

November 2007

HURRICANE KATRINA

Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud



GAO
Accountability · Integrity · Reliability
Highlights

Highlights of [GAO-08-106](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Hurricane Katrina destroyed or damaged 134,000 homes and 10,000 rental units in Mississippi alone. The Federal Emergency Management Agency (FEMA) in part responded by providing displaced individuals with temporary housing in the form of mobile homes and travel trailers, placed on both private property and at FEMA-constructed group sites. In 2006, FEMA awarded 10 contracts in Mississippi to maintain and deactivate (MD) the housing units and 5 for group site maintenance (GSM). GAO was asked to investigate whether there were indications of fraud, waste, and abuse related to FEMA's oversight of these 15 contracts. GAO analyzed FEMA's issuance of task orders, tested a representative sample of monthly maintenance inspections payments, prepared case studies detailing the costs related to trailers placed at group sites, and investigated improper activity related to the contracts.

What GAO Recommends

FEMA should take six actions to improve the oversight of the contracts, including placing a greater emphasis on issuing task orders to the companies with the lowest costs, designing controls to test invoices, and reevaluating the allocation of work at the group sites. GAO has also referred all criminal matters identified to the Department of Justice for further investigation. FEMA concurred with all six recommendations and stated it had taken actions to address them.

To view the full product, including the scope and methodology, click on [GAO-08-106](#). For more information, contact Gregory D. Kutz at (202) 512-6722 or kutzg@gao.gov.

HURRICANE KATRINA

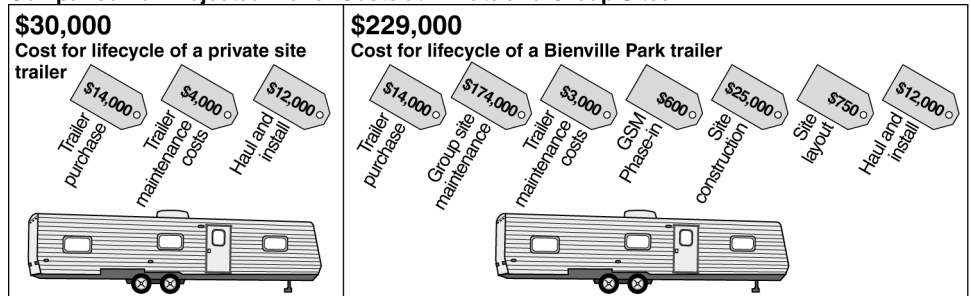
Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud

What GAO Found

FEMA's ineffective oversight resulted in an estimated \$30 million in wasteful and improper or potentially fraudulent payments to the MD contractors from June 2006 through January 2007 and likely led to millions more in unnecessary spending beyond this period. For example, FEMA wasted as much as \$16 million because it did not issue task orders to the contractors with the lowest prices. In addition, GAO estimates that FEMA paid the contractors almost \$16 million because it approved improper or potentially fraudulent invoices. This amount includes about \$15 million spent on maintenance inspections even though there was no evidence that inspections occurred and about \$600,000 for emergency repairs on housing units that do not exist in FEMA's inventory.

Furthermore, FEMA's placement of trailers at group sites is leading to excessive costs. As shown below, FEMA will spend on average about \$30,000 on each 280 square foot trailer at a private site through March 2009, the date when FEMA plans to end temporary housing occupancy. In contrast, expenses for just one trailer at the Port of Bienville Park case study site could escalate to about \$229,000—the same as the cost of a five bedroom, 2,000 square foot home in Jackson, Mississippi.

Comparison of Projected Trailer Costs at Private and Group Sites



Source: GAO analysis of FEMA data.

Part of the reason for this expense is that FEMA placed only eight trailers at the Bienville site. FEMA wastes money when it operates sites with such a small number of trailers because GSM costs are fixed whether a site contains 1 or 50 trailer pads. At Bienville, FEMA spends over \$576,000 per year—\$72,000 per trailer—just for grounds maintenance and road and fence repair.

GAO also found evidence of improper activity related to the contract award process. For example, FEMA awarded GSM contracts to two companies that did not appear to have submitted independent bids, as required. These companies shared pricing information prior to submitting proposals to FEMA and also shared the same president and accountant. Personnel at both companies also misrepresented their job titles and functions, a potential violation of the False Statements Act. In another case, FEMA's contracting officer awarded a \$4 million contract to make the temporary housing units disabled-accessible; the contracting officer allegedly had a previous relationship with the awardee's subcontractor. GAO licensed engineers estimated that the work should have only cost about \$800,000, or one-fifth of what FEMA ultimately paid.

Contents

Letter		1
	Results in Brief	3
	Background	8
	FEMA's Issuance of Task Orders under MD Contracts Resulted in as Much as \$16 Million in Waste	11
	Breakdowns in FEMA's Invoice Review Process Led to about \$16 Million in Improper or Potentially Fraudulent Payments	15
	Case Studies Illustrate Excessive Costs at Group and Commercial Sites	23
	Evidence of Improper Activity Related to Contract Award Process	30
	Conclusion	34
	Recommendations for Executive Action	35
	Agency Comments and Our Evaluation	36
Appendix I	Objectives, Scope, and Methodology	38
Appendix II	FEMA Preventative Maintenance Inspection Sheet	42
Appendix III	Comments from FEMA	43
Appendix IV	GAO Contact and Staff Acknowledgments	52
Tables		
	Table 1: Total Bid Prices Submitted by 10 MD Contractors in Mississippi	12
	Table 2: Range of Bids for the Five Most Expensive Line Items in the MD Contract	13
	Table 3: Results of Statistical Sample of Paid Preventative Maintenance Inspections	20
	Table 4: Estimated Trailer Costs at Three Case Study Group Sites in Mississippi through March 2009	25
	Table 5: Estimated Trailer Costs at Commercial Site in Mississippi through March 2009	29

Figures

Figure 1: Potential FEMA MD Contract Savings Using Least Expensive Contractors	14
Figure 2: FEMA's Reported Invoice Approval and Payment Process	18
Figure 3: Estimated Costs for a Trailer at a Private Site through March 2009	24
Figure 4: Estimated Life-cycle Trailer Costs at Bienville through March 2009	26
Figure 5: Estimated Life-cycle Trailer Costs at Sunset Ingalls through March 2009	27
Figure 6: Estimated Trailer Costs at Ellzey Parcel through March 2009	27
Figure 7: Estimated Life-cycle Trailer Costs at McLeod through March 2009	29
Figure 8: Timeline of UFAS Award and Subsequent Modifications	34

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office
Washington, DC 20548

November 16, 2007

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate

In August 2005, Hurricane Katrina caused catastrophic damage to the Gulf Coast, killing over 1,000 people and obliterating homes and entire towns through wind and rain damage, flooding, and the destruction of roads, bridges, and water and sewer lines. In Mississippi alone, reports estimate that Katrina destroyed or damaged approximately 134,000 homes and 10,000 rental units.¹ As part of the federal response, the Federal Emergency Management Agency (FEMA) provided many of these displaced individuals with temporary housing in the form of travel trailers and mobile homes.² According to FEMA, 17,608 households in Mississippi were still residing in travel trailers and mobile homes as of August 2007. These households will be allowed to continue this occupancy through March 2009.³

¹See Mississippi Home Corporation, *Estimate of Homes Destroyed or Damaged by Hurricane Katrina in Mississippi* (Oct. 7, 2005) and Mississippi Center for Justice, *Mississippi Center for Justice Rental Unit Survey of the Mississippi Gulf Coast* (2006).

²According to FEMA, a travel trailer is a recreational vehicle that is designed for short, temporary habitation, not housing. In contrast, a mobile (or manufactured) home is a structure, transportable in one or more sections, which is built on a permanent chassis and is designed for use with or without a permanent foundation when attached to the required utilities. The term manufactured home does not include a recreational vehicle. Generally, manufactured homes must meet the same requirements as stick built or conventional housing.

³Beginning in March 2008, individuals residing in these units will pay a portion of the cost for rent, which will begin at \$50 per month and incrementally increase each month thereafter until the program concludes on March 1, 2009. FEMA also began allowing residents of its mobile homes and travel trailers to purchase their dwellings at a fair and equitable price; however, on August 1, 2007, FEMA temporarily suspended sales while the agency works with health and environmental experts to assess health-related concerns raised by occupants.

In the aftermath of the storm, FEMA placed the temporary housing units on private properties where individuals were rebuilding their homes. For predisaster renters, FEMA also placed housing units at preexisting commercial sites (e.g., trailer parks) and at FEMA-constructed group sites at leased locations, such as stadium grounds and school fields. To support the temporary housing, FEMA originally awarded sole source contracts to four major firms and paid these firms billions of dollars to set up and maintain the units and sites. According to FEMA, it awarded these contracts noncompetitively because of the urgent need for a rapid emergency response. After much public criticism and investigations of the costs claimed by the four contractors, FEMA solicited proposals for new contracts for the maintenance and deactivation (MD) of mobile homes and trailers and for group site maintenance (GSM). The MD contracts are primarily for monthly preventative trailer maintenance, emergency repairs, and unit deactivation and removal, while the GSM contracts cover maintenance of the grounds facilities at the site, lawn care, and road and fence repair. In Mississippi, FEMA awarded 10 MD contracts in May 2006 to maintain approximately 30,000 housing units and 5 GSM contracts in September 2006 to maintain 39 group sites.

Both the MD and GSM awards have a 5-year term and FEMA guaranteed each contractor a minimum amount for the first year: \$50,000 for MD contracts and \$100,000 for GSM contracts. FEMA has subsequently decided to issue task orders under only five of the MD contracts for the second year; however, the 5 remaining contractors are still eligible to have task orders issued against their existing contracts. According to FEMA, it paid the 10 MD contractors almost \$63 million from May 2006 through May 2007 and paid the 5 GSM contractors about \$9 million from September 2006 through May 2007. In addition, FEMA data shows it has spent over \$13 million on site leases, \$6.5 million for security services at the sites, and \$4.4 million on utilities. FEMA data also shows it spent over \$4 million to lay asphalt around 150 travel trailers in group sites to make them accessible to disabled individuals in compliance with Uniform Federal Accessibility Standards (UFAS).

You asked us to investigate whether there were indications of fraud, waste, and abuse related to FEMA's oversight of the 10 MD and 5 GSM contracts in Mississippi. We focused our efforts on investigating (1) FEMA's issuance of task orders to the MD contractors and (2) FEMA's invoice review process. We also prepared case studies to assess the costs associated with the placement of travel trailers at group sites and investigated allegations of criminal and improper activity related to the contracts.

To conduct our investigation, we analyzed FEMA's issuance of task orders under the contracts and the costs associated with the most expensive contract line items from June 2006 through January 2007. In addition, we selected and tested a representative sample of payments made to the MD contractors for monthly preventative maintenance inspections from June 2006 to January 2007. To prepare our case studies, we reviewed specific costs associated with a nonrepresentative selection of 3 group sites and 1 commercial site in Mississippi. We did not conduct a comprehensive evaluation of whether FEMA adhered to its own solicitation requirements and other laws or regulations when awarding the 10 MD and 5 GSM contracts. However, our interviews with FEMA officials, contractor personnel, and confidential informants led us to identify potentially improper activity associated with the award process. To further investigate this activity, we reviewed and compared the contract proposals, total bid prices, line item bids, and government estimates for work. We conducted our work from October 2006 to September 2007. We conducted our investigative work in accordance with the standards prescribed by the Presidents Council on Integrity and Efficiency and conducted our audit work in accordance with generally accepted government auditing standards. For more information on our scope and methodology, see appendix I.

Results in Brief

Overall, we estimate that FEMA's ineffective management resulted in about \$30 million⁴ in wasteful and improper or potentially fraudulent payments to the contractors from June 2006 through January 2007 and likely led to millions more in unnecessary spending beyond this period. We found that (1) FEMA's failure to issue task orders under the MD contracts in a cost-effective manner led to as much as \$16 million in waste and (2) breakdowns in FEMA's invoice review process led to an estimated \$16 million in improper or potentially fraudulent payments. Furthermore, our case studies demonstrate how FEMA's placement of travel trailers at group and commercial sites can lead to excessive costs, when compared

⁴The estimated \$30 million in wasteful and improper or potentially fraudulent payments is the sum of the \$16 million FEMA wasted by not allocating task orders to the MD contractors with the lowest estimated costs and an additional \$16 million in improper or potentially fraudulent payments made to the contractors for work for which that have no evidence that they performed. If FEMA had allocated the work to the MD contractors based on cost, the magnitude of improper and potentially fraudulent payments likely would have been reduced.

to trailers placed at private sites. We also found evidence of potentially improper activity related to FEMA’s contract award process.

FEMA wasted as much as \$16 million because it did not allocate task orders under the MD contracts to the companies with the lowest prices. Instead of including cost as a key decision factor when assigning task orders, FEMA considered “geographic locations and transportation concerns.” As a result, despite extraordinary pricing differences for the same services among the 10 MD contractors, FEMA issued task orders to all 10, spending about \$48.2 million from June 2006 through January 2007 on the five contract line items that generate the most cost. These line items include monthly preventative maintenance,⁵ contractor phase-ins, deactivations, emergency after-hours repairs, and septic cleaning services. If FEMA had instead issued task orders to the five contractors with the lowest overall bid prices, it would have only spent about \$32.5 million on these five line items during the same period and could have saved millions more through May 2007. In addition to having the lowest overall prices, FEMA determined that these five contractors would have been capable of collectively maintaining the estimated 30,000 trailers and mobile homes in Mississippi at the time of the award.

