FEMA logistics and contracting systems did not support a targeted, massive, and sustained provision of commodities

Katrina overwhelmed the Federal Emergency Management Agency (FEMA) management and overloaded its logistics system. Response and relief personnel had little visibility into available federal assets and resources. The process for requesting assistance could not support the volume of requests, and the technology supporting that process proved inadequate. Federal, state, and local officials requested assistance outside existing channels with little coordination and communication. “[M]anagement by crisis would be the best way I could put it,” said Kip Holden, Mayor of East Baton Rouge Parish,1

By September 9, Congress had passed legislation providing over $63 billion to the Department of Homeland Security (DHS) for disaster relief.2 The circumstances and urgent needs created by Hurricane Katrina provided significant opportunity for fraud and mismanagement, and the DHS Office of Inspector General (OIG) estimates the cost to recover from the storm and rebuild the affected areas could exceed $200 billion.3

As of November 30, 2005, $19.3 billion has been obligated to needs resulting from Hurricane Katrina.4 The funds have been used to relieve the immediate suffering of individuals and families, clear debris, reimburse federal agencies for the costs of technical and direct assistance, and support federal operations such as search and rescue, and delivery of consumables. The $19 billion has been obligated as follows:

- $8 billion for human service needs including unemployment compensation, personal needs that are not met by insurance, and temporary housing (including vouchers for hotel/motel rooms and mobile homes);
- $2.2 billion for debris removal, public building repair and replacement, and damage inspections;
- $4.4 billion for technical and direct assistance provided by federal agencies;
- $14.7 million for inspections and hazard mitigation; and,
- $4.7 billion for administrative expenses, almost $3 billion of which has been obligated for mission assignment operations undertaken by other federal agencies at the direction of the federal officer responsible for coordinating response activities.5

Despite this outpouring of funds, procurement officials struggled to balance the competing and conflicting demands of local and elected officials. On October 21, New Orleans Mayor Ray Nagin complained about the time-consuming amount of federal oversight accompanying the federal dollars going to contracts and local governments. He said

[The money is sitting in the doggone bank. . . . We can’t use it, and as soon as they gave us the money, they sent a team of auditors and said, ‘If you spend this money, we’ll be watching you real close. . . .’ So we’re gun shy about how we use this money . . . .]6

and

[w]e just got these huge multinational companies that are using the shield of, ‘We’ve got to work quick,’ [rather than] trying to find local contractors.7

The Government Accountability Office (GAO) is undertaking a review of Katrina relief contracting

“[Hurricane Katrina] was beyond the capacity of the state and local governments, and it was beyond the capacity of FEMA. It was the largest natural disaster ever to strike the United States — 92,000 square miles. Logistics were falling apart.”
activities. GAO's review includes acquisition planning, communication of responsibilities between various entities, contract management, and the use of emergency acquisition authorities. GAO briefed the Select Committee on their review efforts, which will complement the findings of this report.

Finding: FEMA management lacked situational awareness of existing requirements and of resources in the supply chain. An overwhelmed logistics system made it challenging to get supplies, equipment, and personnel where and when needed

When President Bush authorized a federal emergency declaration for Mississippi and Alabama on Sunday, August 28, in response to these states’ requests, then-FEMA Director Michael Brown said he began to "predeploy all the assets [including] the medical teams, the urban search and rescue teams, the emergency response, the management teams, the rapid needs assessment teams, prepositioning the water, the Meals Ready to Eat, the ice, the tarps." However, given that landfall occurred on Monday, August 29, this was too late to begin the pre-deployment process.

FEMA leadership acknowledged this lack of planning. "[Hurricane Katrina] was beyond the capacity of the state and local governments, and it was beyond the capacity of FEMA," said Brown. "It was the largest natural disaster ever to strike the United States — 92,000 square miles. Logistics were falling apart." When FEMA did arrive, representatives sometimes were empty-handed. "[W]hen FEMA finally did show up, everybody was angry because that is all they had was a Web site and a flier. They didn’t have any real resources that they could give," reported Senator Pryor following visits and conversations with victims.

Brown’s testimony outlined some of the resources FEMA had in place. Prior to landfall FEMA had 14 trailer loads of Meals Ready to Eat ("MREs") at Camp Beauregard, Louisiana, four trailers in Moffit, 42 in Fort Worth, 15 trailer loads in Fullersville, 75 at two locations in Atlanta, three in Cumberland, Maryland, 15 in Charlotte, North Carolina, six in Eastover, South Carolina, 46 in Palmetto, Georgia, 15 in Homestead, Florida, at the airbase, 10 in Meridian, and two at the Superdome.

Some suggested these resources should have been more readily available. Rep. Chip Pickering said "[most MREs] were [prepositioned] across the region, only a few in Meridian and a few in New Orleans, and that should have been closer, I think, to the storm." Rep. Gene Taylor pointed out the provisions were too far away from the FEMA team, questioning

[w]hat part of the FEMA plan envisioned that the first responders in Hancock County and in much of the Mississippi Gulf Coast would have to loot the local grocery store and loot the local Wal-Mart in order to feed themselves, would have to loot the local Wal-Mart in order to have a change of clothes? What part of your plan was that?

Brown, however, strongly rejected the contention of having relief items in the immediate impacted areas, saying expectations must be realistic:

[T]he last thing I’m going to do is to put equipment or manpower in place where they themselves become victims and then cannot assist the people they are there to assist. You cannot, you cannot physically — I don’t think you can do it statutorily or any other way — say to any victim in this country that the minute you come out of your
abode, your home, your shelter, whatever it is, that
the Federal Government is going to be there with a
meal ready to eat for you. That is an unreasonable
expectation. So what we do is we preposition
those supplies so that we can move them in and
help them. And that’s why the FEMA plan, that’s
why the basic emergency management system
says you should, as an individual, take personal
responsibility and be prepared to be on your own
for perhaps up to 2 or 3 days. If Congress expects
the Federal Government to be able to supply every
individual food and water immediately following
a catastrophe or a disaster, then this committee
in Congress needs to have a serious public policy
debate about what the role of FEMA and the
Federal Government is in disasters.14

According to the Director of the Mississippi Emergency
Management Agency (MEMA), Robert Latham, the federal
logistics system failed in the days immediately following
Hurricane Katrina, leaving state officials without adequate
supplies of food, water, and ice for emergency shelters.15
FEMA representatives working with MEMA requested 450
trucks of water and ice, and 50 trucks of MREs. When
less than 15 percent of the requested supplies arrived,
state emergency responders were forced to purchase
the commodities on the commercial market or obtain
supplies from neighboring states.16
Mississippi officials had to deal with shortages of
commodities for the first nine to ten days after landfall.17
Fortunately, Mississippi officials had purchased supplies for
Hurricane Dennis (July 2005) that were not used. Similarly,
Florida officials had pre-positioned considerable resources
to be used in the Florida Panhandle,18 which,
until Friday, August 26, was where Katrina
was projected to make landfall. Commodities
were provided by Governor Bush to
Mississippi Governor Haley Barbour under the Emergency
Management Assistance Compact (EMAC) and offered
some relief to the victims in Mississippi’s coastal counties.19

Federal Coordinating Officer (FCO) Bill Carwile
speculated the shortages were the result of an overly
centralized logistics system overwhelmed by the
requirements of the three large disasters: Hurricanes
Dennis, Katrina, and Rita. Mississippi officials asked
permission to purchase (on their own) commodities
from elsewhere to supplement those being provided by
the centralized system. Carwile said he was authorized by
FEMA Director Michael Brown to make these purchases.20

According to the Director of the Alabama Emergency
Management Agency (AEMA), Bruce Baughman, a better
contracting process for essentials and commodities
is needed.21 In the days before Katrina made landfall,
when officials submitted commodity requirements for
Alabama for items such as water, ice, MREs, these requests
were unilaterally reduced by FEMA officials – often so
reflexively that it appeared to be part of standard FEMA
procedure. Baughman said their initial requests were
carefully and precisely tailored to meet the actual needs of
Alabama. Tim Payne, AEMA Branch Chief and Emergency
Management Program Coordinator, said in advance
of Katrina, their needs assessment concluded Alabama
would require 100 trucks of water and 100 trucks of ice.22
In response to this request, FEMA made available only 17
trucks of water and 16 trucks of ice.

