are presented for your consideration. These findings and comments are in addition to the findings and recommendations presented in our forthcoming *Draft Report: Improving FEMA's Individual Assistance, Technical Assistance Contracts – For Official Use Only*.

Renegotiation and Exercise of Option Year One

In April 2010, FEMA violated the FAR requirement for full and open competition, when it renegotiated the IA-TAC contract with [REDACTED].⁹ The contract modification allowed for reduced services and prices applicable to the option years.

⁹ FEMA requests that this information in Appendix F (Letter to FEMA's Chief Procurement Officer) remain redacted.

Appendix F

Letter to FEMA's Chief Procurement Officer

FEMA initially exercised the option for the first year with the other three IA-TACs, but decided not to do so with [REDACTED].⁹ FEMA failed to provide timely written notification to [REDACTED] and in not doing so, violated FAR section 52.217-9.

Once [REDACTED]⁹ realized FEMA was not going to exercise the first year option, the parties renegotiated the contract. FEMA exercised the option in violation of the FAR, as it did not comply with full and open competition as defined in FAR section 2.101 and required by FAR section 6.101 and Subparts 6.1 and 6.2. Rather than permitting full and open competition, FEMA renegotiated only with [REDACTED] to eliminate some of the services to reduce the price of the first year option and each of the remaining option years. If FEMA did not intend to exercise the first option year because the price was too high, it should have re-solicited the contract to allow other potential contractors to compete, which may have resulted in an even lower price.

The "Firm-Fixed-Price" Invoice with Travel Costs

In December 2010, FEMA violated the FAR requirement for approving travel costs when FEMA officials inappropriately directed a contracting officer's technical representative to approve payment for an invoice for more than \$155,200 despite inadequate supporting documentation. According to the FEMA officials involved, detailed supporting documentation was unnecessary for a subcontractor's travel costs included in the invoice because the contract was "firm-fixed-price" and the program office had received all the services billed.

Section G.1 of the associated contract specifies travel cost requirements. Specifically, it states that costs will be reasonable and allowable only to the extent they are within the daily maximum per diem rates as defined by the Federal Travel Regulation and conform to FAR 31.205-46. FAR 31.205-46(a)(7) states that costs shall be allowable only if the following information is documented: date and place of the expenses; purpose of the trip; and name and title of person on the trip. Furthermore, FAR 31.201-2(d) states, "A contractor is responsible for accounting for cost appropriately and for maintaining records, including supporting documentation..."

The subcontractor may or may not have believed that submitting detailed invoices would suffice, but a memorandum from [REDACTED]⁹ dated November 15, 2010, indicates that it knew that FEMA expected to receive an invoice for the subcontractor costs with backup documentation to support it. However, FEMA paid the invoice without adequate supporting documentation.

FEMA should take appropriate action to ensure that in all future IA-TAC contracts, no additional violations of the FAR and the Federal Travel Regulations occur.

Appendix F
Letter to FEMA's Chief Procurement Officer

We would be pleased to discuss these findings and comments with you at any time. As of the date of this memorandum, we have not released the draft audit report; however, a copy of this letter will be included in the final audit report.

Should you have any questions, please call me, or your staff may contact Don Bumgardner, Division Director, at (202) 254-4100.

cc: Audit Liaison, FEMA

Appendix G
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Appendix H
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