We estimate that FEMA spent an additional \$16 million because it approved improper or potentially fraudulent invoices submitted by the MD contractors. This amount includes about \$15 million in payments made for preventative maintenance—which includes a required monthly inspection—and over \$600,000 in payments for emergency after-hours repairs. Although FEMA was supposed to systematically review invoices to provide reasonable assurance that these payments were being made for work actually performed, our work shows that FEMA was not adhering to this process. For example, of the \$28.5 million paid to the contractors for maintenance inspections from June 2006 through January 2007, we

⁵For purposes of our analysis, “monthly preventative maintenance” includes two line items: mobile home preventative maintenance and travel trailer preventative maintenance.

estimate that FEMA spent about \$15 million⁶ even though (1) it had no evidence that FEMA owned the trailers being inspected; (2) the contractors provided no evidence that an inspection took place; or (3) the contractors could not prove that they had conducted an interior inspection of the units, as required. But even when proper inspection documentation existed, there is still no guarantee that the work was actually performed. For example, we confirmed allegations that contractors received payments for monthly preventative maintenance even though their inspectors falsified inspection documentation. Although we also intended to test the \$2.2 million in payments FEMA made for emergency after-hours repairs, we could not conduct this work because the data we received from FEMA concerning these calls were incomplete. However, we were able to determine that FEMA spent over \$600,000 for emergency repairs even though the invoices for these repairs should not have been approved because the housing units do not exist in FEMA's inventory.

In addition, our case studies illustrate how FEMA's placement of travel trailers at group and commercial sites can lead to excessive costs. It is reasonable to expect that the overall expenses at these sites would be higher than for the trailers at the private sites, given that FEMA has had to pay extra for site construction and maintenance, security, leases, and utilities. However, our case studies show that these expenses can become exorbitant. For example, FEMA will have spent on average about \$30,000 on each 280 square foot trailer at a private site through the March 2009 temporary housing extension. In contrast, expenses associated with a trailer at our Port of Bienville Industrial Park case study group site during the same period could end up costing taxpayers about \$229,000—or about

⁶This \$15 million includes payments identified through a review of contractor billing records and through estimates calculated from a statistical sample. From June 2006 through January 2007, FEMA made about \$28.5 million in preventative maintenance payments for over 180,000 inspections. Our initial review of contractor billing records related to 12,000 of these inspections confirmed that FEMA made about \$2.2 million in payments even though there was no documentation to support that the required monthly inspection had occurred. Based on this finding, we also selected a random sample from the remaining 170,000 inspections, totaling about \$26 million in preventative maintenance payments, to determine the magnitude of potentially fraudulent and improper payments. Based on these calculations, we estimate that FEMA made an additional \$13 million in payments for preventative maintenance based on invoices that should not have been approved. For this \$13 million, we are 95 percent confident that the actual dollar amount is between \$11 and \$15 million. By adding the \$2.2 million that we calculated from reviewing contractor invoices to the estimated \$13 million derived from the statistical sample, we estimate that FEMA made \$15 million in payments for preventative maintenance based on potentially fraudulent invoices.

the same as the cost of a five bedroom, 2,000 square foot home in Jackson, Mississippi. Part of the reason for this extreme expense is that FEMA did not allocate work at these sites in a cost-effective manner and did not reevaluate this allocation after the sites were established. For example, FEMA placed only eight trailer pads at the Bienville site. FEMA wastes money when it operates sites with such a small number of trailer pads because GSM costs are fixed whether a site contains 1 or 50 pads.⁷ In this case, FEMA spends over \$576,000 per year—or \$72,000 per trailer—just for grounds facilities maintenance, lawn care, and road and fence repair. At another case study site, we found that FEMA’s mismanagement led to wasteful spending for septic cleanings. The MD contractor at this commercial site charged FEMA \$245 per service to provide septic cleanings to the approximately 61 trailers at the park. In total, FEMA paid the contractor about \$1.8 million for this service because the cleanings were provided 3 times per week per trailer over the course of a year. However, this contractor made a profit of almost \$1.5 million because it paid a subcontractor just \$45 per service to actually perform the work. According to the terms of the contract, FEMA could have saved this \$1.5 million by reassigning the septic cleaning services to a cheaper company, but it did not exercise this option.

Finally, we found evidence of potentially improper activity related to the contract award process, as described in the two cases below. We have referred both of these matters to the Department of Justice and the Department of Homeland Security (DHS) Inspector General (IG) for further investigation and we have notified the Katrina Fraud Task Force about our findings.

- FEMA awarded GSM contracts to two companies that did not appear to have submitted independent bids and that also made false statements on proposals submitted to FEMA. As previously indicated, FEMA awarded the Mississippi GSM contracts to five businesses. In actuality, FEMA awarded one of these businesses two contracts: one contract as a “single entity” and one as part of a “joint venture” with another firm. Although making this type of award is not prohibited, both the single entity and the joint venture were required to sign a certification affirming that they had each arrived at their price proposal independently and had not disclosed their bid to competitors. Even though both companies signed this certification, we found that they

⁷Group site maintenance costs are dependent on the size of the site—small sites contain 50 trailer pads or less, medium sites have 51 to 100, and large sites have 101 to 300.

shared bid information prior to submitting their proposals. The companies also shared the same individuals in key officer positions, making it difficult to understand how their proposals could have been truly independent. In addition, some of the key personnel at both companies misrepresented their job titles and functions in the final offers submitted to FEMA, a potential violation of the False Statements Act, 18 U.S.C. §1001. In response to our referral, Justice has decided to open an investigation of this matter.

- We also found that one of FEMA’s contracting officers may have improperly awarded the UFAS contract to lay asphalt to make 150 units accessible to individuals with disabilities, leading to over \$3 million in unnecessary expenses. Unlike the MD and GSM contracts, FEMA awarded this UFAS contract as a set-aside for sole source negotiation with a local 8(a)⁸ firm. According to the Federal Acquisition Regulations, an 8(a) contract may not be awarded if the cost to the agency exceeds a fair market price. FEMA’s records show that the government estimate to complete the work was just under the \$3 million threshold for awarding this type of noncompetitive contract.⁹ The company that received the award initially bid over \$3 million to perform the work, but the contracting officer, who allegedly had a previous personal relationship with the 8(a) company’s subcontractor, dropped four of the bid items so that the award amount was under \$3 million. During the next 3 months, the contracting officer added back two of the dropped bid items and further modified the award several times, ultimately making the total value of the contract about \$4 million. The contracting officer refused to speak with our investigators about the circumstances surrounding this award, and FEMA said that it was not able to locate any documentation to support how the original government estimate was derived. Therefore, we asked licensed GAO engineers with over 30 years experience to provide an estimate of the costs associated with laying asphalt at the sites in order to determine whether FEMA received a fair market price for the work performed. Using the limited information available from the

⁸A firm owned and operated by socially and economically disadvantaged individuals and eligible to receive federal contracts under the Small Business Administration’s 8(a) Business Development Program. An 8(a) firm must be a small business unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States, and must demonstrate potential for success.

⁹Shortly around the time of the contract award, this threshold was raised to \$3.5 million. FAR 19.805-1(2).

contractor's price proposals, they estimated that, in the Biloxi, Mississippi, region, this work should have only cost about \$800,000¹⁰—about one-fifth of what FEMA ultimately paid.

Given these findings, the Secretary of Homeland Security should direct FEMA to take six actions to improve the oversight of temporary housing maintenance contracts, including collecting any overpayments made to the contractors we investigated, placing a greater emphasis on issuing task orders to companies that can perform the most work at the lowest cost, conducting an inventory of housing units, designing controls to enforce the existing method of testing invoices, and reevaluating the allocation of work at the group sites. FEMA should also consider the suspension or debarment of any contractor found to have committed fraud.

FEMA provided written comments on a draft of this report in which it concurred with all six of our recommendations and outlined actions it has taken that are designed to address each of these recommendations. These comments are reprinted in appendix III. As part of its response, FEMA also provided background of the events leading up to the award of the MD and GSM contracts and detailed some of the overall improvements the agency states it has made since Hurricane Katrina.

Background

Under the Stafford Act, FEMA may provide temporary housing units (such as travel trailers and mobile homes) directly to disaster victims who are unable to make use of financial assistance to rent alternate housing accommodations because of a lack of available housing resources. The act limits this direct assistance to an 18-month period, after which FEMA may charge fair market rent for the housing unless it extends the 18-month free-of-charge period due to extraordinary circumstances.¹¹ To manage this post-disaster housing, FEMA typically has in place a contingency technical assistance contract. However, when Katrina made landfall in August 2005,

¹⁰The GAO engineers did not visit the sites where the work was performed. However, they provided an order of magnitude estimate based on RS Means—a widely used guide for estimating construction costs—and the limited scope of work that was available from the contractor's proposals. This order of magnitude estimate showed there was a significant difference (approximately 400 percent) between what the work should have cost and the contractor's proposed price of \$3.2 million.

¹¹42 U.S.C. § 5174(c)(1)(B). For more information on the types of housing assistance awarded to disaster victims, see GAO, *Disaster Assistance: Better Planning Needed for Housing Victims of Catastrophic Disasters*, [GAO-07-88](#) (Washington: D.C.: Feb. 28, 2007).

FEMA was in the process of competing this contract—bids had been solicited and evaluated, but no contract was in place. Therefore, FEMA awarded “no-bid” contracts to four major engineering firms (Bechtel Corporation, Fluor Corporation, the Shaw Group Incorporated, and CH2M Hill Incorporated) for, among other things, the support of staging areas for housing units, installation of housing units, maintenance and upkeep, site inspections and preparations, site restoration, group site design, group site construction, site assessments, property and facility management, as well as housing unit deactivation and rehabilitation. In total, FEMA made almost \$3 billion in payments to Bechtel, Fluor, Shaw, and CH2M Hill from September 2005 to January 2007. After much public criticism and investigations of the costs claimed by the four contractors,¹² FEMA solicited proposals for new contracts for the maintenance and deactivation (MD) of mobile homes and trailers and for group site maintenance (GSM).

Mississippi Maintenance and Deactivation Contracts: In November 2005, FEMA posted two solicitations indicating its intent to award multiple contracts for the maintenance and deactivation of manufactured homes and travel trailers. One solicitation was set aside for small businesses and the other was designated for 8(a) business development concerns (small businesses owned by socially and economically disadvantaged individuals). The solicitations for the small business and 8(a) awards were essentially the same, with each requiring prospective bidders to submit a technical and a business proposal listing their price for each of 37 contract line items. Additionally, in order to provide preference to local businesses, FEMA notified bidders that the proposed total price for any nonlocal business would be increased by 30 percent for price evaluation purposes. In May 2006, FEMA awarded five contracts to small businesses and five to 8(a) business development concerns. Each award was an indefinite delivery/indefinite quantity fixed price type contract with a 5-year term and each had a guaranteed minimum of \$50,000 and a maximum funding limitation of \$100 million. In total, nine businesses received these awards because one business received two awards—one as a small business and one as an 8(a) business concern. In addition, of the 10 awards, 8 went to businesses classified as local for price competition purposes and 2 went to

¹²Department of Homeland Security Inspector General, *Management Advisory Report on the Major Technical Assistance Contracts* (Nov. 2005) (OIG-06-02) and Defense Contract Audit Agency, *Application of Agreed-Upon Procedures to Evaluate Bechtel National, Inc.’s Proposal for Contract No. HSFHQ-05-D-0572, Task Order HSFHQ-05-J-004, Revision 2, Site Maintenance and Food Services* (Rept. No. 4281-2006D28000002) (Nov. 10, 2005).

companies that FEMA deemed nonlocal. FEMA also awarded similar maintenance and deactivation contracts in Louisiana, Alabama, and Texas.

In May 2006, following award of the Mississippi MD contracts, FEMA issued two task orders to each of the 10 awardees. The initial task order for each contractor initiated a phase-in period for contract ramp-up. The cost of each contractor's phase-in period was based on the amount agreed to in their contract. FEMA obligated the amount for the initial phase-in cost proposed by each MD contractor, which ranged from a low of \$23,220 to a high of \$6,111,000. The second task order provided an estimated quantity and projected dollar amount for each of the contract line items for the first 11 months of performance. Those task orders stated that the estimated usage was a "good faith estimate on the part of the government and was developed solely to arrive at an estimated total for the task order." The amount obligated for each of those "good faith estimates" was between \$19.2 million and \$20.6 million, for a total obligation amount of over \$200 million. FEMA elected not to compete the task orders among the 10 contractors nor did they consider price or cost under each task order as a factor in their source selection decision. However, both the MD contract and the FAR state that a contracting officer must provide each contractor with a fair opportunity to be considered for each order issued under multiple task order contracts. The FAR further states that the contracting officer may exercise "broad discretion" in developing task order issuance procedures, as long as these procedures are fair, included in the solicitation, and factor in price or cost.¹³

Mississippi Group Site Maintenance Contracts: In May 2006, FEMA posted its intent to award multiple contracts for group site maintenance. These contracts were set aside exclusively for service disabled veteran-owned small businesses and were further limited to proposing firms residing in or primarily doing business in Mississippi. The solicitation required each submitter to provide a price for maintaining group sites at various threshold sizes, including sites with less than 50 trailer pads, 51 to 100, 101 to 300, 301 to 600, and 601 or more. FEMA awarded these contracts in September 2006 and also awarded similar group site maintenance contracts in Louisiana.

¹³FAR 16.505. The FAR also lists exceptions to this fair opportunity process, including, among others, that need for supplies and services is so urgent that providing a fair opportunity would result in unacceptable delays and that only one awardee is capable of providing the supplies or services required at the level of quality required.

Temporary Housing Occupancy Extension: In April 2007, FEMA extended the temporary housing assistance program for hurricane victims living in trailers and mobile homes until March 2009. Beginning in March 2008, individuals residing in these units will pay a portion of the cost for rent, which will begin at \$50 per month and incrementally increase each month thereafter until the program concludes on March 1, 2009. FEMA also began allowing residents of its mobile homes and travel trailers to purchase their dwellings at a fair and equitable price; however, on August 1, 2007, FEMA temporarily suspended sales while the agency works with health and environmental experts to assess health-related concerns raised by occupants.