Frequently during the Alabama response to Katrina,
FEMA did not follow through with AEMA’s requests for
supplies and emergency support.23 It appeared FEMA
did not have the ability to track commodities within
its own logistics system. To defend against commodity
shortfalls in future emergencies, Alabama recently issued a
Request for Proposals for key commodities and materials
needed for an effective emergency response.24 Baughman
suggested having standing contracts in place and supplies
FEMA’s logistics program is broken and needs to be fixed.

Finding: Procedures for requesting federal assistance raised numerous concerns

Requests for federal assistance go through a standard process. Local government officials submit their requests to the state, and, if state officials cannot meet the request, they forward appropriate requests to federal officials. In Louisiana, state and local emergency management officials manage requests for assistance during disasters using specially-designed commercial software called "E-Team." E-Team is a web-based system and can be accessed from any computer with internet connectivity. According to Matt Farlow of Louisiana Office of Homeland Security and Emergency Preparedness (LOHSEP) Information Technology Division, Louisiana has used E-Team since 2000 and LOHSEP personnel are well-experienced in its use. In addition to using E-Team to register and track parish requests, the Louisiana Emergency Operations Center (EOC) also uses it to send out e-mail alerts and notifications to parishes.

The parish-to-state process is much the same as the state-to-federal process. The parishes declare emergencies and request assistance from the state. The parishes register their requests for assistance with the state directly via the internet with E-Team. However, according to state officials, not all parish officials know how to use E-Team well: “They don’t know all the bells and whistles.” Parish officials can also register requests to the state by telephone or radio. If the parish communicates a request outside E-Team, by voice, e-mail, or fax communications, then the state EOC officials enter that request into E-Team.

The state receives the parish requests for assistance and determines whether the requests can be met from a nearby parish or with state resources. If so, LOHSEP tasks that mission to another state agency. The state can also request assistance from nearby states through the EMAC. When a state makes an EMAC request to another state, it is undertaking an obligation to pay that state for that assistance. FEMA has a mechanism to later reimburse appropriate costs to the requesting state, which the state can use to repay the sending state. Finally, if the state cannot meet the request from its own or other state resources, the state can prioritize the various requests and pass them on to

Payne identified 12 categories of items that need to be on hand to effectively deal with an emergency.

According to Brown, “one of the lessons that we need to learn from this catastrophic event is that we do need to get better about marshaling those assets and moving them around. I will tell you up front, FEMA has a logistics problem, we have a problem understanding all the time. I can point out where our stuff is and I can point out where it’s supposed to go to; I can’t always tell you that it actually got there.”

These problems are not new, however. FEMA’s “bureaucratic slowness” in securing long-term housing and loans, removing debris, and getting basic assistance and reimbursement were “huge problems that have been very frustrating,” stated Florida Governor Jeb Bush before the House Homeland Security Committee. Getting one truckload of ice from Atlanta to Florida in 2004 took a series of separate contracts that caused needless delays. “FEMA’s logistics program is broken and needs to be fixed. . . . I can say with certainty that federalizing emergency response to catastrophic events would be a disaster as bad as Hurricane Katrina,” Governor Jeb Bush testified. “If you federalize, all the innovation, creativity and knowledge at the local level would subside.”

It should be noted FEMA used existing resources, procedures, and staff to organize and conduct a massive civil logistics operation beyond any this country has seen before. Over 11,000 trucks of water, ice, and meals were moved into the disaster region during the month after landfall. This is more than three times the number of trucks used during all hurricanes in 2004. FEMA tried, but Katrina’s magnitude exposed significant weakness and inefficiencies in the process.
FEMA officials. The state is supposed to make such requests after it has already reviewed its own capabilities.

FEMA officials determine whether to accept or reject the state request. This determination is documented. A request might be rejected for a number of reasons, such as not being appropriate, a state getting the resources from elsewhere, or a state canceling a request while FEMA officials are considering it. In some cases, a state request might be made verbally to expedite assistance, but FEMA officials expect the paperwork to soon follow. The paperwork from the state certifies that the state will pay its share of the requested assistance.

Once FEMA accepts the request and agrees to meet it, officials use a system called NEMIS (National Emergency Management Information System). FEMA does not use E-Team. NEMIS is used by FEMA officials to track the request within the federal government and all requests FEMA officials accept are entered into this system. FEMA can meet the request from its own resources and capabilities, from other federal agencies, or from private contractors. If FEMA officials task another federal agency with the request, that is known as a “Mission Assignment” (or MA), whereby the task is assigned to the other agency.

Mission Assignments to another federal agency could also be passed on to a private contractor. This is done because some agencies have more expertise and experience in contracting for certain types of items. For example, the U.S. Army Corps of Engineers (USACE) contracts for debris removal. Some federal agencies, including FEMA, have pre-existing contracts that can be modified quickly to add additional items. NEMIS is used to track the request and completion of the mission, as well as to track spending and reimbursement later by FEMA officials.

In Louisiana there was widespread confusion about the process for obtaining federal assistance. In addition, the catastrophic nature of the disaster overwhelmed the existing procedures and systems.

Louisiana state and parish officials said degraded communications and the effective loss of parish E-Team software forced them to deviate from normal procedures for requesting federal assistance. These problems also made it difficult for the state EOC to check on the status of specific tasks assigned to state agencies. State officials complained about FEMA’s non-automated process that made tracking status difficult. State officials also noted they had included FEMA on their E-Team license, but during Katrina the FEMA staff assigned to the EOC were not familiar with the E-Team system. This had not been the case in earlier hurricanes, when FEMA staff assigned to the EOC knew how to use E-Team. State officials also complained about weaknesses in tracking the transportation and estimating arrival of FEMA-contracted commodities. FEMA officials have acknowledged these weaknesses. Further, state officials said the federal government contributed to the problem when other federal agencies tasked FEMA directly rather than having requests go from parish to state to FEMA and then onto appropriate federal agencies.

Parish officials were universally critical of FEMA for providing relief commodities late. There were clearly misunderstandings of what constituted an official request for assistance. The Jefferson Parish Emergency Manager, Walter Maestri, said he directly communicated his needs before landfall in a conference call to the EOC, where FEMA personnel were present. In his view, this constituted a request for assistance. However, both the State Coordinating Officer (SCO) and the FCO said while the purpose of these conference calls was to share information, they were not considered valid ways for a parish to make a request.

New Orleans Director of Homeland Security, Col. Terry Ebbert, also said the existing systems for requesting assistance does not work during a catastrophic disaster. The system assumes the parish knows what it wants,
New Orleans Director of Homeland Security, Terry Ebbert, was “shocked” to hear FEMA Director Michael Brown say the local parishes never got FEMA commodities because they never asked for them. In his opinion, FEMA officials should have known what was needed from their own experience.

the state knows what it wants, and both have the communications capabilities to make requests of FEMA. Ebbert said the current system is a “pull” system in which parishes must make requests to pull an item from the state and federal government. However, the parishes were too overwhelmed and their communications were too degraded to allow this to work. In a catastrophic disaster, FEMA needs a “push” system in which FEMA officials anticipate needs (e.g., for food, water, medical supplies, ice, tarps, generators) and push the commodities to the parishes without receiving the request. Under such disaster circumstances, it would be better to have too much of something than too little; the excess items can always be shipped elsewhere or stored for the next disaster.52

As such, Ebbert was “shocked” to hear FEMA Director Michael Brown say the local parishes never got FEMA commodities because they never asked for them.53 In his opinion, FEMA officials should have known what was needed from their own experience. Similarly, Governor Blanco’s chief of staff, Andy Kopplin, said the state had to go beyond both LOHSEP’s and FEMA’s bureaucratic processes for requesting and providing assistance.54

However, parish officials also acknowledged their emergency managers were overwhelmed. Plaquemines Parish Sheriff Jiff Hingle said his parish emergency manager was completely overwhelmed and unable to cope with the situation.55 Hingle found he and the parish president had to make all requests for assistance through other channels because the normal system was not functional.

FEMA officials Scott Wells and Tony Robinson put much of the blame on the state, saying the standard request for assistance process was not working because the state was incapable of analyzing and prioritizing requests.56 Wells and Robinson said many of the requests from parishes came up through channels to the EOC, but state officials appeared “overwhelmed” and they “lost control.” The EOC did not attempt to prioritize such requests, did not try to figure out if the requests could be met from state resources, and did not go through EMAC channels to see if other nearby states could provide the assistance. The EOC just passed the unfiltered requests on to FEMA officials. Wells said the FCO staff did a quick analysis of parish E-Team requests the EOC was passing on unfiltered to FEMA, and found many inappropriate items, such as writing tablets. According to Wells, these requests were inappropriate because the state should not be relying on FEMA for basic items that are otherwise easily obtainable.

