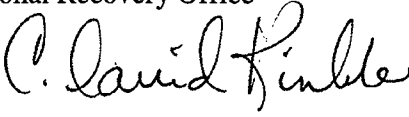




Homeland Security

February 9, 2009

MEMORANDUM FOR: Benjamin A. (Alec) Watson, Acting Director
FEMA Mississippi Transitional Recovery Office

FROM: C. David Kimble, Director 
Eastern Regional Office

SUBJECT: *Contract Award and Administration - Federal Emergency Management Agency, Transitional Recovery Office, Biloxi, MS*
FEMA Disaster Number 1604-DR-MS
Report No. DA-09-09

We performed an audit of contracts awarded by Federal Emergency Management Agency (FEMA) contracting officers at the Mississippi Transitional Recovery Office (TRO) located in Biloxi, Mississippi. The objective of our audit was to determine whether the contracts were awarded and administered according to Federal Acquisition Regulations (FAR) and FEMA guidelines. Specifically, our review focused on contract award, monitoring, and payment processes.

As of June 7, 2007, the cut-off date of our review, FEMA contracting officers at the Mississippi TRO awarded 38 contracts, each valued at \$1 million or greater. These 38 contracts, which totaled over \$280 million, covered a broad range of goods and services including items such as pad leases for temporary housing units, maintenance and deactivation of mobile homes and trailers, armed guard security, base camps, and meals ready-to-eat.

We initially selected 8 of the 38 contracts valued at \$26.5 million for review. However, shortly after our fieldwork began we learned that two of the contracts were part of a review being conducted by the Government Accountability Office (GAO) on contracts awarded for housing maintenance in Mississippi¹. As a result, we excluded those two contracts from our sample and focused our efforts on the remaining six contracts valued at \$19.9 million (see Exhibit). According to FEMA records, \$19.5 million in payments had been processed under the six contracts as of September 14, 2007.

We conducted this performance audit under the authority of 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

¹ In November 2007, GAO issued its audit results in report number GAO-08-106, *Hurricane Katrina, Ineffective Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud*.

basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed the TRO's contracting process and policies and procedures; reviewed contract files and supporting contracting documentation; selected samples of contract cost documentation (generally based on dollar value); interviewed FEMA personnel at the Mississippi TRO; and performed other procedures considered necessary under the circumstances to accomplish our objective. We also gained an understanding of the TRO's contracting system and its policies and procedures for administering procurement activities.

RESULTS OF REVIEW

The six contracts included in our audit scope were awarded according to federal guidelines. Our review of technical reviews and quality assurance documents validated that competent contractors were selected. In addition, all contracts were either competitively bid or had sufficient justifications as to why they were not. Additionally, contract payments were processed in a timely manner, received proper signature authorization, and complied with the Prompt Payment Act.

However, we identified deficiencies in the contract monitoring and payment processes for two Uniform Federal Accessibility Standards² (UFAS) haul and install travel trailer/mobile home contracts (HSFEMS-07-D-0003 and HSFEMS-07-D-0004), as follows:

- Contract Monitoring. According to FAR 46.401, government contract quality assurance shall be performed at such times and places as may be necessary to determine that the supplies or services conform to contract requirements. In addition, the FAR requires that quality assurance reports be maintained in contract administration files (FAR 4.803(b)). However, contract administration files for the two UFAS contracts did not always contain evidence that FEMA received the products or services requested.

During the period October 2006 through May 2007, the TRO issued 406 work orders under the two contracts. We judgmentally selected 104 of the work orders for review. Contract administration files for 59 of the work orders (57 percent) did not contain adequate documentation to verify whether FEMA actually received the products or services that conformed to contract requirements. The contract file deficiencies occurred because the TRO had not established formal policies and procedures to be followed by Contracting Officer Technical Representative (COTR) staff assigned responsibility for monitoring and inspecting the work of the UFAS contractors.

- Payment Processing. According to FAR 46.501, supplies and services shall ordinarily not be accepted before completion of government quality assurance actions. In addition, the FAR requires that contract administration files contain supporting documents for processing invoices (FAR 4.803(c)). Notwithstanding these regulations, we identified \$4 million of invoices paid for the two UFAS contracts that had work orders with insufficient documentation to show the contractors performed in accordance with contract terms and conditions. The payment control numbers and amounts are shown in the table below.

² UFAS are standards for the design, construction and alteration of buildings so that physically handicapped persons will have ready access to and use of them in accordance with the Architectural Barriers Act.

Contract Invoice Payments		
Contract	Control Number	Payment Amount
HSFEMS-07-D-0003	IN R-07-v-11110	\$ 246,136
HSFEMS-07-D-0003	IN R-07-v-17310	\$ 689,297
HSFEMS-07-D-0003	IN R-07-v-25152	\$ 657,350
HSFEMS-07-D-0004	IN R-07-v-10231	\$ 660,736
HSFEMS-07-D-0004	IN R-07-v-13554	\$ 81,010
HSFEMS-07-D-0004	IN R-07-v-15143	\$ 97,491
HSFEMS-07-D-0004	IN R-07-v-15143	\$ 204,213
HSFEMS-07-D-0004	IN R-07-v-15143	\$ 488,076
HSFEMS-07-D-0004	IN R-07-v-23436	\$ 809,349
HSFEMS-07-D-0004	IN R-07-v-28603	\$ 88,057
TOTAL		\$4,021,715

RECOMMENDATIONS

We recommend that the Acting Director, Mississippi Transitional Recovery Office:

Recommendation #1. Establish COTR policies and procedures that stipulate required documentation for verification and inspection of work by contractors.

Recommendation #2. Implement COTR procedures to provide reasonable assurance that no payments are processed without proper documentation of work performed or services received.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with FEMA officials on February 19, 2008. FEMA officials generally agreed with our findings and recommendations.

Please advise me by April 9, 2009 of actions taken to implement the recommendations contained in this report. Should you have any questions, please contact me at (404) 832-6702 or Larry Arnold (228) 385-1717. Key contributors to this assignment were Larry Arnold, Michael Keenum, and J. Hugh Dixon.

cc: DHS Audit Liaison
 FEMA Audit Liaison
 Deputy Director, GCRO
 Chief Financial Director, Gulf Coast Recovery Office
 Regional Director, FEMA Region IV
 Public Assistance Office, FEMA Mississippi Transitional Recovery Office
 Mississippi State Coordination Officer
 Mississippi Legislative Auditor
 Director of Finance, Gulf Coast Recovery Office

Exhibit

Federal Emergency Management Agency
Mississippi Transitional Recovery Office
FEMA Disaster No. 1604-DR-MS
Schedule of Contracts Reviewed

Contract Number	Contract Services	Contract Value
HSFEMS-07-D-0003	UFAS Haul & Install	\$1,850,146
HSFE04-06-P-4353	Pad Lease	\$1,527,817
HSFE06-05-P-6311	Pad Lease	\$1,083,360
HSFEMS-07-D-0004	UFAS Haul & Install	\$2,528,107
HSFE06-05-P-6299	Pad Lease	\$2,901,240
HSFE04-06-F-4161	Armed Guard Security	\$9,974,660
Total		\$19,865,330