FEMA's Issuance of Task Orders under MD Contracts Resulted in as Much as \$16 Million in Waste

FEMA wasted as much as \$16 million because it did not allocate task orders under the MD contracts to the companies with the lowest prices. Despite extraordinary pricing differences for the same services among the 10 MD contractors,¹⁴ FEMA issued task orders to all 10, spending \$48.2 million from June 2006 through January 2007 on the five contract line items that generate the most cost. If FEMA had instead issued task orders to only the five contractors with the lowest overall bid prices, it would have only spent an estimated \$32.5 million on these five line items.

The scope of the work under the MD contracts primarily covered monthly trailer preventative maintenance, emergency repair, and unit deactivation and removal. Further, as stipulated in the contracts, each company receiving an award “must be prepared to perform th[is] work anywhere in the region.” In response to FEMA’s solicitations, the contractors provided a wide range of price proposals for identical services—from about \$90 million to \$300 million—as shown in table 1.

¹⁴In a report issued in March 2007, the DHS IG criticized FEMA’s acceptance of a wide disparity in bids, noting that “FEMA contracting officials exposed the agency to an unacceptable level of risk.” FEMA disagreed, stating that it believed that the “level of risk was necessary and acceptable.”

Table 1: Total Bid Prices Submitted by 10 MD Contractors in Mississippi

Contractor	Total bid price
1	\$89,856,470
2	89,959,952
3	94,989,890
4	177,312,545
5	177,312,545
6	184,128,937
7	197,513,516
8	254,448,373
9	268,027,263
10	299,376,647

Source: FEMA.

Note: Contractors 4 and 5 are the same company. This company received two awards—one as a small business and one as an 8(a) business concern.

FEMA issued task orders to all 10 contractors for the first year of the contract, assigning each about 3,000 trailers. FEMA paid these 10 contractors about \$51.2 million from June 2006 through January 2007, spending 94 percent of that amount—\$48.2 million—on just five of the 37 line items in the contract. These line items include monthly preventative maintenance,¹⁵ contractor phase-ins, deactivations, emergency after-hours repairs, and septic cleaning services. The contractors' bids for these specific line items also varied widely. Table 2 shows the high and low bids for each line item.

¹⁵For purposes of our analysis, "monthly preventative maintenance" includes two line items: mobile home preventative maintenance and travel trailer preventative maintenance.

Table 2: Range of Bids for the Five Most Expensive Line Items in the MD Contract

Line item	High bid	Low bid
Phase-in	\$6,111,000 ^a	\$23,220
Monthly preventative maintenance ^b per unit	244	38
Emergency after-hours repairs per call	495	85
Septic cleaning per service	260	97
Deactivation per unit	1,000	267

Source: GAO analysis of FEMA data.

^aSubsequent to the award, this amount was reduced. However, the contractor and FEMA are still in dispute over the actual phase-in price.

^bThe range of bids for monthly preventative maintenance includes the bids for both the travel trailer and mobile home maintenance line items.

Despite these extreme price variances, FEMA did not establish procedures for the most cost-efficient distribution of work. Both the MD contract and the FAR state that a contracting officer must provide each contractor with a fair opportunity to be considered for each order issued under multiple task order contracts. The FAR further states that the contracting officer may exercise “broad discretion” in developing task order issuance procedures, as long as these procedures are fair, included in the solicitation, and factor in price or cost.¹⁶ According to the MD solicitation and contract, FEMA considered “geographic locations and transportation concerns” when assigning work, but FEMA did not include procedures for factoring in cost in either of these documents. We asked FEMA to provide us with more detail¹⁷ about their task issuance procedures, but they did not respond, except to reiterate during an interview that it was primarily concerned with who was already performing the work (some of the MD contractors had previously subcontracted with the original four firms) and the contractors’ transportation issues and office locations.

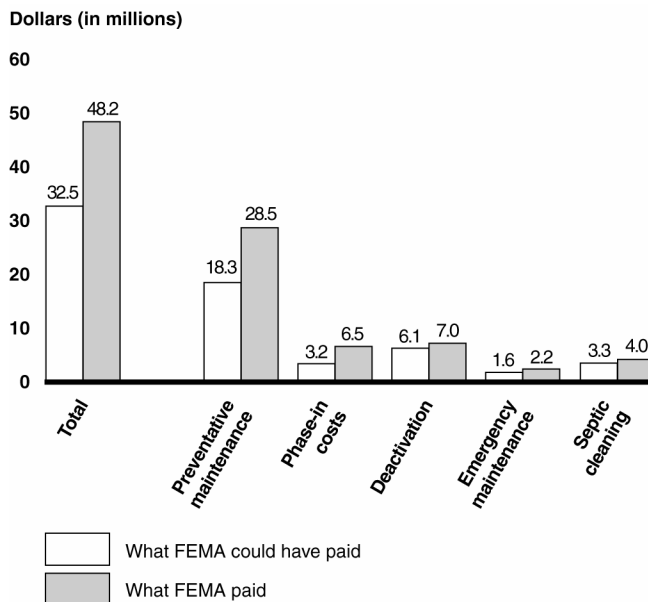
Absent any other information from FEMA regarding the procedures it used to issue task orders to the 10 MD contractors, we concluded that FEMA

¹⁶FAR 16.505. The FAR also lists exceptions to this fair opportunity process, including, among others, that need for supplies and services is so urgent that providing a fair opportunity would result in unacceptable delays and that only one awardee is capable of providing the supplies or services required at the level of quality required.

¹⁷Specifically, we asked FEMA to provide documentation to support the decision to issue task orders to all 10, including cost analyses, assessment of contractor ability to perform, and logistical and location considerations.

did not adequately consider cost, resulting in as much as \$16 million in waste. As shown in figure 1, if FEMA had instead issued task orders to the five contractors with the lowest overall bid prices, it would only have spent about \$32.5 million on the five most expensive line items. Because FEMA did not reassign task orders under the MD contracts until June 2007—the second year of the contract, it likely wasted millions more on these line items from February through May 2007.

Figure 1: Potential FEMA MD Contract Savings Using Least Expensive Contractors



Source: GAO analysis of FEMA data.

As detailed in the figure, had FEMA made contract awards to only the five lowest bidders, it could have saved as much as

- \$10.2 million in preventative maintenance costs. FEMA spent about \$28.5 million for preventative maintenance on all the units in Mississippi from June 2006 through January 2007. If FEMA had awarded the MD contracts to the five companies with the lowest overall bid price, the cost for trailer and mobile home maintenance would have been approximately \$18.3 million.
- \$3.2 million on phase-in costs. FEMA spent \$6.5 million on one-time phase-in costs for all 10 MD contracts. However, if FEMA used only the

five companies with the least expensive bids, the total cost for phase in would have been over \$3.2 million.

- \$930,000 on unit deactivations. FEMA spent just over \$7 million on about 10,000 deactivations from June 2006 through January 2007. If FEMA had awarded the MD contracts to the least expensive companies, the cost for these deactivations would have been approximately \$6.1 million.
- \$620,000 in after-hours emergency repairs. FEMA spent almost \$2.2 million on emergency after hour service calls. If FEMA awarded the contract to the five most inexpensive companies, it would have spent approximately \$1.6 million.
- \$690,000 in septic cleaning costs. FEMA spent almost \$4 million on septic cleanings from June 2006 through January 2007, but would have spent about \$3.3 million if it had awarded the contracts to the less expensive companies.

In addition to having the lowest prices, these five contractors also had the ability to maintain more than the 3,000 trailers they were originally assigned. Specifically, FEMA required companies to submit bids for the MD contracts based on the premise that they could each be assigned about 6,700 units that could have been located throughout the entire state. Prior to awarding the contracts, FEMA determined that each of these five companies did in fact have the technical ability to maintain at least 6,700 temporary housing units. Therefore, these five would have been capable of collectively performing maintenance for the estimated 30,000 trailers and mobile homes in Mississippi at the time of the award.

Breakdowns in FEMA's Invoice Review Process Led to about \$16 Million in Improper or Potentially Fraudulent Payments

From June 2006 through January 2007, we estimate that FEMA made approximately \$16 million in improper or potentially fraudulent payments to the MD contractors based on invoices that should not have been approved, according to its own payment process. This amount includes about \$15 million in payments made for preventative maintenance—which includes a required monthly inspection—and over \$600,000 in payments for emergency after-hours repairs. With regard to preventative maintenance, we estimate that FEMA paid the MD contractors about \$15 million even when the trailers being inspected could not be located in FEMA's own databases, the supporting inspection documentation required by the contract did not exist, or the documentation showed that the contractor did not perform a complete inspection. This \$15 million

includes \$2.2 million identified through a review of contractor billing records and \$13 million¹⁸ identified through estimates calculated from a statistical sample. With regard to emergency after-hours repairs, we found that FEMA spent over \$600,000 on these repairs even though the invoices should not have been approved because the housing units do not exist in FEMA's inventory. We could not conduct any additional tests concerning the validity of payments FEMA made for these emergency repairs because the data we received were incomplete.

**FEMA Improperly Paid
Contractors about
\$15 Million for
Preventative Maintenance
Inspections**

Because of FEMA's failure to adequately review inspection documentation submitted by the MD contractors, we estimate that about 50 percent of the \$28.5 million in payments FEMA made for preventative maintenance were based on improper or potentially fraudulent invoices that should not have been approved. Specifically, based on a review of contractor billing records, we found that FEMA spent \$2.2 million for preventative maintenance even though there was no documentation to support that the required monthly inspections had occurred. Further, as a result of our testing of a statistical sample of inspection documentation associated with the remaining \$26 million in payments, we estimate that FEMA spent an additional \$13 million¹⁹ based on invoices that should not have been approved. We also confirmed allegations that contractors received payments for monthly preventative maintenance even though their inspectors falsified inspection documentation.

**FEMA Requires Monthly
Inspections and
Documentation of Work
Performed**

According to the terms of the contract and inspection forms provided by FEMA, MD contractors are responsible for routine repairs and for inspecting interior and exterior unit components. These components include the plumbing, electrical, and heating and cooling systems; panels, siding, windows, screens, and doors; and all appliances.²⁰ According to FEMA, MD contractors must perform one preventative maintenance inspection per month in order to submit a valid invoice for unit maintenance. Furthermore, as specified by the terms of the contract,

¹⁸We are 95 percent confident that the actual dollar amount is between \$11 and \$15 million.

¹⁹We are 95 percent confident that the actual dollar amount is between \$11 and \$15 million.

²⁰Most of the housing units in FEMA's inventory were not designed or constructed to be used continuously, as they have been for the past 2 years. As such, we support FEMA's decision to require these monthly interior and exterior inspections to ensure that the trailers are safe and habitable. However, when inspections are not performed or conducted only on the exterior of the unit, the risk for health and safety problems could increase.

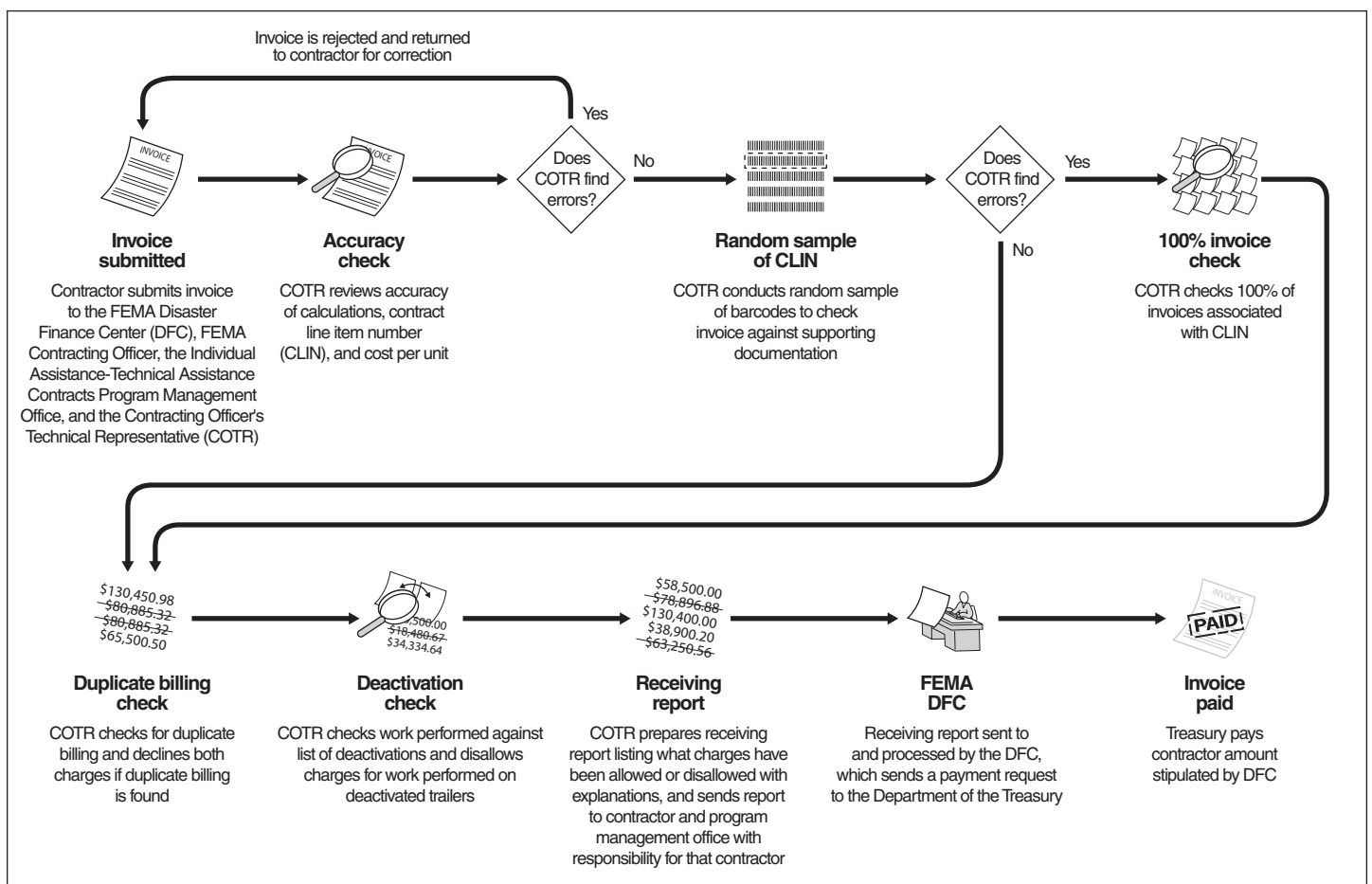
contractors must maintain records to document that the inspection was performed. After the contract awards, FEMA provided the contractors with a temporary housing unit inspection sheet (see app. II). Once completed, this inspection sheet should contain the following:

- The trailer's FEMA-issued barcode (noted as "temporary housing unit no." on the form). It should be noted that MD contractors told us that the barcode information they received from the original contractors was incomplete and they had trouble figuring out which trailers they were assigned.
- A checklist of interior components inspected.
- A checklist of exterior components inspected.
- The trailer occupant's signature verifying that both interior and exterior inspection occurred. According to our discussions with FEMA, if a unit occupant is not home to sign the inspection sheet (and therefore the inspector does not have access to the interior components of the unit), the inspector is required to make at least two additional attempts to conduct a complete inspection. If the occupant is still not available to sign the inspection sheet or allow access to the interior of the unit, the inspector must note on the sheet that three attempts were made to complete the work in order to submit a valid invoice for payment. All of the contractors confirmed that FEMA told them to make three attempts to inspect a unit prior to submitting an invoice for payment, even though this requirement is not stated in the contract.

FEMA's Reported Payment Process Requires Review of Invoices and Supporting Documentation

As shown in figure 2, FEMA's payment process is well designed and, if followed, provides reasonable assurance that payments are being made for work actually performed.

Figure 2: FEMA's Reported Invoice Approval and Payment Process



Source: GAO analysis of FEMA data.

As detailed in the figure, the Contracting Officer's Technical Representative (COTR) is supposed to check the accuracy of both the contractors' calculations and the supporting documentation associated with a "random sample" of barcodes. If the COTR finds any errors as a result of this sample, he or she must conduct accuracy checks on all of the

invoices submitted by the contractor for that particular line item. Prior to submitting the invoice to FEMA's Disaster Finance Center for processing, the COTR is to check for duplicate billings and verify that work was not performed on trailers that had been deactivated. During the course of our investigation, we found instances where FEMA's COTRs adhered to this process and did not approve payments because they identified inaccurate calculations or duplicate invoices.²¹ However, our review of contractor billing records and testing of a statistical sample of inspections also shows that FEMA paid the MD contractors even though there was insufficient documentation that work had been performed, making it difficult to believe that the COTRs were consistently conducting the accuracy checks specified in figure 2.

Review of Contractor Billing Records Reveals \$2.2 Million in Improper or Potentially Fraudulent Maintenance Payments

From June 2006 through January 2007, available records indicate that FEMA made about \$28.5 million in preventative maintenance payments for over 180,000 inspections. Based on our initial analysis of billing records related to 12,000 of these inspections, we confirmed that FEMA should not have approved about \$2.2 million in payments. Specifically, we reviewed approximately 90 preventative maintenance invoices submitted by the MD contractors from June 2006 through January 2007. Most of these invoices contained approximately 1,000 to 3,000 monthly inspection billings. As a result of this review, we identified billings for about 12,000 inspections that did not contain any documentation to support that an inspection had actually occurred. Despite this lack of supporting documentation, FEMA paid the contractors for these inspections. Using the contractors' pricing information, we determined that the payments for these 12,000 inspections totaled approximately \$2.2 million.

Statistical Sample Results Indicate about \$13 Million in Improper or Potentially Fraudulent Preventative Maintenance Payments

Based on our testing of a statistical sample of the remaining \$26 million in preventative maintenance payments, we estimate that FEMA made \$13 million²² in payments even though the trailer barcode listed on the inspection sheet did not match a barcode listed in FEMA's tracking system or the required inspection sheet did not exist. This amount also includes payments for incomplete inspections, i.e., when the inspection sheet did not contain the trailer occupant's signature to document that an interior and exterior inspection had been performed or the sheet showed no

²¹In contrast, we also found some instances where the COTRs approved payments for duplicate invoices and for work done on deactivated trailers, although we did not conduct any further investigations as to the magnitude of such payments.

²²We are 95 percent confident that the actual dollar amount is between \$11 and \$15 million.

indication that the contractor had made three attempts to perform a complete inspection. We analyzed a statistical sample of 250 from a population of about 170,000 inspections submitted by the MD contractors and paid for by FEMA from June 2006 through January 2007. Table 3 shows the results of our sample.²³

Table 3: Results of Statistical Sample of Paid Preventative Maintenance Inspections

Total paid inspections selected in sample	250
Total inspection sheets meeting criteria	120
Total improper or potentially fraudulent inspections	130
Travel trailer or mobile home not found in FEMA's database	20
Inspection sheet did not exist	43
Inspection sheet did not contain occupant signature or notation that three inspection attempts had been made	67

Source: GAO analysis of FEMA data.

Cases Provide Additional Examples of Improper or Potentially Fraudulent Inspections

Even if payments were supported by proper inspection documentation, we found indications that the paid-for inspections were not always performed. As shown by the following three cases, we confirmed allegations that inspectors performed impossibly large numbers of inspections in 1 day or otherwise falsified maintenance inspection documentation. We have referred all three of these matters to the Department of Justice and the DHS IG for further investigation and we have notified the Katrina Fraud Task Force about our findings.

Case 1: We confirmed that inspectors for one contractor billed and were paid for excessive numbers of inspections that supposedly took place during the course of 1 work day. As previously stated, MD contractors are responsible for interior and exterior unit inspections. These inspections include checking the plumbing, electrical, and heating and cooling

²³ Consistent with the findings issued in our December 2006 testimony, we also discovered that FEMA potentially made improper rental assistance payments to some of the residents of the trailers that were part of our statistical sample. Specifically, the Stafford Act prohibits FEMA from providing rental assistance payments under IHP if temporary housing has been provided by any other source. However, we found that FEMA approved payments for rental assistance to 31 households after they had already moved into the trailers. We found an additional 11 households who did not return excess rental assistance to FEMA before moving into a trailer. The improper payments associated with these 42 occupants totals \$54,608. See GAO, *Hurricanes Katrina and Rita Disaster Relief: Continued Findings of Fraud, Waste, and Abuse*, [GAO-07-252T](#) (Washington, D.C.: Dec. 6, 2007).

systems; panels, siding, windows, screens, and doors; and all appliances. According to several contractors we interviewed, the number of inspections that an inspector can reasonably complete during the course of 1 day is about 25—approximately 1 every 20 minutes during an 8-hour work day. This number assumes that the units are in good condition, located fairly close together, and that the inspector does not have to make any repairs or experience any other delays related to occupant issues. However, we identified numerous cases where individual inspectors billed for around 50 inspections during the course of 1 day. In order to complete 50 inspections during an 8 hour work day, these inspectors would have had to perform one inspection every 10 minutes, without factoring in driving time, meals, or restroom breaks. In another case, an inspector claimed to have conducted 80 inspections in 1 day, or the equivalent of 1 inspection every 6 minutes. When we interviewed the contractor, he acknowledged that that were “many problems” with the subcontractor who performed these excessive inspections and he also stated that he fired this subcontractor. At the time of our interview, this contractor had not returned to FEMA any of the payments he received for these inspections.

Case 2: Another MD contractor’s inspectors falsified inspection reports by signing for work they had not completed. Three inspectors employed by this contractor told our investigators that their supervisor asked them to fill out or sign blank inspection forms. According to the inspectors, their supervisor told them that the inspections had actually been performed, but that the paperwork documenting the inspections needed to be redone. However, the inspectors told our investigators that they had not performed the work on any of the inspections. When we spoke with the attorney representing the contractor about these claims, he stated that there were about 30 trailers that were inspected but no documentation had been filled out at the time of the inspection. He then admitted that some inspectors had been asked to recreate this documentation. During the course of our interview with the attorney, he also claimed that FEMA instructed his client to bill for the number of trailers that they had been assigned, regardless of whether an inspection had been performed. None of the other contractors stated that they billed for units assigned instead of work performed. When we asked the contracting officer in charge of the Mississippi MDs about this issue, she told us that a contractor must perform at least one preventative inspection per month on each trailer that it has been assigned in order to submit a valid bill for preventative maintenance.

Case 3: An inspector employed by a different MD contractor told our investigators that she left the company after finding several maintenance inspections that had her name signed to them by another employee. The inspector provided our investigators with three inspection sheets that she insisted she did not sign. When our investigators confronted the supervisor with these allegations, she admitted that she had forged the inspection sheets.

FEMA Improperly Paid Contractors over \$600,000 for After-Hours Emergency Repairs

Although we initially intended to test the \$2.2 million in payments FEMA made for after-hours emergency repairs, we could not conduct this work because the data we received concerning these calls did not contain complete information. However, we were able to determine that FEMA spent over \$600,000 for emergency repairs even though the invoices for these repairs should not have been approved because the housing units do not exist in FEMA's databases.

FEMA's records show that it paid for 12,045 after-hours emergency calls on 7,310 housing units from June 2006 to January 2007, for a total of \$2.2 million in emergency repair payments. As part of our work, we attempted to test whether these payments were made for valid emergencies. To qualify as an emergency during the period of our review, a call had to have been received by FEMA's call center between 5:00 p.m. and 8:00 a.m. Monday through Friday or on weekends.²⁴ In addition, according to the FEMA call center instructions, emergency maintenance involves, but is not limited to, requests to repair gas leaks, major water leaks, sewage leaks, major electrical malfunctions, lack of heat when the outside temperature is under 50 degrees, or lack of air conditioning when the outside temperature is over 85 degrees. The call center was supposed to document relevant requests, verify the emergency, and then forward the request to the MD contractor responsible for the unit. However, when we reviewed the call center data, we found that the records related to emergency calls were not complete and therefore we could not determine whether the contractors submitted billings for valid emergency calls or whether FEMA made payments for calls that met its emergency criteria. Specifically, FEMA's database did not identify

- the time and date the call was received. Although FEMA's call center received 46,000 emergency calls from June 2006 through January 2007,

²⁴FEMA subsequently eliminated this time requirement.

over 21,000 of these call records lacked a time designation. Therefore, we could not ascertain whether calls should have been billed and paid for as emergency repairs.

- which contractor was assigned the call and which calls resulted in billable services. Although FEMA's call center received 46,000 emergency calls, data we received from the contractors show that they only billed FEMA for about 12, 045 emergency repairs. Therefore, although we have FEMA's records on calls received and payments made, we cannot reconcile this payment information with the contractors' invoices.

Despite these discrepancies, we were able to determine that FEMA spent over \$600,000 for emergency after-hours repairs on units that cannot be found in FEMA's inventory. As previously stated, FEMA paid for 12,045 after-hours emergency calls on 7,310 housing units from June 2006 through January 2007. When we compared the unit barcodes associated with these 7,310 units with the barcodes listed in FEMA's main database for tracking the assignment and location of mobile homes and trailers, we were unable to identify records for 1,732 of the 7,310 units. Records show that FEMA made 2,780 improper or potentially fraudulent emergency repair payments related to these 1,732 trailers. Using the contractors pricing information, we calculated that these 2,780 payments totaled over \$600,000.

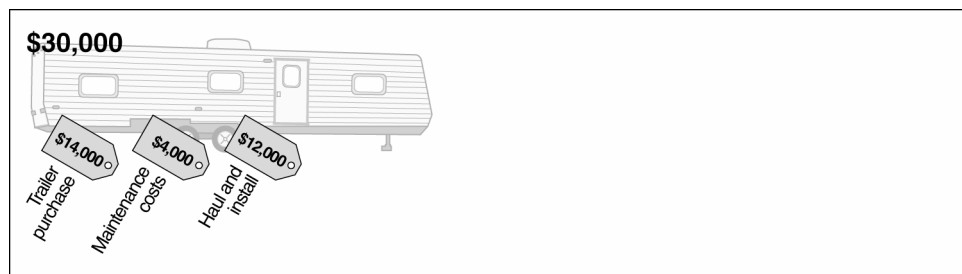
Case Studies Illustrate Excessive Costs at Group and Commercial Sites

Our four case studies show that FEMA's placement of travel trailers at group and commercial sites can lead to excessive costs. FEMA placed the temporary housing units on private properties to shelter individuals who were rebuilding their homes; at FEMA-constructed group sites at leased locations, such as stadium grounds and school fields; and at preexisting commercial sites (e.g., trailer parks). With regard to the private sites, FEMA only has to pay for installation, maintenance, and deactivation; the trailer can be hooked up to the property's existing utilities, so no trailer pad is required. With regard to the group sites, FEMA understandably has had to pay extra for site construction and maintenance, security, leases, and utilities. However, our case studies show that these expenses are exacerbated by the fact that FEMA did not allocate work at the sites in a cost-effective manner and has not reevaluated this allocation since the sites were established. With regard to the commercial sites, FEMA has not incurred the same operational expenses that it has at the group sites because FEMA did not have to pay for pad construction and design and does not have to pay the GSM contractors for site maintenance. However,

we found that FEMA's mismanagement of the commercial site we investigated has led to substantial waste.