Parishes were frustrated by the degraded communications and their desperate need for assistance. Robinson said while the parishes were still able to communicate requests to the EOC (via radio or other means), they were not able to use E-Team.57 The EOC was not systematically entering the requests into E-Team, so the state could not track or check the status later, which led to many parishes becoming frustrated. The parishes probably blamed FEMA officials for any delays in getting assistance because they had communicated their requests and assumed the EOC had duly registered these requests and passed them on to FEMA officials. Many of the highly publicized parish requests for commodities such as for food and water assistance may have never even reached FEMA officials.

Some confusion arose because states and not the parishes are supposed to make requests to FEMA.58 It was Louisiana’s responsibility to take these parish requests, combine them with similar requests, determine whether the state could meet them, prioritize them, and, if appropriate, make requests to FEMA. That process, where the state enters the request into its E-Team system, allowing formal registry and tracking of status and completion, is the only way to provide an orderly processing of requests. Using verbal requests, without documenting them in a formal process, leads to chaos, particularly in a large disaster where there are hundreds
or thousands of local requests for assistance. If the parish is unable to use E-Team because of communications or power difficulties, the state EOC (which, in fact, retained power during the hurricane and its aftermath) could have still entered them into E-Team. Then the state should perform its review, and, if appropriate, pass the request on to FEMA. It was the state's job, not FEMA's, to take down any parish requests from conference calls and enter them into the system. FEMA officials saw these conference calls serving the function of information sharing and situational awareness, not substitutes for the parish-to-state and state-to-federal formal request process.

**Interoperability between state and federal automated systems**

FEMA FCO staff said there is no automatic or electronic interface between state systems (such as E-Team) and the FEMA system (NEMIS). Both systems, if used correctly, have independent capabilities to track requests for assistance and determine their status. The two systems meet in the EOC, where the E-Team requests are converted into NEMIS. However, there is no way for the state EOC officials to use E-Team to track the status of their request in NEMIS, nor any way for the federal FCO officials to use NEMIS to check information on the E-Team requests originating at the local level.

According to FEMA officials involved in the response to Hurricane Katrina, the breakdown of a unified command structure at the state EOC level hampered FEMA's ability to meet state and local requests for commodities. Without a unified command, some state and local officials began submitting commodity requests outside FEMA's normal logistics channels. FEMA, in turn, started fulfilling such requests on an "ad-hoc" basis before these requests were properly authorized or logged into its logistics system. When supply requests and subsequent supply distributions were not logged, FEMA could not accurately keep track of the resources it staged at regional facilities. As a result, supplies and equipment were delivered not according to specifications, delivered late, or not delivered at all, and priority needs were not met.

In his testimony before the Select Committee, Brown acknowledged these logistical problems and the need for a better tracking system. He said if

> you don’t have a unified command, [you] kind of go into an ad hoc mode. So we hear that, for example, County X is requesting five truckloads of Meals Ready to Eat, so we will then figure out that, okay, we have got four available, so we are just going to ship four into that county . . . .

Then, "[another county] may send in a legitimate request for five trailer loads [and] you think they are still there because no one has yet entered in the [trailers] that have gone out."

When supply requests and subsequent supply distributions were not logged, FEMA could not accurately keep track of the resources it staged at regional facilities. As a result, supplies and equipment were delivered not according to specifications, delivered late, or not delivered at all, and priority needs were not met.
Management lapse

According to Holden, lack of "knowledge and understanding by many agencies paralyzed the efforts" to provide an orderly and efficient response, and required paperwork also "hindered immediate action and deployment of people and materials to assist in rescue and recovery efforts." Pre-positioned federal assets critical to the operations of hospitals were never received. Resources from the Strategic National Stockpile, despite requests, were never locally deployed due to bureaucratic red tape.

According to Carwile, "[i]n any operation, particularly in a chaotic environment, there needs to be a balance between 'going outside the system' and following a plan and a procedure." Carwile suggested "there needs to be a well-disciplined, systematic approach based on a solid plan that is sufficiently flexible for a variety of situations. Experienced personnel know where the pitfalls are and can make decisions where flexibility is required. Doctrine, policies, training, and exercises should be developed that meet the needs of a trained and ready workforce."

Even Brown experienced bureaucratic frustrations. Rather than have FEMA's food provision efforts oriented almost exclusively toward securing MREs, Brown sought to devise an arrangement in which distributors or retailers would deliver meals or groceries, like those that would ordinarily be conveyed to typical commercial outlets, directly to shelters. Brown testified he came to believe we were too focused on meals ready to eat. The issue was food, not the MREs. So we came up with what we thought was this brilliant idea that we would utilize Wal-Mart or some grocery distribution system because they are accustomed to going to these 7-Elevens, [and other] convenience stores, to replenish them all the time . . . .

Brown said FEMA started "trying to do a contract to do that very thing [but] ran into a bureaucratic wall [so much that] I finally had to scream at some people on the phone, [']just make it happen, I don’t care, just do the contract and make it happen.['"]

According to Carwile, over the past four years, there has been no operational doctrine developed by FEMA. He said, as a consequence

there is no clear understanding of the responsibilities of each level (Washington, the Regions, and deployed Emergency Response Teams) and how they are to interact. This lack of operational doctrine results in unacceptable levels of overlap, double and triple ordering of resources, and long video teleconferences and conference calls [which can] disrupt field operations."

Carwile believes "well-understood and defined operational methodologies based on doctrine would minimize the need for lengthy conferences and would achieve other efficiencies."

Alabama officials said FEMA officials lacked management skills. Nobody with FEMA seemed to know what assets existed and how to marshal them, they said. FEMA does not have a robust lessons learned/after action program to assist in the refining and reorganizing of processes. Instead, FEMA seemed to move from one emergency to the next without incorporating any formal reviews.

Alabama officials recommended FEMA adapt its training requirements to allow states to use monies targeted for state training exercises for after-action reviews of actual emergency-related operations. One official echoed the thoughts of many AEMA personnel when he said the state was better prepared for Katrina by virtue of its experiences with previous hurricanes within the last year, notably Dennis (July 2005) and Ivan (September 2004).

Carwile suggested the logistics supply system was overly centralized and recommended allowing the state to contract with private entities to provide logistical support and commodities distribution services, with the federal share of costs reimbursed by FEMA.
Select Committee Members stated and Brown agreed FEMA should develop a formal planning and logistics process similar to that developed by the Department of Defense (DOD).\textsuperscript{77} Some officials have suggested the DOD simply assume a larger role in logistics, or even take control outright.\textsuperscript{78} Although recognizing the value of DOD assistance, Brown indicated DOD involvement would not be appropriate for smaller events. “I think that the Army can help FEMA in that regard,” Brown said. “I would rather see it remain within FEMA because logistics is something that you need in every disaster, the smallest one that FEMA might be involved in to the largest; and I don’t want to see us utilize the military in all of those.”\textsuperscript{79}

However, according to Carwile

[the factors contributing to the slow delivery of commodities should be examined and addressed for future disasters. Possible solutions include] much better planning between State and Federal emergency management logisticians and operations personnel, the assistance and advice of DOD strategic logistics planners, and much more robust private sector partnerships, e.g., the US Army LOGCAP or USAF AFCAP programs. It is also possible for states to enter into their own contractual agreements with the private sector for procurement and delivery of response commodities. The federal share is reimbursable by FEMA and Florida routinely enters into such agreements.\textsuperscript{80}

Rep. Bill Shuster pointed out the private sector provides the best relief model and, while government agencies such as the DOD are excellent with logistics, “[s]ome of our private companies . . . are even better and our military learns from [these companies because they] know exactly what’s in a truck. They know exactly where it’s moving.”\textsuperscript{81}

For their part, private sector firms expressed the need for a get-it-done-and-ask-questions-later mentality. The director of Business Continuity Global Security for Wal-Mart said “[f]lexibility in our plans, flexibility in our structure, and flexibility of our Associates is paramount to success.”\textsuperscript{82} Southern Company’s plans provide “for flexible and decentralized authority to make decisions as close as possible to the disaster.”\textsuperscript{83} They demonstrated creativity in helping restore fuel service to Chevron pumps, in helping expand their communications system to assist other companies, and in the way they used their “family services plan” to provide emergency services to employees.\textsuperscript{84}

