



# Homeland Security

September 6, 2006

MEMORANDUM FOR: R. David Paulison  
Under Secretary  
Federal Emergency Management  
*Richard L. Skinner*  
FROM: Richard L. Skinner  
Inspector General

SUBJECT: *Management Advisory Report on the Starship Facility  
Renovation Project, Anniston, Alabama  
Report Number GC-HQ-06-52*

The purpose of this memorandum is to inform you of the results of our review of the Starship facility renovation project in Anniston, Alabama. Specifically, we looked at the circumstances surrounding the decision to approve the facility for temporary housing of Hurricane Katrina evacuees, as well as the actual renovation work that was performed. We also examined the reasons why the project failed in order to develop recommendations to avoid similar situations in the future.

Our review included interviews with officials from FEMA and the State of Alabama, members of the Joint Powers Authority (JPA), and FEMA's technical assistance contractor, Shaw Environmental & Infrastructure; a review of pertinent documentation, such as e-mails, task orders, pre-authorization notices, and contractor invoices; and an on-site inspection of the Anniston facility.

## Results of Review

FEMA spent approximately \$7 million to renovate buildings at the abandoned Fort McClellan military base in Anniston, Alabama. The buildings were intended to house up to 600 evacuees from Hurricane Katrina; however, they attracted fewer than 20 residents before their use was discontinued on October 25, 2005. Proper channels of authority were not followed nor sound judgment exercised in approving the facility for temporary housing of evacuees from Hurricane Katrina. FEMA officials provided little guidance to the contractor and FEMA's contract oversight was inadequate. Because no written agreement with JPA was ever finalized, there was no clear delineation of responsibilities, or protection of the government's interests in the value of the renovations.

## The Decision to Renovate

At the time FEMA decided to proceed with renovations, there was significant involvement by the Office of the Governor of Alabama, as well as the JPA, an unincorporated non-profit organization created to redevelop Fort McClellan, in identifying the availability of the Starship facility.

The JPA singled out the Starship facility as the only option available within Fort McClellan. However, alternative buildings, with enough capacity to house 240 residents, were actually available at the Center for Domestic Preparedness (CDP), a DHS component located on the same site. The lease was signed in December 2005 and CDP is currently debating the scope of renovations, which would cost a minimum of \$1.3 million. According to the DHS Office of the General Counsel, JPA never consulted with CDP about using these buildings as an alternative to house evacuees even though DHS money would have been invested in the renovations whether for use by CDP or FEMA.

FEMA's former Recovery Division Director hastily approved the Starship facility on or about August 31, 2005, and directed the Federal Coordinating Officer in Alabama to contact the Governor of Alabama to make the arrangements. FEMA could not provide documentation that this decision was preceded by an assessment of the condition of the property, the cost to renovate, or its suitability for evacuee housing.

We concluded that:

- FEMA failed to adequately assess the JPA's offer or the suitability of the facility to house evacuees. Also, the JPA had a vested interest in the FEMA funded renovations because it increased the marketability of the buildings. As of May 2006, the buildings are listed on JPA's website as available for sale for \$11 million, a \$6.4 million increase over pre-renovation values.
- JPA was in the process of leasing more suitable vacant dorms to CDP, a major stakeholder on JPA property, and it is unclear why FEMA could not have obtained CDP's permission to use this property on a temporary basis.

#### Contractor Selection and Extent of the Repairs

On September 7, 2005, a FEMA contracting officer authorized Shaw to incur "pre-award costs" via Preauthorization Notices (PANs)<sup>1</sup>. Shaw had an existing umbrella contract with FEMA for Katrina work, requiring each task order to be approved separately<sup>2</sup>. FEMA did not follow procurement procedures<sup>3</sup> in approving these pre-award costs, because it did not determine ceiling amounts and timeframes for the five PANs that were issued. The FEMA contracting officer did not approve the scope of work until the day the facility was closed (October 25, 2005).

FEMA did not send a Contracting Officer's Technical Representative (COTR) to Alabama until October 2, 2005. As a result, the contractor and the JPA determined the scope of the renovations. The Starship facility needed major renovations in order to be acceptable as temporary housing for evacuee families. Mold removal work alone accounted for approximately \$2 million, almost 29 percent of total costs. Renovations included work on 320 apartment units (1 and 2 bedrooms) in two buildings, which were originally designed as military-style barracks. A new gymnasium and a

---

<sup>1</sup> A "Pre Authorization Notice" (PAN) is issued when the government requires a contractor to initiate work prior to award of a contract (a "Task Order" in this case). It is used in extreme cases, when there is insufficient time to get a contract in place.

<sup>2</sup> The task order for work at Anniston was not approved until January 2006.

<sup>3</sup> Individual Assistance Technical Assistance Contractor/COTR/Technical Monitor Orientation Manual, Compendium section (page 3 of 8).

medical clinic were also included in the scope, and extensive plumbing and electrical repairs were required to update the facility to operating condition. The total amount billed and paid to date is \$5.5 million, with an additional \$1.5 million pending.

### The Decision to Close Starship Facility

Once FEMA officials realized the Starship facility was not a viable housing solution, it sought to cut its losses by scaling back repair activities on October 7, 2005, and finally stopping work on October 25, 2005. FEMA and JPA never signed a lease agreement, so the government rights in the renovations and property is questionable.

The project failed primarily because:

- Evacuees were given a choice of staying in hotels or dorms at the Noble Training Center, which they found preferable to the Starship facility.
- The Starship facility offered only shared restroom facilities.
- The Starship facility did not permit smoking or alcohol consumption.
- FEMA housing officials in Alabama were not aware of the availability of the Starship facility for out of state evacuees.

Very limited documentation was available on FEMA's decision to renovate the Starship facility, the renovation process itself, and the decision to terminate the project. Much of what was done was based on verbal direction and was never documented. In addition, some FEMA housing managers who should have been involved in the process told us that they were unaware of the Starship project, and contractor oversight was practically nonexistent.

We recommend that FEMA Under Secretary:

1. Explore legal avenues to recover FEMA's investment in the facility.
2. Strengthen FEMA's management structure over alternative housing for disaster victims and require that housing officials determine that facilities will be acceptable to evacuees before acquiring them.
3. Require that housing decisions be approved in writing and coordinated with field and headquarters recovery managers.

The nature and brevity of this assignment precluded us using our normal audit protocols; therefore, we did not conduct this review according to generally accepted auditing standards. Had we followed such standards, other matters might have come to our attention.

We conducted this review in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricane Katrina. As such, a copy of the report has been forwarded to the Homeland Security Working Group, which is coordinating Inspectors' General review of this important subject.

Please advise us within 30 days of the actions taken to implement these recommendations. Should you have any questions concerning this report, please call me, or your staff may contact Matt Jadacki, Special Inspector General, Gulf Coast Hurricane Recovery, at 202-254-4100.

cc: Under Secretary for Management  
General Counsel, DHS  
Chief Financial Officer, DHS  
Audit Liaison, DHS  
Audit Liaisons, FEMA  
Chief Financial Officer, FEMA  
Director, Recovery