The majority of FEMA housing units in Mississippi are located on private properties where individuals are rebuilding their homes. According to FEMA, almost 14,000 of the 17,608 units currently in Mississippi are located on private sites, while the remainder are located at group or commercial sites. We estimate that, on average, FEMA will spend approximately \$30,000 for the life cycle of a trailer placed at one of these private sites. As shown in figure 3, FEMA paid about \$14,000 to purchase each 280 square foot trailer and \$12,000 to haul the trailer to the site and install it, and will spend an additional \$4,000 to maintain a private site trailer through the March 2009 temporary housing occupancy extension. Our estimate is likely understated because we did not have access to the trailer maintenance and group site maintenance payments made to the original four contractors. We also could not calculate MD phase-in costs, nor could we project deactivation expenses because it is not certain which of the current MD contractors will be responsible for deactivating the trailers in 2009.

Figure 3: Estimated Costs for a Trailer at a Private Site through March 2009



Source: GAO analysis of FEMA data.

In contrast, as shown in table 4 and the subsequent figures, FEMA could spend from about \$69,000 to \$229,000 for trailers at the three group sites we investigated, when factoring in all known expenses, including costs incurred by the original four contractors for site design and construction and unit installation. Part of the reason for these extreme expenses is that FEMA failed to efficiently allocate work at the sites. For example, FEMA wasted about \$800,000 by inefficiently allocating trailers and pads and also could not explain why it spent over \$204,000 per year to lease one group site when most of the other parks only cost about \$30,000 per year to lease.

However, because data provided by FEMA contained numerous discrepancies, we could not account for all the expenses incurred at these sites. In particular, although we were able to determine the number of trailer pads at each site, FEMA could not provide us with an accurate trailer count. For purposes of our analysis, we assumed that the parks were operating with a trailer on each available pad. We also did not have accurate information about utility payments FEMA made for these specific sites and the trailers. As with the trailers at the private sites, our estimate is likely understated because we did not have access to the trailer and site maintenance payments made to the original four contractors and because we could not calculate MD phase-in and deactivation expenses. In addition, we do not know how much it will cost to return the group sites to their original condition, as required by the terms of the group site leases.

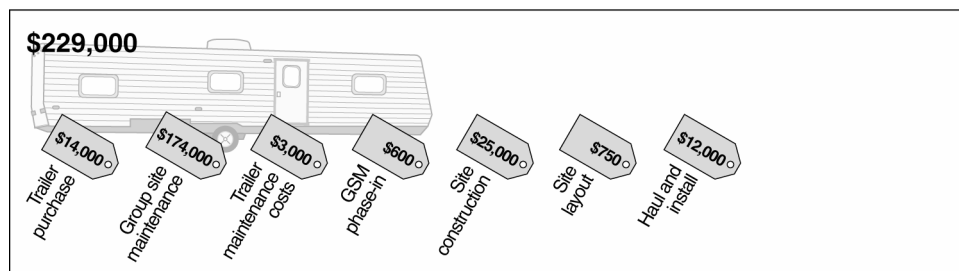
Table 4: Estimated Trailer Costs at Three Case Study Group Sites in Mississippi through March 2009

Site	Number of pads	Projected cost per trailer through March 2009	Case details
Port of Bienville Industrial Park	8	\$229,000	Costs almost \$72,000 per year per trailer for GSM services FEMA could have saved over \$576,000 by placing trailer pads at a different location
Sunset Ingalls Park	102	\$83,000	Classified as a large park even though it is just two pads over the medium park limit FEMA could have saved \$260,000 by having two fewer pads
Ellzey Parcel	170	\$69,000	FEMA pays \$204,000 per year for site lease

Source: GAO analysis of FEMA data.

Port of Bienville Industrial Park in Hancock County: Figure 4 shows the breakdown of expenses per trailer at this park through March 2009.

Figure 4: Estimated Life-cycle Trailer Costs at Bienville through March 2009

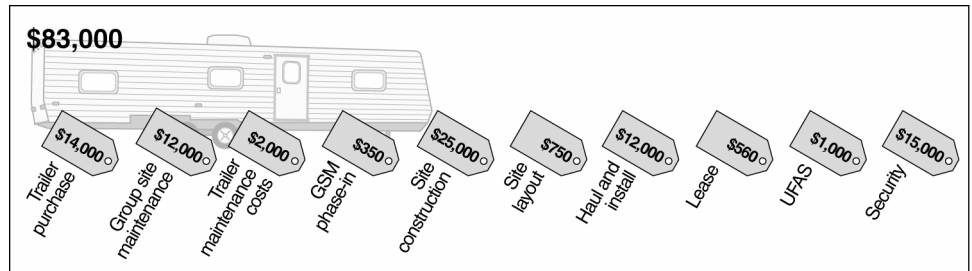


Source: GAO analysis of FEMA data.

- Because there are only eight pads at Bienville, FEMA will spend about \$229,000 for each trailer at the park through the March 2009 occupancy extension. Group site maintenance costs are dependent on the size of the site—"small" sites contain 50 trailer pads or less. In other words, FEMA wastes money by operating sites with very few pads because the GSM costs will be the same if a park has 1 trailer pad or 50. In this case, FEMA spends over \$576,000 per year—\$72,000 per trailer—for site maintenance. To save on this expense, FEMA could have assigned this park to the GSM contractor with the lowest bid price to service a small park. This contractor would only have charged FEMA about \$76,000 per year to service Bienville—\$9,500 per trailer. When we asked FEMA officials about the distribution of work at the sites, they told us that they "grasped" what pads they could get in the aftermath of the storm. FEMA did not indicate that it has reevaluated the distribution of work at the sites since that time.

Sunset Ingalls Park in Jackson County: Figure 5 shows the breakdown of expenses per trailer at this park through March 2009.

Figure 5: Estimated Life-cycle Trailer Costs at Sunset Ingalls through March 2009

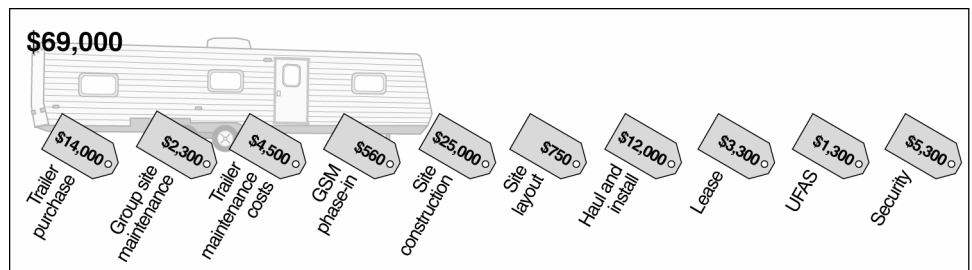


Source: GAO analysis of FEMA data.

- Sunset Ingalls has 102 trailer pads and is therefore classified as a large park (101 to 300 pads) for GSM purposes. FEMA pays the GSM contractor about \$500,000 per year for maintenance at a large park, as opposed to \$244,000 to service a medium sized park with 100 pads or less. Therefore, the additional two pads increase the GSM costs for this park by almost \$260,000 per year. To save on this yearly cost, FEMA could have originally placed these two pads at another site with available space—there are five group sites and one commercial site located near Sunset Ingalls. When we asked FEMA officials about the distribution of work at the sites, they told us that they “grasped” what pads they could get in the aftermath of the storm. FEMA did not indicate that it has reevaluated the distribution of work at the sites since that time.

Ellzey Parcel in Harrison County: Figure 6 shows the breakdown of expenses per trailer at this park through March 2009.

Figure 6: Estimated Trailer Costs at Ellzey Parcel through March 2009



Source: GAO analysis of FEMA data.

- FEMA pays the landowner \$17,000 per month, or \$204,000 annually, to lease the property for this large group site, which contains 170 trailer pads. This lease amount is significantly higher than at the other 38

group sites, which typically range in cost from \$250 to \$7,500 per month.²⁵ We asked FEMA why they were spending so much to lease this property in comparison to the other sites, they told us that did not evaluate costs associated with group site leasing because the General Services Administration (GSA) set up the leases. When we asked representatives from GSA about the Ellzey lease, they told us that \$204,000 per year was a reasonable price because the site was located on industrial property, but they could not tell us if a less expensive option was considered.

With regard to the commercial sites, table 5 shows the estimated cost per trailer at one commercial park in Mississippi. FEMA could have saved \$1.5 million at this site if it had exercised an option to reassign or contract separately for septic cleaning services.

²⁵Only one other site has a lease costing over \$7,500 per month.

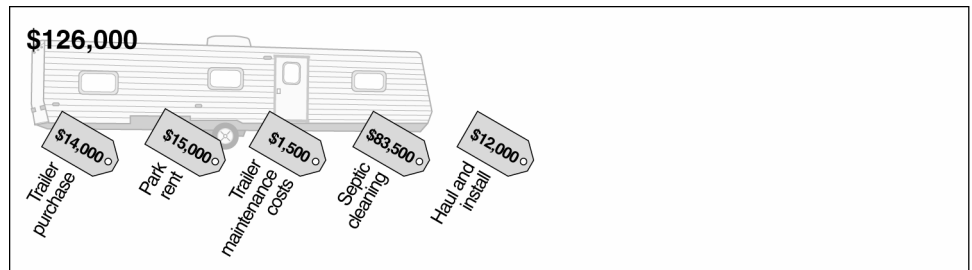
Table 5: Estimated Trailer Costs at Commercial Site in Mississippi through March 2009

Site	Number of trailers	Projected cost per trailer	Case details
McLeod Water Park	61	\$126,000	Contractor made \$1.5 million per year profit by subcontracting septic services FEMA could have used cheaper sources to complete septic work

Source: GAO.

McLeod Water Park in Hancock County: Figure 7 shows the breakdown of expenses per trailer at this park through March 2009.

Figure 7: Estimated Life-cycle Trailer Costs at McLeod through March 2009



Source: GAO analysis of FEMA data.

- The MD contractor at this park charged FEMA \$245 per septic service, or more than 500 percent of what FEMA could have paid, to provide septic cleanings to the approximately 61 trailers at the park. In total, FEMA paid the contractor about \$1.8 million for this service because the cleanings were provided 3 times per week per trailer over the course of a year. However, this contractor made a profit of almost \$1.5 million on these cleanings because it paid a subcontractor just \$45 per cleaning to actually perform the work. FEMA could have saved this \$1.5 million by awarding a separate contract for the septic cleaning services with the less expensive subcontractor; the septic bladder line item specifies that “FEMA reserves the right to use other sources to complete the work.” However, FEMA did not exercise this option. When we asked the MD contractor about this high profit margin, he said that officials from FEMA were aware of the situation but told him they “did not care about the profit margin.”

According to an August 2007 report, FEMA’s current “exit strategy” for residents at the group and commercial sites involves partnering with the Department of Housing and Urban Development (HUD) to assist in locating rental properties for applicants through HUD’s National Housing Locator System (NHLS). In addition, Congress has provided \$400 million for the Alternative Housing Pilot Program (AHPP) to develop and evaluate alternatives to travel trailers and mobile homes.²⁶ However, it is still uncertain what will happen to those residents who continue to need housing assistance beyond the March 2009 trailer and mobile home occupancy extension.

Evidence of Improper Activity Related to Contract Award Process

During the course of our work on the MD and GSM contracts, we found that FEMA awarded GSM contracts to two companies that did not appear to have submitted independent bids and also made false statements on proposals submitted to FEMA. We also found that a FEMA contracting officer may have improperly awarded the UFAS contract to make the housing units accessible to individuals with disabilities, resulting in \$3 million in unnecessary expenses. We have referred both of these matters to the Department of Justice and the DHS IG for further investigation and we have notified the Katrina Fraud Task Force about our findings.

FEMA Awarded GSM Contracts to Companies That May Not Have Bid Independently

FEMA awarded GSM contracts to two companies that did not appear to have submitted independent bids and that also made false statements on proposals submitted to FEMA. As previously discussed, FEMA awarded five GSM contracts in Mississippi. In reality, FEMA awarded one business two contracts: one contract as a “single entity” and one as part of a “joint venture” with another firm. Although making this type of award is not prohibited, the circumstances surrounding this case merit further investigation. Specifically, both the “single entity” and the “joint venture” are required to adhere to the Certificate of Independent Price Determination, as set forth in the contract solicitation. By signing the certificate, each bidder affirms that it has arrived at its price independently

²⁶FEMA states that it awarded \$275 million to Mississippi for alternative housing—the Park Model and Mississippi Cottage project. According to FEMA, Mississippi has started installing these units and moving families into the new housing alternatives.

and has not disclosed its bid to competitors.²⁷ Despite the fact that the single entity and the joint venture both signed this certification, our evidence shows that the companies may not have been truly independent, as might be expected given their common employees and business relationships.²⁸ We also found that key personnel at both companies admitted to misrepresenting their job titles and functions in final offers submitted to FEMA, a potential violation of the False Statements Act, 18 U.S.C. §1001. Details of the case follow:

- Both proposals contained identical language. We found that both companies hired the same individual to prepare their proposals. This individual admitted that he “cut and pasted” language between the two submissions and also that he provided the single entity a copy of the joint venture’s bids prior to the submissions to FEMA. In addition, the joint venture’s chief operating officer admitted that he discussed the joint venture’s bids with the president of the single entity prior to submission.
- The single entity and the joint venture submitted line items bids that were frequently identical or within a few hundred dollars.
- In their initial proposals, the single entity and the joint venture provided organizational charts with nearly identical personnel. For example, both companies had the same president, executive vice president, and accountant. After FEMA received the initial proposals, the contracting officer told both companies that he was concerned with the overlapping personnel and the similar pricing in the submissions. In their best and final offers, the companies submitted new organizational charts on which the president and executive vice president roles were now filled by different people. However, the president of the single entity admitted that she was president of both companies, despite being removed from the joint venture’s initial organizational chart. In addition, the individual listed as “operations manager” for the single entity admitted that he does not really act in that capacity and then

²⁷Specifically, the certificate requires each bidder to affirm that “it has arrived at its price independently, has not disclosed its price to other competitors before bid opening, and has not attempted to induce another concern either to submit or not submit a bid for the purpose of restricting competition.”