Starwood hotels worked to engineer a way to pump water into the hotels, knowing the city’s water system wouldn’t be up and running for some time.\textsuperscript{85} They also contracted at the last minute for security to protect their hotels from looting. IBM provided services to governmental and non-governmental organizations as needed on the ground.\textsuperscript{86} These services ranged from temporary housing to websites and missing persons registries including the CNN Safe List, which it hosted.\textsuperscript{87}

FEMA’s Information Technology Systems are unable to support large-scale logistical challenges

The technology used to manage FEMA’s logistics system may be partly to blame. FEMA’s Logistics Information Management System III (LIMS III) is used to manage the agency’s inventory of equipment and supplies.\textsuperscript{88} A recent DHS OIG report found FEMA’s computers were overwhelmed during the 2004 hurricane season, which hindered disaster-recovery efforts, delayed emergency supply shipments, and put emergency-response personnel at risk.\textsuperscript{89} The report found during August and September 2004, when four hurricanes struck Florida, the IT system could not track essential commodities such as ice, water, and tents.\textsuperscript{90}

According to the report, LIMS III is not integrated with other FEMA IT systems such as the database used to identify and deploy personnel to disaster sites.\textsuperscript{91} Nor can it share information across federal, state, and local agencies. LIMS III was designed, however, to track “accountable property” such as bar-coded cellular phones and pagers, not “bulk commodities.”\textsuperscript{92} Although LIMS III contains information on the quantity and location of emergency supplies, it does not indicate when they will be shipped or when they should arrive.\textsuperscript{93} In Florida, emergency personnel tracked items on spreadsheets and spent hours calling trucking companies to determine the status of goods in transit.\textsuperscript{94}

Brown received this DHS report several weeks before Hurricane Katrina, but he and FEMA Chief Information Officer Barry West rejected the OIG’s findings, calling the report’s characterizations “inaccurate.”\textsuperscript{95} According to a FEMA spokesperson, “[FEMA’s] [l]ogistics-support systems
have presented us with some concerns over the past 18 months, and we are addressing this."96

During Katrina relief efforts, FEMA tested a system using global-positioning technology to track trucks transporting commodities.97 FEMA also is installing an intranet-based electronic document system to replace paper documents and improve data sharing among agency officials via an intranet.

The DHS Emergency Preparedness and Response Directorate, which FEMA was part of, established an enterprise architecture office in 2003 and hired a chief enterprise architect in 2004 to develop a system to tie in the directorate’s system with the rest of DHS.98 Of the Katrina federal aid package, $4.6 billion is designated for FEMA logistics, search and rescue, and emergency supplies.99

Private sector fills void

Several tractor-trailers were strategically located throughout the region by various officials and organizations to collect local contributions, which were then sent to a warehouse for collection and distribution.100 When the first of 14 packed trailer loads arrived, volunteers unloaded the first two and quickly realized much more assistance was needed to efficiently process the donations and prepare them for distribution.101 A clear plan for the organized collection, sorting, storing and distributing of such a large volume of goods was not in place, however.

Local officials turned to the private sector. "Once we started seeing that we were going to have this enormous influx of material, we knew that there was no one better in the world for distribution and collection than Wal-Mart Corporation. So we made some calls. And they immediately sent down some folks. And they showed us how to arrange a warehouse and they made it spin like a top," according to the Mayor of Fayetteville, Arkansas, Dan Coody.102

Several companies had existing disaster plans which eased the challenges they faced. Southern Company has a separate plan for each category of hurricane, and each year they conduct a major disaster simulation.103 Before the storm hit, Southern Company had already pre-positioned trailers, caterers, laundry facilities, and 11,000 people for their response. Starwood developed a crisis management plan which "structures preparedness and response at the Corporate, Division, and Hotel levels" and defines responsibilities for each level of employee.104 Wal-Mart keeps an Emergency Operating Center up and running 24 hours a day, every day of the year.105 As one IBM executive noted "[a]dvanced planning of people, tools, and technology . . . is vital and important."106 IBM had its Crisis Response Team on the ground four days in advance of Katrina, which worked with FEMA, the states, and private entities, providing a list of the services they could provide.

Ad Hoc response

In Fayetteville, Arkansas, individuals who had traveled there to stay with family or friends began to stop by the distribution center "in search of financial aid, food, clothes and other assistance," recalled Coody.107 Officials had not anticipated receiving evacuees at the distribution center and were not sure how to respond. They had heard stories of survivors being bounced from place to place or from town to town, so they took it upon themselves to find answers, information, and assistance for everyone who needed it.

Officials and volunteers pulled boxes off pallets and made food and clothes available to these displaced individuals.108 They moved all relief agencies into the distribution center offices to make a one-stop location where evacuees could get various types of assistance and support, and set up a "store" where people could shop for what they needed, free of charge.109

In addition, relief supplies were shipped from the Fayetteville distribution facility to the Salvation Army staging warehouse in Corsicana, Texas.110 It was eventually
destined to aid the stricken areas of Louisiana and Mississippi. Many of these shipments were sponsored by local businesses and churches and were arranged by making direct contact with community members in the affected areas. Fayetteville officials also learned many rural areas were not receiving adequate support and were still in desperate need of various items that were in stock. This spurred officials to focus their large-scale distribution efforts on rural Louisiana.

Coody testified while Fayetteville had food, water, wheelchairs, baby supplies and many other items on pallets and ready to go, communicating and coordinating the movement of supplies to these areas was a challenge. He said the distribution center had not received "any communications from the State or Federal level about the needs in these areas." Although Fayetteville officials wanted to send goods where they were needed, arranging transportation also proved to be a problem. Nonetheless, Coody recounted some success in arranging deliveries including that they asked J.B. Hunt and other trucking firms, "[c]an you please donate your time and some drivers to load up this trailer that we have . . . ready to go and take it to a particular town in Louisiana?" And they said, "[s]ure!", . . .

In another instance, Bogalusa, Mississippi had requested water and baby food from Fayetteville. Coincidentally, a truck arrived from Kansas City, and the driver announced, "I have got a load of baby food and water and I am [being] told to get off the road because I am overloaded." The mayor said [as soon as] we saw what we had, we gave him a map and we said, "[t]his is where you need to go," and we sent [the items] on their way. As they pulled into Bogalusa and off-loaded food [—] baby food, adult food [—] and everything else, people started opening packages and eating food directly off the truck because they had not had any food in three days.

Coody reported the realization that Fayetteville had the necessary supplies in stock previously but had "no knowledge" or "no real infrastructure to get it there" was disturbing, and "it broke our hearts."

Finding: The failure at all levels to enter into advance contracts led to chaos and the potential for waste and fraud as acquisitions were made in haste

Concerns have been raised with respect to how FEMA awarded its contracts in the immediate aftermath of Hurricane Katrina and regarding the contract vehicles it had in place before landfall. In the weeks following Katrina, more than 80 percent of FEMA’s $1.5 billion in contracts were awarded on a sole-source basis or pursuant to limited competition. Many of the contracts awarded were incomplete and included open-ended or vague terms. In addition, numerous news reports have questioned the terms of disaster relief agreements made in such haste. Questions have also been raised about USACE’s awarding of contracts with limited competition for debris removal and clean up.

In the face of the massive destruction caused by Katrina, acquisition personnel acted to meet pressing humanitarian needs, contacting firms in an effort to provide immediate relief to survivors and to protect life and property. Many of these firms were called into action on a sole-source basis under acquisition provisions that allow the government to acquire urgently needed goods and services in emergency situations. These firms provided emergency housing and shelter for victims and emergency personnel, to start debris cleanup, and to secure property from further damage.
The Shaw Group Inc., Bechtel National Inc., CH2M Hill, and Dewberry Technologies were engaged by FEMA to provide emergency housing and shelter for victims, to start the cleanup of hazardous waste, and begin restoration of the transportation infrastructure. Before Katrina struck, however, FEMA had only one contract in place relevant to the Katrina response for temporary housing. Immediately after the disaster, USACE competitively awarded contracts for debris removal to ACI/AshBritt, Inc., Environmental Chemical Corp., Central Environmental Services, and Phillips & Jordan, Inc. through an emergency competition, which resulted in the submission of 22 proposals.120

FEMA executed few, if any, written contracts during what officials called “the real nightmare emergency” (Aug. 29-Sept. 15).121 The circumstances surrounding their contract awards made it difficult for FEMA to understand fully the contract specifics. FEMA simply instructed companies to begin work and submit vouchers for payment. FEMA used this method for the acquisition of food, ice, buses, and other supplies. This could raise issues of enforceability, which will need to be resolved when written contracts are issued.