²⁸The determination regarding whether the businesses submitted their offers for purposes of restricting competition is a matter within the purview of the Department of Justice, Antitrust Division.

remarked to our investigator that, with regard to the new organizational structure, “it’s obvious that we just reshuffled the deck.”

- The contracting officer stated that the submission of the new organizational charts in the best and final offers submitted by the companies allayed his concerns about whether the companies were operating independently. He also indicated that it is not FEMA’s job to “police” whether organizational charts are accurate or to investigate whether companies adhered to the certificate of independent price determination.
- In response to our referral, Justice has decided to open an investigation of this matter.

FEMA’s Potentially Improper Award of UFAS Contract Results in \$3 Million of Unnecessary Expenses

We found that one of FEMA’s contracting officers may have improperly awarded the UFAS contract to lay asphalt to make the travel trailers accessible to individuals with disabilities, leading to over \$3 million in unnecessary expenses. FEMA was required to make the trailers accessible as part of a September 2006 settlement agreement stemming from a lawsuit brought by disabled trailer occupants. Unlike the MD and GSM contracts, the FEMA contract officer set aside this UFAS contract for sole-source negotiation with a local 8(a) firm. At the time of the UFAS award process, 8(a) contracts could be awarded without competition if the anticipated total value of the contract was less than \$3 million.²⁹ According to the Federal Acquisition Regulations (FAR), an 8(a) contract may not be awarded if the cost to the agency exceeds a fair market price. Further, the FAR provides that prior to making sole-source 8(a) awards, a contracting officer must estimate and justify the fair market value of the contract, using cost analyses or other available data. The FAR also states that the appearance of conflicts of interest in government-contractor relationships should be avoided. Given these criteria, the contracting officer may have improperly awarded the contract, costing taxpayers over \$3 million in unnecessary expenses.

- The government estimate to complete the UFAS asphalt work for about 150 trailers was \$2.99 million, just under the \$3 million threshold for awarding 8(a) contracts noncompetitively. In response to our request for additional information, FEMA said that it was not able to locate any

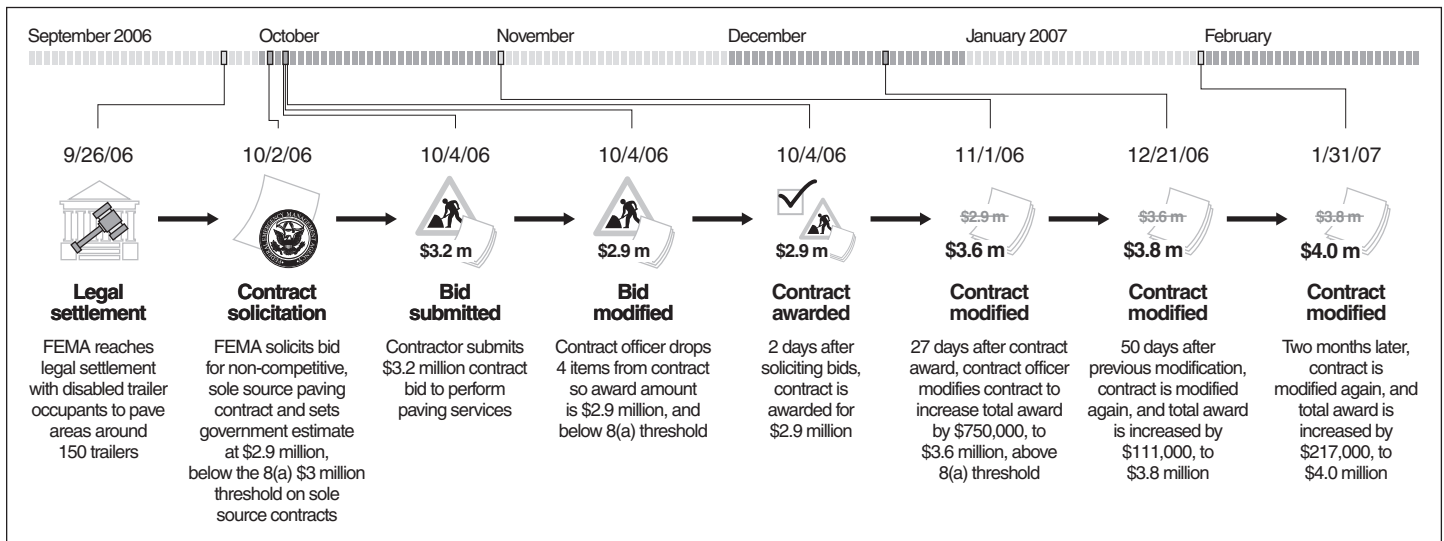
²⁹Shortly around the time of the contract award, this threshold was raised to \$3.5 million. FAR 19.805-1(a)(2).

documentation to support how this estimate was derived. Therefore, we asked GAO engineers with over 30 years experience to estimate the costs associated with laying asphalt at the sites. Although they did not visit these sites, the engineers used the information available from the contractor's price proposals, to estimate that, in the Biloxi, Mississippi, region, this work should have only cost about \$800,000.³⁰

- The company's initial bid, submitted on October 4, 2006, was around \$3.2 million, just over the 8(a) competitive threshold and four times the expert estimate of what the work should have cost. FEMA awarded the contract the very same day for \$2.9 million; it appears that the contracting officer deleted 4 of the 33 bid items in order to keep the award amount under \$3 million. Then, on November 1, 2006, less than a month after the award, the contracting officer modified the contract to add back one of the dropped line items and to increase the total award by almost \$750,000, 25 percent of the total value. Two more modifications followed, on December 21, 2006, and January 31, 2007. The total value of the contract ultimately reached just over \$4 million, five times the expert estimate to perform the work. Figure 9 shows the timeline for the initial award and subsequent modifications.

³⁰The GAO engineers provided an order of magnitude estimate based on RS Means—a widely used guide for estimating construction costs—and the limited scope of work that was available from the contractor's proposals. This order of magnitude estimate showed there was a significant difference (approximately 400 percent) between our estimate of what the work should have cost and the contractor's proposed price of \$3.2 million.

Figure 8: Timeline of UFAS Award and Subsequent Modifications



Source: GAO analysis of FEMA data.

- Several sources told our investigators that the UFAS contracting officer had a long-term friendship with the subcontractor used by the company that received the contract. Our investigators attempted to ask the contracting officer about the preparation of the government estimate, the award and subsequent contract modifications, and her relationship to the subcontractor, but she refused to speak with them.

Conclusion

Due to the unprecedented nature of the disasters resulting from the 2005 gulf coast hurricanes, it was understandable that FEMA did not immediately have effective systems in place to efficiently allocate work or to track the invoices submitted by the contractors for maintaining thousands of mobile homes and travel trailers. However, over 2 years have passed since the storms and FEMA is still wasting tens of millions of taxpayer dollars as a result of poor management and ineffective controls. It is critical that FEMA address weaknesses in its task order issuance and invoice review processes so that it can reduce the risk for wasteful and potentially fraudulent expenses and provide assurance that the government is getting what it pays for. Finally, while the placement of travel trailers at group and commercial sites might be necessary in the immediate aftermath of a disaster, going forward, FEMA needs to minimize the expenses associated with this type of temporary housing and

to develop strategies to transition disaster victims into more permanent housing.

Recommendations for Executive Action

We recommend that the Secretary of Homeland Security direct the Director of FEMA to take the following six actions. With regard to the 10 MD and 5 GSM contracts in Mississippi that we investigated for this report, FEMA should assess whether the contractors were overpaid and, if so, establish procedures to collect overpayments or offset future payments.

For the current MD and GSM contracts in Mississippi and for any temporary housing unit contracts arising from future disasters, FEMA should

- place a greater emphasis on issuing task orders to the companies with the capability to perform the most work at the lowest cost.
- conduct a complete inventory of mobile homes and trailers, create a comprehensive database, and establish procedures to link work assigned to the contractors with specific unit barcodes to provide reasonable assurance that work is being performed on FEMA-owned housing units.
- design and implement internal control procedures to enforce the existing payment and invoice review process to provide reasonable assurance that payments are being made for work actually performed.

To alleviate the excessive costs associated with maintaining travel trailers at group and commercial sites, FEMA should reevaluate the allocation of trailers and work at the sites to determine whether any savings can be achieved and explore creating permanent partnerships with other agencies, such as the current partnership with the Department of Housing and Urban Development, to determine whether there are less expensive housing options that meet the needs of disaster victims.

As previously indicated, we have referred all the alleged criminal matters identified in our report to the Department of Justice and the DHS IG for further investigation and we have notified the Katrina Fraud Task Force about our findings. For these cases, FEMA should consider the suspension or debarment of any contractor found to have committed fraud or otherwise violated the law.

Agency Comments and Our Evaluation

FEMA provided written comments on a draft of this report in which it concurred with all six of our recommendations and outlined actions it has taken that are designed to address each of these recommendations. As part of its response, FEMA also provided background of the events leading up to the award of the MD and GSM contracts and detailed some of the overall improvements the agency stated it has made since Hurricane Katrina. These comments are reprinted in appendix III.

Concerning our recommendation to collect overpayments from the contractors, FEMA stated that it intends to assess whether it made overpayments and, if so, plans to assert claims against the contractors for the appropriate amount. In response to our recommendation to issue task orders to companies at the lowest cost, FEMA stated that has reallocated work under the GSM contracts on a “low price basis per site” and under the MD contracts on a “best value basis.” In response to our recommendation to inventory mobile homes and trailers, create a database, and link work assigned to the contractors with specific unit barcodes, FEMA states that it began an invoice-matching project in March 2007 and is in the process of completing an inventory count to ensure that all the temporary housing units at the sites are recorded in the agency’s existing management system. Concerning our recommendation that FEMA enforce the existing payment and invoice review process, FEMA states that it has established an Acquisition Program Management Office (PMO) that is in charge of enforcing the process. In addition, FEMA notes that the PMO has developed guidance and training on what constitutes proper invoice documentation and has also obtained the services of a contractor to automate the payment process to provide automatic calculation checks and line item tracking. FEMA states that it is also implementing a COTR training program and initiatives aimed at converting from paper to electronic files, developing a COTR program policy, and creating a comprehensive database of COTR information. With regard to our recommendation to evaluate the allocation of trailers and work at the groups sites in order to achieve savings, FEMA states that it is working to close and consolidate the sites and that it has reallocated work under both the GSM and MD contracts.

Finally, concerning our recommendation that FEMA create permanent partnerships with other agencies to determine whether there are less expensive options that meet the needs of disaster victims, FEMA states that it has established a task force called the Joint Housing Solutions Group to evaluate other methods of housing disaster victims. In addition, as indicated in our report, FEMA states that it has implemented the Alternative Housing Pilot Program and has also entered into an

interagency agreement with HUD establishing a temporary housing rental assistance and case management program for individuals displaced by the hurricanes. According to FEMA, the program will be administered through HUD and will include a needs assessment and individual development plan for each family.

We are sending copies of this report to the Secretary of Homeland Security and the Director of Federal Emergency Management Agency. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me at (202) 512-6722 or kutzg@gao.gov if you have any questions concerning this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Key contributors are listed in appendix IV.

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, stylized initial "G".

Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

Appendix I: Objectives, Scope, and Methodology

The objective of our investigation was to determine whether there were indications of fraud, waste, and abuse related to Federal Emergency Management Agency (FEMA) oversight of the 10 MD and 5 GSM contracts in Mississippi. We focused our efforts on investigating (1) FEMA's issuance of task orders to the MD contractors and (2) FEMA's invoice review process. We also prepared case studies to determine the costs associated with the placement of travel trailers at group sites and investigated allegations of criminal and improper activity related to the contracts.

To investigate FEMA's issuance of task orders to the MD contractors, we assessed whether the agency issued the task orders in a cost-effective manner. We analyzed the costs associated with the five most expensive contract line items. We analyzed MD contractor invoices and FEMA receiving reports from June 2006 through January 2007 to find the total number of units paid for by FEMA. For each of the 10 contractors, we totaled the number of units paid for by FEMA for the preventative maintenance, phase in, deactivation, septic bladder pumping, and emergency after-hours repairs contract line items. We then totaled the number of units and amount paid to all contractors for all listed contract line items. To determine the five least expensive contractors, we divided the total number of units for each line item by five, and then multiplied that total by each contractor's line item cost. By adding up the cost of all line items for each contractor, we were able to determine the five least expensive contractors. Using these five contractors, we determined what the total cost for each line item would have been if FEMA had awarded these five the MD task orders. We then compared the new cost to the original FEMA payments to figure potential savings for the line items.

To investigate FEMA's invoice review process, we reviewed invoices and backup documentation associated with the \$28.5 million in payments FEMA made for monthly preventative maintenance and the \$2.2 million in payments FEMA made for emergency after-hours repairs. With regard to monthly preventative maintenance, we initially reviewed approximately 90 preventative maintenance invoices submitted by the MD contractors from June 2006 through January 2007. Each of these invoices contained approximately 1,000 to 3,000 monthly inspection billings. As a result of this review, we identified billings for 12,000 inspections, totaling \$2.2 million, that did not contain any documentation to support that an inspection had actually occurred.