FEMA’s contracting practices were described by state and local officials as “problematic.”122 Louisiana officials cited lack of FEMA oversight and management in the awarding of contracts. Further, state officials suggested there were no performance-based standards under the contracts and suggested under “time and materials” contracts, the longer the contractor takes to perform the necessary service, the more money the firm stands to make.

Rep. Jefferson also conveyed complaints from Louisiana officials about FEMA’s failure to contract out the mortuary and body recovery effort.123 This was a particularly sensitive issue because New Orleans Mayor Ray Nagin was predicting thousands of casualties.124 State officials reported FEMA implemented a contract with Kenyon International in the immediate aftermath of the hurricane. According to officials, Kenyon was not given the support it needed from FEMA to meet its objectives and ended up pulling out of the contract. Ultimately, Louisiana contracted with Kenyon directly.125

When asked whether FEMA had contracts in place for disaster-related supplies, including tarps, ice, generators, and temporary shelters, Brown equivocated, stating they had some contracts in place for provision of MREs, water, ice, temporary housing, and some of the trailers. In other cases, however, FEMA had to “start buying off the street to meet the demand.”126

By the end of September, it was reported that 80 percent of the contracts — and half of the $3.2 billion spent — had been awarded without full and open competition.127 The agency awarded 60 percent of its contracts without full competition in October 2005, 68 percent in November 2005, and 50 percent in the first half of December.128

The Select Committee heard testimony from representative companies that contracted with FEMA and USACE to provide immediate response and recovery requirements to the federal government. Carnival Cruise Lines provided temporary housing; The Shaw Group provided, among other services, “blue roof” emergency tarps to cover storm-damaged homes; Landstar System provided transportation support, including trucks for supplies and buses for evacuees; AshBritt provided debris removal services; Innotech provided emergency packaged meals.129

**Typical contracting issues**

The experiences of The Shaw Group are typical of the issues raised by contractors in the aftermath of Katrina. The company is a $3+ billion company with 20,000 employees worldwide. According to company officials, Shaw performed $800 million in federal work last year, and contracts for Hurricane Katrina and Rita relief have been the firm’s biggest undertaking.130 Shaw was originally awarded two separate $100 million contracts: the first by the USACE and the second by FEMA. Shaw
is participating in competitive procurements for FEMA requirements which, originally, were awarded on a sole-source basis. USACE contracts (including blue roof and rapid response contracts) were awarded on a non-competitive basis. Overall, most of Shaw’s business comes from USACE ($300 million), followed by DOD, DOE, and the EPA.

The Friday before the storm, the Shaw Group was asked by another firm to conduct damage assessments and inspections. They were also contacted by FEMA and the USACE to begin work. They established a command center in Baton Rouge run by a retired general who served as the point of contact for all requests. FEMA placed a contract specialist within Shaw’s operations to help with compliance and other issues. Officials were unsure if other companies were offered FEMA assistance as well but said they offered to provide Shaw personnel at FEMA.

According to company officials, Shaw’s existing blue roof contract uses the highest number of workers from the impacted areas of any firm project. Last year, Shaw took Louisiana contractors to Florida, which made preparations and response for this event easier. Their rapid response contract has expanded over the years and was activated by the USACE. Shaw was not successful in a bid for a debris removal contract.

Shaw officials raised several concerns, which were typical of the issues raised by several contracting firms:

- **Liability**—Shaw officials expressed concern that the federal government might hold them liable for environmental issues arising from pumping contaminated water out of the city.
- **Changing Requirements**—FEMA tasked Shaw with securing temporary housing, which the company began doing, before FEMA officials changed their minds. Although they did not lose money, the company did lose time and goodwill.
- **Contract Signing and Follow-through**—Shaw officials had problems getting contracts signed by the appropriate agency officials. Although all the contracts have since been signed, payments from FEMA remain slow. Because Shaw’s subcontractors are generally small businesses with tight cash flow, they cannot wait long for payment. Shaw also had to turn down certain projects because it had no indication from FEMA that it would be paid. The Stafford Act requires that the federal government give preference, if practicable, to local businesses. However, this was largely not done and, according to Shaw officials, some local companies have since gone out of business. For example, debris removal contracts were given to Minnesota, California, and Florida firms.
- **Conflicts of Interest**—Shaw officials continue to struggle with the propriety of working for FEMA and for the parishes. Officials indicated complications could arise if FEMA hires them to assess a situation, and then a parish hires them for rebuilding using FEMA money.
- **Bonding**—Shaw officials did not know what the bonding requirements were for Katrina recovery work. However, they noted few small subcontractors are bonded to levels necessary to enable them to perform major contracts.

**Oversight and proposed reforms to address outstanding issues**

Although some emergency awards were made on a sole-source basis, they do not constitute the majority of those awarded in support of the relief efforts. Nevertheless, FEMA recognized the need to revisit non-competitive contracts issued quickly immediately after the storm. Shortly after emergency needs arose, DHS’s Chief Procurement Officer (CPO) requested the OIG to begin overseeing FEMA’s acquisition process. The DHS-IG assigned 60 auditors, investigators, and inspectors.
and hired additional oversight personnel. DHS-IG staff reviewed the award and administration of all major contracts, including those awarded in the initial efforts, and the implementation of the expanded use of government purchase cards. The staff are continuing to monitor all contracting activities as the government develops its requirements and as the selection and award process unfolds. In addition, 13 different agency OIGs have committed hundreds of professionals to the combined oversight effort, with a significant part of the oversight provided by DOD, the various service audit agencies, and criminal investigative organizations.139

To ensure that any payments made to contractors are proper and reasonable, FEMA has engaged the Defense Contract Audit Agency (DCAA) to help it monitor and oversee payments made and has pledged not to pay on any vouchers until each one is first audited and cleared. In addition, DHS’s CPO met with each of the large Katrina contractors to impress upon them the need to ensure all charges are contractually allowable, fair, and reasonable. Finally, the GAO has sent a team to the Gulf coast area to provide an overall accounting of funds across the government and evaluate what worked well and what went wrong at the federal, state and local levels.

FEMA has indicated it will revisit non-competitive arrangements made immediately after the storm. In addition, on September 16, FEMA instituted its Phase II plan. Under this arrangement, competitive procurements for relief efforts will be reconstituted and revitalized. DHS officials indicated FEMA would formalize the original emergency agreements to establish clearly the terms and prices and then review all the requirements and decide whether any particular contract needs to be completed in the short term. If there is a continuing need for the requirement, the initial contract will be left in place only long enough for a competition to be held. The competitively awarded contracts will then replace the original arrangement. FEMA officials plan to ensure as much of the work as possible goes to local small firms.

Procurement officials acknowledged the initial contracting response was poor, with little planning and inadequate resources. However, these same officials stated the procurement system had sufficient flexibility to meet the challenge posed by Katrina.

Finding: Before Katrina, FEMA suffered from a lack of sufficiently trained procurement professionals. DHS procurement continues to be decentralized and lacking a uniform approach, and its procurement office was understaffed given the volume and dollar value of work

FEMA’s grossly understaffed acquisition unit was not ready for the Katrina disaster. FEMA had 55 acquisition slots, and procurement officials think it should have had a minimum of 172. Further, only 36 of the 55 slots were actually occupied. FEMA is one of the DHS agencies that are not under the control of the DHS chief procurement officer, thus the FEMA acquisition office reported to Michael Brown. As of the time of the interview, FEMA was relying upon staff from the central acquisition office, comprised of 60 acquisition personnel and led by a member of the Senior Executive Service. Regardless, the office was understaffed.

Prior to Hurricane Katrina, the OIG had repeatedly cited as a major challenge the lack of consistent contract management for large, complex, high-cost procurement programs. DHS procurement continues to be decentralized and lacking a uniform approach. DHS has seven legacy procurement offices that continue to serve DHS components, including FEMA. Notably, FEMA has not been reporting or tracking procurements undertaken by its disaster field offices, and its procurement office remains understaffed given the volume and dollar value of work. The CPO recently had established an eighth office called the Office of Procurement Operations to meet the procurement needs of the rest of DHS.
Louisiana officials also noted a shift during the Katrina recovery of the personnel FEMA placed in charge of contracting and logistical decisions. Instead of relying on FEMA’s regional personnel, with whom the state is accustomed to working in the aftermath of a disaster, FEMA sent headquarters officials to the affected areas to make key contracting and logistical decisions, causing the process to become more bureaucratic. For example, adding individuals to FEMA’s Individual Assistance Program has been problematic, according to local officials.

In the past, the FCO from Region VI was able to add individuals in the field. With Katrina, however, state officials had to send the request to FEMA headquarters, which has become, some say, “gridlocked.” Further, as previously mentioned, Louisiana state and local officials also criticized FEMA contracting. They said the focus seems to be shifting from the local FCO to FEMA headquarters and becoming more bureaucratic in the process.

Finding: Ambiguous statutory guidance regarding local contractor participation led to ongoing disputes over procuring debris removal and other services

Under the Stafford Act, federal contracts with private firms for debris clearance, distribution of supplies, reconstruction, and other activities must give preference, to the extent feasible and practicable, to organizations, firms, and individuals from the area affected by the disaster or emergency. However, there is no statutory guarantee that, after a major disaster or emergency, recovery and reconstruction work will be awarded to businesses, organizations, and individuals, regardless of where they are from.

The award of federal contracts for disaster or emergency assistance activities are, in general, governed by the standard competitive bidding statutes that apply to all government contracting activities. The Stafford Act, however, contains a “local preference” provision, which can be implemented by the inclusion in a solicitation of a clause creating a price preference for local firms or by a set-aside that only permits local firm to compete. The implementation is at the discretion of the contracting officer. Significantly, the Stafford Act local preference is not a guarantee that local firms will be awarded recovery contracts.

Similarly, prime contractors are often required to give preference to local subcontractors. USACE Acting Principal Assistant Responsible for Contracting, Colonel Norbert Doyle, suggested there is some uncertainty as to the geographical preferences allowed and required by the Stafford Act. Another official testified that different laws are necessary and stated “[the Stafford Act is] like bringing a donkey to the Kentucky Derby.”

Numerous public officials have complained about the small number of local firms given relief contracts, particularly with regard to debris removal. AshBritt, the Florida-based prime contractor for debris removal in Mississippi, was awarded a contract in early September by USACE. According to AshBritt official Randy Perkins, the company was one of 22 firms that bid for USACE debris removal contracts. AshBritt won the Louisiana and Mississippi debris removal contracts, making the firm the only contractor for that job in those states. AshBritt was notified of the award 72 hours after the RFP was advertised.

The debris removal contracts have a $150 million ceiling at $30 million per year, and were intended by USACE to get work underway as soon as possible, with the agency reassessing the requests later. USACE’s delay in issuing RFPs was understandable given the disaster, according to Perkins. He stated, it costs “hundreds of thousands of dollars to keep pre-existing contracts in...
place, and firms receive no funding for this upkeep, which represents a free insurance policy for USACE," and few companies can secure the bond necessary to perform such a large-scale project. ¹⁶⁸  

AshBritt official Perkins says he encountered political “fallout” from local officials because the company is not based in Mississippi or Louisiana. ¹⁶⁹ The Select Committee was not able to substantiate his allegation, however. Perkins also discussed receiving mixed messages from local officials and “officials in D.C.” While state officials told him “just get the debris out,” he indicated officials in D.C. sent the message to “hire local workers.” Although the company’s contract with the government does not require it to hire local workers, Perkins says local contractors receive 80 percent of AshBritt’s payments to sub-contractors. ¹⁷⁰ Although this percentage seems to differ from data provided in USACE progress reports, the Select Committee was not able to substantiate the actual level of debris removal work provided by the local sub-contracting community.

Brown suggested the scale of the disaster and the complexity of the response require a large firm’s expertise:

Debris is a huge issue. Debris is one of those issues that is fraught with local politics. It’s fraught with fraud, waste and abuse [and] in cleaning up debris in a situation like Katrina, you really have to have experts overseeing that global perspective because you have hazardous waste. You have the whole issue of private property versus public property . . . . So I would caution us about going down a path that says we’re going to have all locals do it. I know, in my subdivision, the local garbage folks are very adept at picking up my trash twice a week, and they’re pretty good about hauling out debris after a storm or something. But in the kind of debris removal we’re talking about in Mississippi, Alabama and Florida from last year and this year, you really need to have a substantial company overseeing that, to not only protect the taxpayers, but to make sure it’s done right. ¹⁷¹

Later Brown said, “in a small town that’s hit by a tornado and you have to clean up 45 blocks, city blocks, that’s one thing. Here, where you’re cleaning up entire cities, it’s a different issue. So I would just caution that we approach that systematically.” ¹⁷²

Even if this point is conceded, it appears that, despite the Stafford Act’s preference provision, only a fraction of the money being spent in Mississippi is going to subcontractors based there, according to press reports citing documents from FEMA and USACE: ¹⁷³

- Of approximately $3.1 billion FEMA had awarded by Nov. 4, only $52.4 million, or about 1.7 percent, had gone to Mississippi firms.
- Of the $476 million that has been spent by the Corps of Engineers in Mississippi as of Nov. 2, about 28.5 percent has gone to Mississippi companies through direct contracts and subcontracts.
- Of the $164 million AshBritt has been paid so far by the Corps, only about $30 million, about 18 percent, has made it to Mississippi subcontractors.

However, Perkins said AshBritt has far exceeded its contractual requirements for hiring local, small, and minority-owned businesses. ¹⁷⁴ “People don’t understand that the general administrative costs are very high. It takes a lot to manage one of these projects,” according to Perkins. “We have a tremendous amount of quality control people and logistical support and we need to pay for their housing.” ¹⁷⁵ He said the data released by USACE do not reflect the involvement of Mississippi businesses because there are several major contractors from the state that he called “team members,” who are helping the company administer the overall contract. He said AshBritt also has provided “hundreds” of administrative jobs to Mississippians.

Use of local firms

Some have suggested FEMA’s policies need to be changed to have local contractors in Gulf states ready to begin recovery work well before hurricane season. ¹⁷⁶ For instance, instead of hiring the USACE to manage debris removal, states susceptible to hurricanes could prepare lists of businesses who meet federal standards to remove debris or haul trailers, thereby enabling local governments to award their own contracts. Local governments are more likely to go with local contractors and local governments have been able to get the job done more quickly and cheaply. ¹⁷⁷
As of December 2005, of the nearly $8 billion expended by all direct contracts with the federal government, only five cents of every dollar reached Mississippi prime contractors. Expenditure rates show DHS (including FEMA) has spent $4,150,359,361, with 3.5 cents for every dollar contracted directly to Mississippi businesses. A January 23, 2006 USACE report reported USACE awarded over $2.3 billion in Katrina contracts with 3.54 percent of total contract dollars going to Mississippi businesses.

Rep. Pickering noted Congress wrote the Stafford Act to maximize the impact of federal dollars by giving preference to local contractors, strengthening the damaged economy and providing jobs to communities and victims of the disaster. . . . Mississippians have the ability, capacity and personal incentive to do this work. We want to rebuild and restore our home state, and these federal contracts will help our economy more through local contractors than sending the money to out-of-state corporations. Current federal policy discourages local governments from assuming responsibility for debris removal. Local officials are responsible for a cost share of 10 to 25 percent (depending on the magnitude of the disaster) if they use their own contracts. However, if USACE contractors are used, the reimbursement for the life of the debris removal effort is 100 percent with no cost share. Communities removing their own debris have been notified they will incur a 10 percent cost share beginning March 16, 2006. Additionally, the specter of a federal audit can be very intimidating for local officials, especially for rural communities and those that have incurred major damage. Risk can be avoided by simply signing on with USACE, even if it is more costly and offers less control. For example, USACE is removing debris in Waveland, Mississippi and other locations at a reported cost of approximately $23 per cubic yard. Nearby Gulfport hired its own contractor at $14.95 per cubic yard and appears to be making faster progress. Gulfport’s action is particularly bold given their significant loss of ad valorem tax base. Finally, the $8.05 per cubic yard margin is particularly substantial given the 40 million cubic yard debris removal requirement in Mississippi alone.

Ambiguities regarding the implementation of local contractor preference under the Stafford Act should be resolved. In addition, clear, unambiguous remedies and penalties for failure to meet such statutorily mandated preferences may need to be considered.

FEMA response to local participation issue

In response to these concerns, FEMA plans a two-pronged approach. First, FEMA will competitively award multiple five-year technical assistance contracts to small disadvantaged businesses for recovery work in the Gulf states, with evaluation preferences keyed to the location of both the prime contractor and subcontractors in the affected areas. Second, FEMA plans a full and open competition for multiple five-year contracts to provide technical assistance support on a national basis for disaster response and recovery. Under this competition, FEMA will require that these prime contractors meet significant small business subcontracting goals, including the preference for local businesses as provided under the Stafford Act.