To provide an estimate of improper or potentially fraudulent payments related to the remaining \$26 million in preventative maintenance payments

FEMA made to the MD contractors, we drew a statistical sample of 250 units that were paid for by FEMA as receiving a preventative maintenance inspection. We constructed the population of preventative maintenance inspections using contractor back-up invoice documentation and monthly contract status reports as well as FEMA receiving reports confirming FEMA payments for unit maintenance from June 2006 through January 2007. We acquired preventative maintenance inspection forms from the MD contractors and FEMA. Improper or potentially fraudulent payments for unit maintenance include cases where the payment was made (1) for preventative maintenance inspections on units not identified in FEMA's database, (2) based on preventative maintenance inspection forms that did not exist, and (3) based on inspection forms that did not contain an occupant's signature denoting a full inspection occurred or that three attempts to conduct an inspection were made. To assess the reliability of the preventative maintenance inspections documentation from June 2006 through January 2007, we (1) reviewed existing documentation related to the data sources and (2) examined the data to identify obvious problems with completeness, accuracy, or duplicates. We determined that the data were sufficiently reliable for the statistical sample. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., plus or minus 5 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population.

With regard to emergency after-hours calls, we could not test the \$2.2 million in payments FEMA made because the data we received concerning these calls did not contain complete information. To determine whether FEMA made emergency after-hours repair payments for units that do not exist in its inventory records, we compared the barcodes on the 7,310 housing units that received emergency repairs from June 2006 to January 2007 with the barcodes listed in FEMA's main database for tracking the assignment and location of mobile homes and trailers. We were unable to identify records for 1,732 of these 7,310 units. Using FEMA's payment records, we then determined that FEMA made 2,780 improper or potentially fraudulent emergency repair payments related to these 1,732 trailers.

To prepare case studies, we calculated the expenses associated with a nonrepresentative selection of three group sites and one commercial site in Mississippi. We used cost information issued by FEMA to calculate expenses associated with trailer purchase, site design and construction, and trailer installation. To identify the specific trailer barcodes located at each case study site, we searched several databases provided by FEMA, as well as data provided by the contractors for park address or occupant name matches. Because FEMA could not provide us with a definitive number of trailers at each site, for purposes of our analysis, we assumed a best case scenario for FEMA: that the parks were operating with a trailer on each available pad. Using the list of trailer barcodes we identified, we analyzed the invoices submitted by the MDC contractor responsible for each site, and the accompanying FEMA receiving reports to determine the number and type of services performed on each trailer and paid for by FEMA. The charges cover the period of June 2006 through January or February 2007, depending upon each contractor's available data. We also added in the following costs as provided by FEMA: group site contractor costs for each site, including a portion of their phase-in cost, and monthly security costs and monthly lease costs, if applicable. The one-time and recurring costs were combined for each park, resulting in a total cost for each park. To provide a general lifecycle cost for a FEMA trailer, we estimated these totals through March 2009, which is the date FEMA stated the travel trailer rental assistance program will end. To determine the general costs for a FEMA trailer located on a private site, we identified trailers noted as "private" in the FEMA databases, and selected the first three for each MDC contractor. We then searched the contractor invoices, covering the period of June 2006 through January 2007 and recorded and totaled the charges for each barcode. The resulting totals were projected for 1 year, and used as an estimate of the annual costs for maintaining a trailer on a private site. We also projected the costs for these trailers through March 2009.





Our estimates are likely understated because we did not have access to trailer maintenance and group site maintenance payments made to the original four contractors. We also could not calculate MD phase-in costs, nor could we calculate deactivation expenses because it is not certain which of the current MD contractors will be responsible for deactivating the trailers in 2009. In addition, we do not know how much it will cost to return the group sites to their original condition, as required by the terms of the group site lease. Results from nonprobability samples (case studies) cannot be used to make inferences about a population, because in a nonprobability sample, some elements of the population have no chance or an unknown chance of being selected as part of the sample. Our

findings cannot be generalized to all sites, but when coupled with our other results they do provide useful insight into FEMA's expenses.

Finally, our interviews with FEMA officials, contractor personnel, and confidential informants led us to identify improper activity associated with the contract award process. To further investigate this activity, we reviewed and compared the contract proposals, total bid prices, line item bids, and government estimates for work. It is important to note that we did not conduct a comprehensive evaluation of whether FEMA adhered to its own solicitation requirements and other laws or regulations when awarding the 10 MD or 5 group site maintenance contracts.

We conducted our work from October 2006 through July 2007. We conducted our investigative work in accordance with the standards prescribed by the Presidents Council on Integrity and Efficiency and conducted our audit work in accordance with generally accepted government auditing standards.

Appendix II: FEMA Preventative Maintenance Inspection Sheet

U. S. DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY TEMPORARY HOUSING UNIT INSPECTION REPORT				1. Temporary Housing Unit No.		2. Serial No./Vin					
3. TYPE OF INSPECTION			4. TYPE OF FACILITY		5. APPLIANCES			6. UNIT INFO.			
Transport	Dispatch	Receipt	<input type="checkbox"/> Other <input type="checkbox"/> Mobile Home <input type="checkbox"/> Travel Trailer	Type	Manufacturer	Model	Serial No.	a. Manufacturer			
Storage	<input type="checkbox"/>	<input type="checkbox"/>		Furnace					b. Year		
Staging	<input type="checkbox"/>	<input type="checkbox"/>		Range					c. Size (Ft.-inc towing hitch)		
Site	<input type="checkbox"/>	<input type="checkbox"/>		Refrigerator					d. Number of Bedrooms		
RFO	<input type="checkbox"/>	<input type="checkbox"/>		A/C							
Move In	<input type="checkbox"/>	<input type="checkbox"/>		Water Heater							
Move Out	<input type="checkbox"/>	<input type="checkbox"/>									
7. INSPECTIONS			8. CONDITION OF FURNISHINGS, INTERIOR & EXTERIOR					Handicap			
<input type="checkbox"/> Disaster <input type="checkbox"/> Storage			N = New G = Good P = Poor D = Damaged M = Missing					<input type="checkbox"/> Yes <input type="checkbox"/> No			
FURNISHINGS			Sto	DIS	RE	FURNISHINGS			Sto	DIS	RE
Kitchen & Dining			Condition			First Bedroom			Condition		
Dinette Table						Double Bed, Complete			Commode		
Dinette Chairs (6 for 3 BR)						Mirror			Tub/Shower		
Range						Cabinets Storage			Lavatory		
Range Hood & Vent Fan						Curtains & Rods			Cosmetic Cabinet		
Refrigerator						Light Fixtures			Mirror		
Curtains & Rods						Second Bedroom			Curtains & Rods		
Cabinets						Double Bed, Complete			Light Fixtures		
Sink						Mirror			Exterior Condition		
Light Fixtures						Cabinet Storage			Water Heater		
Fire Extinguisher						Curtains & Rods			Doors		
A/C Living Room						Light Fixtures			2 Keys Per Door		
Couch						Third Bedroom			Windows		
Arm Chair						Double Bed, Complete			Screens		
End Table						Mirror			Front Panels		
Coffee Table						Cabinet Storage			Left Side Panels		
Curtains & Rods						Curtains & Rods			Rear Panels		
Light Fixtures						Light Fixtures			Right Side Panels		
Hall						Interior Condition			Roof Vents		
Furnace						Floor Covering			Towing Hitch		
Smoke Detectors						Wall Panels			Axles & Springs		
Light Fixtures						Ceiling Panels			Wheels & Tires		
9. MARK LOCATION OF EXTERIOR DAMAGE ON DIAGRAM BELOW:											
 RIGHT SIDE			 LEFT SIDE			 FRONT		 REAR			
NOTE: Tail light harness furnished by: <input type="checkbox"/> Towing Contractor											
10. COMMENTS (If more space is needed, continue on reverse)											
11. READY FOR OCCUPANCY		CONTRACT W. O. No.			INSPECTOR SIGNATURE				DATE		
12. OCCUPANT NAME					ADDRESS				THA No.		
13. REPRESENTATIVES ACKNOWLEDGING CONDITIONS DESCRIBED ABOVE:											
NAME (Contractor)			SIGNATURE AND DATE (Contractor)				SIGNATURE AND DATE (FEMA Rep.)				
Dispatch To/From Storage											
Receipt To/From Storage											
Dispatch To/From Site											
Occupant SIGNATURE (Move In or Move Out)					DATE		FEMA REP. SIGNATURE			DATE	

FEMA Form 90-13, JULY 05

Appendix III: Comments from FEMA

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



**Homeland
Security**

November 14, 2007

Mr. Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations
United States Government Accountability Office
Washington, DC 20548

Thank you for the opportunity to review and comment on the Government Accountability Office's (GAO's) draft report GAO-08-106 entitled *Hurricane Katrina: Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud*. The Federal Emergency Management Agency's (FEMA's) response is structured with a brief background of the events leading up to the Maintenance and Deactivation (MD) and Group Site Maintenance (GSM) contracts, improvements FEMA has made since Hurricane Katrina, and the Agency's responses to your recommendations. Technical comments and clarifications to various sections of the draft report are being provided under separate cover.

Background

In August 2005, Hurricane Katrina struck the Gulf Coast and caused disastrous and unprecedented damage to much of the area. Over 90,000 square miles were hit by the storm -- an area the size of Great Britain and more than three times the size of the area affected by the Great Flood of 1927. More than 204,000 homes were severely damaged or destroyed; about seven times as many as in Hurricane Andrew. As a consequence, thousands of families were forced to live in congregate shelters or hotels and motels because housing units, including single family, multi-family, and rental units, along the Gulf Coast were virtually destroyed. Housing assistance authorized under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) included financial rental assistance, home repair assistance, home replacement assistance, and direct housing assistance, the latter usually provided in the form of transportable, manufactured housing.

Direct temporary housing was only provided as a last resort, when other means of providing housing were either unavailable or practically unworkable. Developing direct housing options was a significant challenge, as much of the local infrastructure was destroyed. The building materials required for temporary relief and rebuilding efforts had to be transported in from unaffected regions outside the disaster area, which caused a significant increase in the cost of these resources. Many local contractors suffered damage to their facilities and equipment as a result of the storms and flooding and also suffered a loss of skilled and experienced workers. As a result, FEMA found it necessary to work with larger national contractors who had the

capability and resources to adequately respond to the enormous task of housing an unprecedented number of disaster victims in the shortest possible time frame. To assist in these efforts, the Agency subsequently awarded four large, non-competitive Individual Assistance-Technical Assistance Contracts (IA-TACs) to Bechtel, CH2M Hill, Shaw, and Fluor.

Once recovery efforts had become more stabilized, the Agency had intended to replace these large contracts with competitively-awarded agreements which utilized small and local businesses. This transition would enable FEMA to continue meeting requirements, but in a firm-fixed price manner, while stimulating the local economy with increased Gulf Coast vendor participation as prime contractors. In April-May of 2006, after reviewing and evaluating the 258 proposals it received, FEMA awarded 37 MD contracts¹ in the four Gulf Coast States of Alabama, Louisiana, Mississippi, and Texas. Of these 37 contracts, ten were awarded to firms in Mississippi². In September 2006, 19 awards were made for GSM requirements to Service-Disabled Veteran-Owned Businesses who were residing primarily or doing business in Louisiana or Mississippi. Five of these awards were made for Mississippi requirements. While the economic situation in the area had improved by the time the MD and GSM contracts were issued, economic conditions in the area have, nonetheless, continued to impact the cost and efficiency of recovery efforts.

In response to Hurricanes Katrina and Rita, FEMA has provided over \$7 billion in financial assistance to over 1 million households through its IA programs. This figure includes over \$5.3 billion in housing assistance and \$1.7 billion in other needs assistance. These numbers include the following types of assistance:

- Approximately \$2.30 billion of rental assistance, distributed to over 870,000 households. As of October 2007, 30,733 households continue to receive some form of rental assistance payment;
- Over \$436 million in home repair payments, helping make more than 185,000 Katrina- or Rita-damaged homes habitable across the Gulf Region;
- More than \$339 million to over 33,000 households to assist them with the purchase of replacement housing.

While temporary housing units, particularly travel trailers, do not offer all the amenities of a fixed housing resource they nevertheless allow disaster victims who lack alternative options to remain in their communities, close to their jobs, families, and schools, while they pursue a permanent housing solution. Since Katrina, FEMA has housed more than 120,000 households in travel trailers and mobile homes across the Gulf Coast. As of October 12, 2007, the total number of households currently living in temporary housing has decreased to 53,140, including 38,124 in Louisiana and 15,016 in Mississippi. Private sites, where individuals are rebuilding their homes, account for about 78 percent of the Agency's temporary housing.

¹ One of the MD contracts was later terminated after award because the contractor was determined to be other than a small business.

² There were two solicitations conducted in Mississippi for MD requirements—one for Small Businesses and the other for 8(a) firms.

The report notes that FEMA's costs are higher for trailers on group sites rather than private sites. Whenever possible, FEMA works to place a travel trailer or mobile home on a private site. In order to house the high number of pre-disaster renters and others without access to a private site, FEMA constructed group sites or leased pads at existing commercial sites. It should be noted that in Mississippi, FEMA placed over 5,000 renters on private sites, in addition to the more than 7,400 homeowners that were placed on private sites.