Through this strategy, FEMA hopes to provide a diverse group of companies the opportunity to contract with FEMA for the Gulf coast hurricane recovery by adding prime contracting opportunities for small disadvantaged businesses with a geographic preference for those located in the Gulf states. The national competition approach is intended to preserve subcontracting goals and opportunities for small and disadvantaged businesses as part of all prime contracts for future disasters. Both strategies will emphasize the importance of using local businesses, a critical piece of a successful economic recovery in a disaster-ravaged area. Select Committee staff did not receive detailed information on what efforts, if any, USACE is planning for its long-term Katrina-related acquisitions.

In addition, DHS representative Larry Orluskie said FEMA is changing some of its policies. Recently, FEMA announced it will set aside $1.5 billion under 15 contracts worth up to $100 million apiece. Acting FEMA Director David Paulison stated that priority would be given to local contractors on the five-year contracts for trailer maintenance. Orluskie also cited the rebidding of several large, prime contracts as evidence that the agency is trying to be as transparent as possible in its contracting
process. Regarding the $100 million contracts held by Bechtel, Fluor, Shaw, and CH2M Hill, agency officials said the requests have been completed and will be awarded again in February 2006.

Nevertheless, Carwile testified “the Public Assistance program provided under Section 406 of the Stafford Act is far too cumbersome and time consuming in terms of getting funds through the states down to the impacted communities” and “could be totally revamped . . . .” He said “[t]he program is one of the most difficult and contentious aspects of disaster recovery,” and “the entire issue of Federal reimbursement for debris removal should be addressed in a comprehensive manner.”

Finding: Attracting emergency contractors and corporate support could prove challenging given the scrutiny that companies have endured

When federal agency resources were overwhelmed and existing contractors unable to meet the huge demands created by the storm, federal officials turned to the private sector for assistance. In an effort to meet pressing needs by any means possible, federal officials looked to alternative sources for food, transportation, and housing. Many of the firms approached by agency officials had never contracted previously with the federal government. Housing was one resource in short supply. Officials considered a variety of options to shelter victims and first responders, and approached a number of cruise ship operators.

According to Carnival Cruise Lines representatives, on Wednesday, August 24, federal officials contacted the company regarding chartering ships. Carnival found this unusual given that the firm had never served as a federal contractor. “[W]e were watching just the total devastation, and we felt very strongly that it was a situation where we were in a position to help, and we very much wanted to help,” stated Terry Thorton, a Carnival Vice President.

The Military Sealift Command informed Carnival the RFP was being issued. Carnival indicated it wanted to “help” and responded to the RFP. Thirteen ships were potentially available from Carnival and others. Four ships ultimately met the RFP requirements (which included a requirement for medical and pharmaceutical facilities), three belonging to Carnival. Carnival received the RFP at 9 a.m. Friday, and the initial response was due two hours later at 11 a.m. Carnival offered three ships, and negotiated all day with “best and final” offers provided at 9 p.m.

Carnival based its bid on projected cruise revenue for six months out, and agreed it would reduce the final bill and provide a refund if, after an internal audit by an independent accounting firm, it was found Carnival earned more than it would have in the cruise market. To make the ships available, Carnival canceled approximately 100,000 existing reservations for which travel agent fees still had to be paid. Carnival makes its profit from ticket sales and “add-ons” (drinks, shore excursions, etc.) and not in the “time charter” business, which is a comprehensive package of food, beverages, and activities. In addition, it incorporated taxes into its offer,
which will be refunded if it is determined it does not owe taxes under U.S. law.197

Despite these provisions, numerous public officials and press reports have criticized the arrangement. Attention focused on the ships when FEMA revealed it intended to use them to house first responders. At the time, housing for first responders was in short supply, and FEMA sought out a variety of options. “I’m not sure that everyone on this panel would have made the same choice that FEMA made, but this was FEMA’s choice as to how they wanted to house people . . . . And you’ve simply said, ['if you want us to do this, here’s what the circumstances are,'] and FEMA said, ['that’s okay with us,'] and we accept that,” stated Rep. Jefferson.198 When appreciation was expressed by Select Committee Members for Carnival’s assistance, Carnival officials replied, “[t]hank you. Because honestly, that’s one of the few times that we’ve really been thanked for the effort . . . .”199

The intense public scrutiny could limit the willingness of private sector companies to offer assistance during future disasters. Several firms expressed the view that the challenges associated with emergency contracting may not be worth the trouble. Finally, unfounded negative publicity harms company reputations. Public sector missions divert company assets from primary missions and could raise questions about whether a company was meeting its fiduciary duty to shareholders. Given the important role the private sector played in all aspects of the response and recovery, any loss of private sector involvement could be critical. ■
A FAILURE OF INITIATIVE


3 DHS IG Rpt. at 111.

4 Amy Belasco, Cong. Research Service (CRS), Reallocation of Hurricane Katrina Emer. Appropriations: Defense and Other Issues (Dec. 15, 2005) at CRS-3 [hereinafter CRS Approps Rpt.].

5 Id. at CRS-3-CRS-4.

6 Frank Donze, Nagin decry slow pace of relief, TIMES-PIC. (New Orleans, LA) Oct. 21, 2005 at 1.


11 Sept. 27, 2005 Select Comm. Hearing at 65 (statement of Michael Brown). Note, each trailer contained 18,000 meals.

12 Id. at 150 (statement of Rep. Chip Pickering).

13 Id. at 65 (statement of Rep. Gene Taylor).

14 Id. at 66 (statement of Michael Brown).


16 Id.


18 Id.

19 Id.

20 Id.

21 Interview by Select Comm. Staff with Bruce Baughman, Director, Alabama Emergency Management Agency, in Clancy, AL (Oct. 11, 2005) [hereinafter Baughman Interview].

22 Interview by Select Comm. Staff with Tim Payne, Branch Chief and Emergency Management Program Coordinator, Alabama, in Clanton, AL (Oct. 11, 2005) [hereinafter Payne Interview].

23 Baughman Interview.

24 Id.

25 Id.

26 Payne Interview. These items included transportation, water, ice, materials handling equipment, cots plus bedding supplies, sandbags, meals, fuel, tarps, project management and logistics services, special needs beds, headquarters / office coordination capabilities.

27 Sept. 27, 2005 Select Comm. Hearing at 73 (statement of Michael Brown).

28 Frank Davies, Gore: Bush: Keep Disaster Response Local, HERALD (Miami), Oct. 20, 2005 at A-26 [hereinafter Herald Article].

29 Id.

30 Briefing for Select Comm. Staff by Gary Moore, Director of Logistics, FEMA (Jan. 9, 2006).

31 See Interview by Select Comm. Staff with Scott Wells, Deputy FEMA Federal Coordinating Officer, in Baton Rouge, LA (Nov. 9, 2005), [hereinafter Wells Interview]; see also Interview by Select Comm. Staff with Tony Robinson, FEMA Operations Officer, in Baton Rouge, LA (Nov. 10, 2005) [hereinafter Robinson Interview].

32 Interview by Select Comm. Staff with Matt Farlow, Chief Information Technology Division (LOHSEP), in Baton Rouge, LA (Nov. 4, 2005) [hereinafter Farlow Interview].

33 Id.

34 Id.

35 Id.


37 See Doran Interview; see also Ballou Interview.

38 See Wells Interview; see also Robinson Interview.

39 Robinson Interview.

40 Id.

41 Id.

42 Id.

43 See Doran Interview; see also Ballou Interview; see also Interview by Select Comm. Staff with Dr. Walter Maestri, Emergency Manager for Jefferson Parish, in New Orleans, LA (Nov. 8, 2005) [hereinafter Maestri Interview]. Interview by Select Comm. Staff with Lass Hingle, Plaquemines Parish Sheriff, in New Orleans, LA (Nov. 8, 2005) [hereinafter Hingle Interview]; see also Interview by Select Comm. Staff with Terry Ebbert, Director of Homeland Security for the City of New Orleans, in New Orleans, LA (Nov. 9, 2005) [hereinafter Ebbert Interview].

44 Farlow Interview.
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Sept. 27, 2005 Select Comm. Hearing at 110 (statement by Michael Brown); see also Interview by Select Comm. Staff with Bill Lokey, FEMA Federal Coordinating Officer, in Washington, DC (Dec. 2, 2005) [hereinafter Lokey Interview].

See Doran Interview; see also Ballow Interview; see also Lokey Interview; see also Interview by Select Comm. Staff with Phil Parr, Dep. Fed. Coordinating Officer, FEMA, in Washington, DC (Dec. 8, 2005) [hereinafter Parr Interview].

Interview by Select Comm. Staff with Andy Kopplin, Chief of Staff to Governor Blanco, in Baton Rouge, LA (Nov. 6, 2005) [hereinafter Kopplin Interview].

See Maestri Interview; see also Hingle Interview; see also Ebbert Interview.

Maestri Interview.

See, Interview by Select Comm. Staff with Jeff Smith, Deputy Director, Louisiana Office of Homeland Security and Emergency Preparedness, in Baton Rouge, LA (Nov. 7, 2005) [hereinafter Smith Interview]; see also Lokey Interview; see also Wells Interview.

Ebbert Interview.

Id.

Kopplin Interview.

Hingle Interview.

See Wells Interview; see also Robinson Interview.

Id.

Id.

Robinson Interview.


Id. at 108 (statement of Michael Brown).

Id. at 110 (statement of Michael Brown).

Id. at 108 (statement of Michael Brown).

Id. at 110 (statement of Michael Brown).

Sept. 28, 2005 Senate Comm. Hearing at 5-6 (written statement of Melvin Holden).

Id. at 7 (written statement of Melvin Holden).


Id.

Sept. 27, 2005 Select Comm. Hearing at 164 (statement of Michael Brown).

Id. Note, Mr. Brown left FEMA shortly after this plan was devised. He testified that he was unaware of whether this proposal was ultimately implemented. Sept. 27, 2005 Select Comm. Hearing at 164 (statement of Michael Brown).


Id.

Baughman Interview.

Baughman Interview; see also Interview by Select Comm. Staff with David Tranter, General Counsel for Alabama Emergency Management Agency, in Clanton, AL (Oct. 11, 2005) [hereinafter Tranter Interview].

Interview by Select Comm. Staff with Toby Roth, Chief of Staff to Governor Barbour, in Montgomery, AL (Oct. 12, 2005) [hereinafter Roth Interview].

Dec. 8, 2005 Senate Comm. Hearing at 6 (written statement of William Carwile).


Id. at 149-150 (statement of Michael Brown).

Dec. 8, 2005 Senate Comm. Hearing at 6 (written statement of William Carwile).

Id. at 163 (written statement of William Carwile).


Id. at 2 (written statement of David. M. Ratcliffe).

Id. at 5 (written statement of David. M. Ratcliffe).

Id. at 7-8 (written statement of Kevin T. Regan).

Id. at 3 (written statement of Stanley S. Litow).

Id.


See generally, DHS IT Report; see also Laurie Sullivan, FEMA’S Foul-up: Report says agency’s computer systems failed to track supplies during last year’s hurricane season, INFOR. WEEK, Oct. 3, 2005 [hereinafter FEMA Foul Up Article].

FEMA Foul Up Article.

DHS IT Report at 21.

Id. at 3.

Id. at 27.

FEMA Foul Up Article.

DHS IG Report at 46.

FEMA Foul Up Article.

Id.

Id.
99 Katrina Spending Highlights, ASSOC. PRESS, Sept. 8, 2005.
100 Sept. 28, 2005 Senate Comm. Hearing at 47 (statement of Dan Coody).
101 Id.
102 Id. at 79 (statement of Dan Coody). Mr. Coody further stated that Wal-Mart "immediately responded by sending two engineers to create a warehouse system for our facility, a distribution center supervisor and two additional employees to oversee the operation. During peak hours we had over 100 volunteers, city employees, Wal-Mart employees, and work release inmates working side by side to organize the donations. The trailers were unloaded by Saturday [September 10], and the donations were ready for shipment by September 15."
104 Id. at 2 (statement of Kevin T. Regan).
105 Id. at 1-2 (statement of Jason Jackson).
106 Id. at 22 (statement of Stanley S. Litow).
108 Id. at 2-3 (written statement of Dan Coody).
109 Id. at 48 (statement of Dan Coody).
110 Id.
111 Id. at 49-50 (statement of Dan Coody).
112 Id. at 60 (statement of Dan Coody).
113 Id. at 60-61 (statement of Dan Coody).
114 Id. at 81 (statement of Dan Coody).
115 Id.
116 Id.
118 Contracts Article.
120 Interview by Select Comm. Staff with Greg Rothwell, DHS Chief Procurement Officer, and Mui Erkum, Chief of Staff to Greg Rothwell, in Washington, D.C. (Sept. 19, 2005) [hereinafter Rothwell / Erkum Interview].
121 Id.
122 Smith Interview; see also Maestri Interview.
123 Smith Interview.
124 Id.
125 Id.
126 Sept. 27, 2005 Select Comm. Hearing at 100 (statement of Michael Brown).
128 Id.
129 See generally Nov. 2, 2005 Select Comm. Hearing.
131 The blue roof program involves teams of contract personnel professionally installing high quality plastic sheeting over damaged roofs. This was first used extensively following Hurricane Andrew and again in Hurricane Georges in Puerto Rico, and, in 2004, in Florida. It enables families to reoccupy their houses until more permanent repairs can be made.
132 Marlo / Bevan Interview.
133 Id.
134 Id.
136 Rothwell / Erkum Interview.
137 Id.
138 Id. Procurement officials indicated that the $250,000 card threshold increase was unnecessary and did not plan to use it.
139 Rothwell / Erkum Interview.
140 Id.
141 Id.
142 Id.
143 Id.
144 Id.
145 Id.
146 Id.
147 Id.
148 Id.
149 See generally Rothwell / Erkum Interview.
150 Id.
152 Smith Interview.
153 Id.
A FAILURE OF INITIATIVE

154 Id.

155 See Smith Interview; see also Maestri Interview.

156 During the Nov. 2, 2005 Select Comm. Hearing on contracting, Members posed questions that witnesses from DHS and FEMA were unable to answer. Although they committed to providing answers to these questions as well as additional information, agency personnel failed to do so despite repeated inquiries. See generally, Nov. 2, 2005 Select Comm. Hearing.


159 See Stafford Act at §§ 5121-5206, which directs that preference be given “to the extent feasible and practicable” to businesses and individuals from the affected areas.


161 See Stafford Act at §§ 5121-5206.


163 Dec. 8, 2005 Senate Hearing (statement of Scott Wells, Deputy Federal Coordination Officer, FEMA (citing press reports)


165 Interview by Select Comm. Staff of Randy Perkins, Managing Vice President of AshBritt Environmental, Inc., in Washington, D.C. (Nov. 14, 2005) [hereinafter Perkins Interview].

166 Id.

167 Id.

168 Id.

169 Id.

170 Id.

171 Sept. 27, 2005 Select Comm. Hearing at 150-151 (statement of Michael Brown).

172 Id. at 153 (statement of Michael Brown).

173 Joshua Cogswell, Doling of storm funds rapped, CLARION-LEDGER (Jackson, Mississippi) Nov. 13, 2005 at 1A [hereinafter Storm Funds Article].

174 Id.

175 Id.


178 Dep’t of Homeland Security, Report of U.S. Gov’t Direct Contracts, including FEMA, as provided by the HCIC, as of December 12, 2005.


180 U.S. Army Corps of Engineers, Small/Local Business Update as of 1/23/06.


182 Mike Brunker, Dust flies over Katrina’s Debris, MSNBC, Jan. 29, 2006.

183 Interview (Telephone) by Rep. Pickering Staff with Brent Ware, Mayor, Gulfport, MS from Washington, D.C. (Dec. 2005).

184 Select Committee Members who toured the Gulf coast in January 2006 agreed with this assessment.

185 Storm Funds Article.

186 Id.

187 Id.

188 Id.

189 Id.

190 Id.

191 Id.


194 Nov. 2, 2005 Select Comm. Hearing at 170 (statement of Terry Thornton).

195 Carnival Counsel Interview.

196 Id.

197 Id.

198 Id.

199 Id. at 173-174 (statement of Terry Thornton).
“While well intentioned, the volunteers never had a good grasp on security requirements for financial assistance distribution operations. On numerous instances, the ARC [American Red Cross] volunteers would simply find a vacant parking area and commence voucher distribution operations. Immediately, crowds would gather and would overwhelm the distribution site. The ARC would then call on the Guard for assistance.

“Repeated attempts were made to reinforce the need for prior coordination for site security. It was not until mid-September that the ARC started coordinating these operations.”

Major General Harold A. Cross
The Adjutant General, State of Mississippi
In Response to Questions from Select Committee, November 22, 2005