Since Hurricane Katrina

FEMA has learned many lessons from its experiences during Hurricane Katrina and has implemented numerous changes in order to improve its operations. Furthermore, post-Katrina legislation has enabled the Agency to create a vision for a "New FEMA." Some of the improvements include:

- Pre-Positioned Contracts - Pre-positioned contracts are negotiated and awarded prior to disasters; they ensure reasonably priced and competitive agreements. Furthermore, these contracts allow for a more responsive industry focus; enabling quick mobilization of resources, as well as ensure that regional operators have the right supplies and services to respond to disasters.
- Emergency Acquisition Field Guide - This guide ensures that non-1102 contracting personnel can effectively and appropriately contract for goods and services in an emergency situation. It is specifically designed to define the critical elements of an emergency acquisition in plain language so that any member of the disaster support team can understand and apply proper procedures. The guide includes information on purchase cards, program management, and contracting.
- COTR Training Curriculum - The training program ensures that Contracting Officer Technical Representatives (COTRs) have their requisite skills and competencies to perform required functions. The refresher training includes key acquisition concepts such as Statements of Work, Independent Government Cost Estimates, payment provisions, etc. This training ensures that COTRs are better equipped to effectively manage the Agency's many contracts.
- Disaster Training Course - This course is designed to ensure response contracting professionals are trained on how to award contracts during a disaster, to include compliance with recent legislation. The Agency has required all acquisition personnel at Headquarters and in the regions to take the course; of note is that the Federal Acquisition Institute recently adopted the course and offers it throughout the Federal government.
- Contract Administration Plans (CAPs) - CAPs are designed to facilitate efficient and effective administration planning and often outline required level of surveillance, contract terms and conditions for contract administration, performance milestones, and reporting requirements. FEMA's CAPs will improve the Agency's post-award operations, to include providing a consistent guide on ordering, competing, and administering procedures for task orders. They ensure competition of individual task orders for the

current IA contracts while employing effective contract administration procedures. In addition, these plans establish an enterprise-wide contract administration process for the COTRs in various locations.

- New Contract Writing System (PRISM) – When implemented, PRISM will provide better workload tracking, more consistent and accurate reporting, and improved contract writing and overall management of its contracts. Furthermore, PRISM is utilized by approximately 60 percent of agencies, allowing for FEMA to more effectively use other contracting personnel during a major disaster should the need arise.
- Execution of an Interagency Agreement (IAA) with the Department of Housing and Urban Development (HUD) establishing the Disaster Housing Assistance Program (DHAP) - This program provides another housing alternative for displaced citizens after Hurricanes Katrina and Rita. DHAP is a temporary housing rental assistance and case management program for identified individuals and households displaced by Hurricanes Katrina and Rita. It will be administered through HUD’s existing infrastructure of Public Housing Agencies (PHAs), and households receiving assistance under FEMA’s Rental Assistance program will be transitioned to HUD’s DHAP program.

In addition to the DHAP, FEMA has also implemented many policies impacting the housing requirements in the Gulf Coast. A Gulf Coast Housing Action Plan was developed which identifies the Agency’s priorities and initiatives for reducing the number for travel trailers. It also addresses the closing of group sites; this plan has resulted in the closure of 106 group sites thus far. A priority is placed on quickly moving families who are affected or concerned about formaldehyde, as well as moving families out of the group sites. Another housing initiative is the use of rental resource teams. They are identifying available rental units and working with landlords to enroll them in FEMA’s rental assistance programs. The Agency caseworkers are working with each family to help transition them to more permanent housing solutions. Housing policies have been implemented to assist field caseworkers in transitioning families into more permanent housing options with emphasis on moving families into rental units.

The initiatives mentioned above as well as other changes made within the Agency have enabled FEMA to become a more responsive and coordinated emergency response organization. The improvements made in FEMA since Hurricane Katrina are illustrated by the Agency’s successes in mobilizing and responding to the more recent disasters which have occurred. Some of the more notable examples include the following:

- Hurricane Dean
 - Evacuation by Motorcoach
 - FEMA provided on-site presence at the bus contractor’s headquarters and one-on-one coordination with its Region 6 and Joint Field Office, as well as the State of Texas on requirements for potential evacuation.
 - Over 100 motor coaches were released from Federal control to the State of Texas for potential evacuation.

- Within 12 hours of task orders being issued, the following resources were mobilized to meet requirements:
 - 275 ambulances in San Antonio from surrounding States for potential evacuation of medical patients,
 - 25 aircraft for potential medical air evacuation, and
 - 51 para-transit vehicles to transport up to 3,000 people.
 - FEMA coordinated with various parties to prepare for a possible air evacuation of 25,000 residents from the Rio Grande Valley.
 - A contract was awarded within 12 hours of request for a 2,000-person base camp for first responders -- the camp opened within 72 hours of contract award.
- Midwestern disaster response (Greensburg tornado and Missouri flooding)
 - FEMA utilized small and local utility companies in order to restore basic needs back to the affected communities.
 - Many small and locally-owned businesses and franchises of national companies provided a number of goods such as potable water, ice, equipment rental, vehicles, box trucks, tents, gasoline and diesel fuel, temporary toilets, pest control, copiers and many other goods.
 - Electricians, plumbers, and carpenters based in the local area also provided many services to assist in rebuilding efforts.
 - Response to Central Florida tornadoes (February 2007)
 - FEMA was able to use its IA-TAC II contractors to quickly and effectively respond to tornadoes in Florida.
 - Under IA-TAC II, task orders issued in response to a disaster under these contracts require utilization of local firms to the maximum extent practical for additional subcontracting opportunities.

A large amount of the subcontractor work related to recovery efforts following the tornadoes in Florida's Lake, Seminole, Sumter, and Volusia counties, was performed by Florida-based personnel and companies.

Comments and Responses to Recommendations

1. Recommendation: FEMA should assess whether contractors were overpaid and, if so, establish procedures to collect overpayments or offset future payments.

FEMA agrees with this recommendation and has taken the following actions:

FEMA will assess whether or not it overpaid. If so, it will assert claim against the contractor for the appropriate amount under the Contract Disputes Act.

2. Recommendation: Place a greater emphasis on issuing task orders to the companies with the capability to perform the most work at the lowest cost.

FEMA agrees with this recommendation and has taken the following actions:

FEMA completed a reallocation of work for the GSM requirements by competing the task orders in the second year of the contracts. The Task Order Proposal Request (TOPR) stipulated that after the first year, option periods would be made on a low price basis per site. Each contractor was determined to be technically acceptable due to overall favorable performance during the base period. The competitive process for ordering period I resulted in a total award price for the task orders of \$2,645,688.24 for grounds maintenance services. Had the agency not changed its approach to assigning work, FEMA would have spent approximately \$12,101,432.64. Therefore, this task order re-compete and reallocation of work saved approximately 73 percent, a cost avoidance of \$9,455,744.40.

FEMA also conducted a re-compete of the second year task orders for the MD contracts. The selection of the second year task orders was made on a best value basis, which considered technical and management approach, past approach, past performance, and price. A similar approach is planned for the third year of performance.

In addition, the Agency has awarded the IA-TAC II, the follow on to IA-TAC I, utilizing full and open competitive procedures. Contractors are issued a request for proposal to compete for individual task orders to design, install, maintain, manage and deactivate housing units or group housing sites and task orders are awarded with price as a major consideration. Consistent with post-Katrina internal procedures, FEMA's long-term housing strategy is to issue separate contracts to small and local businesses to perform the long term maintenance and deactivation requirements. This strategy will ensure that Federal funds are assisting with rebuilding the local community.

3. Recommendation: Conduct a complete inventory of mobile homes and travel trailers, create a comprehensive database, and establish procedures to link work assigned to the contractors with specific unit barcodes to provide reasonable assurance that work is being performed on FEMA-owned housing units.

FEMA agrees with this recommendation and has taken the following actions:

FEMA will explore ways to implement this recommendation, including modifications to its direct housing database used in the field.

FEMA began an invoice-matching project in March 2007 which has yielded positive results. Approximately \$75,000 in duplicate payments have been identified and reported to the Disaster Finance Center. The Agency is now matching existing database records with invoices to look for gaps in the data. Furthermore, FEMA sites are now completing an inventory count to ensure that all the temporary housing units at the sites are recorded in the Agency's existing Logistics Information Management System (LIMS).

4. Recommendation: Design and implement internal control procedures to enforce the existing payment and invoice review process to provide reasonable assurance that payments are being made for work actually performed.

FEMA agrees with this recommendation and has taken the following actions:

FEMA has implemented internal control procedures to enforce the existing invoice payment and review process. FEMA established an Acquisition Program Management Office (PMO) in the GCRO that is charged with enforcing the standardized invoice payment process across all of the Total Recovery Offices (TROs), including the Mississippi TRO. In order to enforce stronger internal controls, the PMO designed and conducted multiple training events across the Gulf Region outlining and providing guidance on “What is a proper invoice?”; “What constitutes proper documentation for receipt of goods and services?”; “How should invoices be reviewed and how can work be confirmed?”; and “What justifications for partial payments are required?” In support of the training effort, Standard Receiving Documents and Justification Forms have been designed and are required for invoices that are to be processed.

Additionally, the Office of Acquisition Management (OAM) has obtained the services of a contractor to review, assess, improve and automate the invoice approval and payment process. This review and changes will result in automation of much that currently is a “paper pushing” process open to human error. Automation will provide, among other things, automatic calculation checks and proper line item tracking. It will produce auditable tracking of each invoice.

The Acquisition Program & Planning Branch (AP&P) of OAM has also developed a COTR Training Program designed to refresh COTRs on topics such as Statements of Work, Independent Government Cost Estimates, payment provisions, etc. The following additional initiatives will also improve management of the COTR program:

- Creating an efficient COTR certification process by converting from paper to electronic files;
- Developing COTR Program Policy;
- Creating a comprehensive database of COTR information;
- Designing a COTR Community Site/Knowledge Management Portal;
- Benchmarking FEMA’s program against the Transportation Security Administration COTR Program.

5. Recommendation: Evaluate the allocation of trailers and work at the sites to determine whether any savings can be achieved.

FEMA agrees with this recommendation and has taken the following actions:

Regarding the allocation of trailers:

When a disaster occurs, FEMA works to house as many applicants as quickly and efficiently as possible. The Agency works with local and State governments to locate property within the affected areas for Temporary Housing Units to be placed. Due to the fact that there was not enough housing stock available in the areas impacted by Hurricane Katrina, FEMA worked to place applicants close to their damaged dwellings in their communities. Most applicants do not

want to move away from their community. As some of the disaster victims are renters, the Agency does set up group sites and utilizes existing commercial sites in order to house them in their pre-disaster community. However, 80 percent of the temporary housing units are currently placed on private sites, so the applicant is able to repair their damaged dwelling more effectively.

As applicants are moving back to their repaired homes or moving to rental resources, FEMA is working to consolidate and close group sites. FEMA also works with city and county officials to determine the closure dates for these sites in order to move the applicants into more stable housing.

Regarding the allocation of work:

FEMA completed a reallocation of work for the GSM requirements by competing the task orders in the second year of the contracts. The TOPR stipulated that after the first year, option periods would be made on a low price basis per site. Each contractor was determined to be technically acceptable due to overall favorable performance during the base period. Had the agency not changed its approach to assigning work, FEMA would have spent approximately \$12,101,432.64. The competitive process for ordering period I resulted in a total award price for the task orders of \$2,645,688.24 for grounds maintenance services. This process saved approximately 73 percent, a cost avoidance of \$9,455,744.40.

FEMA also conducted a re-compete of the second year task orders for the MD contracts. The selection of the second year task orders was made on a best value basis, which considered technical and management approach, past approach, past performance, and price. A similar approach is planned for the third year of performance.

6. Recommendation: Explore creating permanent partnerships with other agencies to determine whether there are less expensive housing options that meet the needs of disaster victims.

FEMA agrees with this recommendation and has taken the following actions:

FEMA has partnered with HUD to transition FEMA's rental assistance caseload to HUD's DHAP. On July 26, 2007, FEMA and HUD executed an Interagency Agreement (IAA) establishing the DHAP, a temporary housing rental assistance and case management program for identified individuals and households displaced by Hurricanes Katrina and Rita. The program will be administered through HUD's existing infrastructure of PHAs. Under the IAA, HUD will act as the servicing agency of the DHAP. The designated PHAs will also provide case management services, which will include a needs assessment and individual development plan (IDP) for each family. The objective of HUD case management services is to promote self-sufficiency for the participating family.

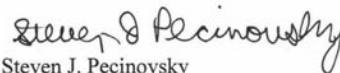
FEMA is also implementing the Alternative Housing Pilot Program in four Gulf States (Alabama, Mississippi, Louisiana, and Texas) to explore alternative forms of disaster housing. FEMA has established an IAA with HUD for this program, as well. HUD will manage the evaluation of the pilot projects. FEMA looks forward to learning from these pilot projects.

In Mississippi, the TRO is working with State, local and voluntary Agencies to provide applicants in Temporary Housing Units workshops that bring all resources together and allow the applicants to access the communities' housing, employment and support services.

FEMA also has established a task force, the Joint Housing Solutions Group, which is evaluating other alternate housing methods for disaster victims. This group researches other housing alternatives and documents the benefits and drawbacks for each alternative. The research includes locating formaldehyde-free units as well as cost effective mechanisms and the feasibility of each unit in the different climates of the United States.

Thank you again for the opportunity to comment on this draft report and we look forward to working with you on future homeland security issues.

Sincerely,



Steven J. Pecinovsky
Director
Departmental Audit Liaison Office

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Gregory D. Kutz, (202) 512-6722 or kutzg@gao.gov

Staff Acknowledgments

In addition to the individual named above, the following made key contributions to this report: Gary Bianchi, Bruce Causseaux, Jennifer Costello, Randy Cole, George Depaoli, Terrell Dorn, Craig Fischer, Janice Friedeborn, Matthew Harris, Adam Hatton, Brad James, Jason Kelly, John Kelly, Barbara Lewis, James Madar, Megan Maisel, Lisa Mirel, John Ryan, Barry Shillito, Nathaniel Taylor, and Quan Thai.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "E-mail Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, DC 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548